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(Address of principal executive offices) (Zip Code)

Issuer's telephone Number: (201) 275-0555

Securities registered under Section 12(b) of the Exchange Act:

Title of each class	Name of each exchange on which registered
Common Stock, \$0.001 par value	The Nasdaq Capital Market

Securities registered under Section 12(g) of the Exchange Act: None

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required 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 check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting

company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated Filer

Non-accelerated filer (Do not check if a smaller reporting company) 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

The aggregate market value of the common stock held by non-affiliates of the registrant, based upon the last sale price of the common stock of the Company as of the last business day of its most recently completed second fiscal quarter, or March 31, 2015, was approximately \$35,556,262.

The number of shares of registrant’s common stock outstanding, as of June 16, 2016 was 17,155,478.

**DOCUMENTS INCORPORATED BY REFERENCE**

**TABLE OF CONTENTS**

	<b>Page</b>
<b><u>PART I</u></b>	
<u>Item 1. Business</u>	1
<u>Item 1A. Risk Factors</u>	5
<u>Item 2. Properties</u>	11
<u>Item 3. Legal Proceedings</u>	11
<u>Item 4. Mine Safety Disclosures</u>	11
<b><u>PART II</u></b>	
<u>Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	12
<u>Item 6. Selected Financial Data</u>	13
<u>Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	13
<u>Item 8. Financial Statements and Supplementary Data</u>	19
<u>Item 9. Changes In and Disagreements with Accountants on Accounting and Financial Disclosure</u>	19
<u>Item 9A. Controls and Procedures</u>	20
<u>Item 9B. Other Information.</u>	20
<b><u>PART III</u></b>	
<u>Item 10. Directors, Executive Officers and Corporate Governance:</u>	21
<u>Item 11. Executive Compensation</u>	26
<u>Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	31
<u>Item 13. Certain Relationship and Related Transactions, and Director Independence</u>	32
<u>Item 14. Principal Accounting Fees and Services</u>	32
<b><u>PART IV</u></b>	
<u>Item 15. Exhibits</u>	33
<b><u>SIGNATURES</u></b>	35

## **FORWARD LOOKING STATEMENTS**

This Transition Report on Form 10-K (including the section regarding Management's Discussion and Analysis and Results of Operation) contains forward-looking statements regarding our business, financial condition, results of operations and prospects. Words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates" and similar expressions or variations of such words are intended to identify forward-looking statements, but are not deemed to represent an all-inclusive means of identifying forward-looking statements as denoted in this Transition Report on Form 10-K. Additionally, statements concerning future matters are forward-looking statements.

Although forward-looking statements in this Transition Report on Form 10-K reflect the good faith judgment of our management, such statements can only be based on facts and factors currently known by us. Consequently, forward-looking statements are inherently subject to risks and uncertainties and actual results and outcomes may differ materially from the results and outcomes discussed in or anticipated by the forward-looking statements. Factors that could cause or contribute to such differences in results and outcomes include, without limitation, those specifically addressed under the heading "Risks Factors" in this Transition Report on Form 10-K. Readers are urged not to place undue reliance on these forward-looking statements, which speak only as of the date of this Transition Report on Form 10-K.

We undertake no obligation to revise or update any forward-looking statements in order to reflect any event or circumstance that may arise after the date of this Transition Report on Form 10-K, except as required by law. Readers are urged to carefully review and consider the various disclosures made throughout the entirety of this Transition Report, which are designed to advise interested parties of the risks and factors that may affect our business, financial condition, results of operations and prospects.

## PART I

### ITEM 1. DESCRIPTION OF BUSINESS

#### General

We are a mobile location-based advertising platform serving businesses, advertisers and brands. Through our platform, our solutions allow marketers to create content targeted to audiences, based on location, interests, behaviors and loyalty. Through the proliferation of mobile devices, SITO Mobile provides our customers with the ability to deliver actionable content in a real-time manner, while providing measurement and analytics that allow campaigns to be fluid and transaction driven.

The rebranding as SITO Mobile in September 2014 follows a period of expansion for the Company throughout the U.S. and Canada. The new corporate identity is intended to reinforce our emphasis on mobile location-based advertising and mobile messaging platforms that give brands, agencies and retailers the ability to transform digital marketing by delivering targeted mobile advertising campaigns based on geo-location, in-store traffic and customer response. Our platform also drives focus on our core offerings and launches enhancements to location-based advertising products, such as Verified Walk-in, our proprietary mobile attribution engine. We believe this will give clients the appropriate measurement, beyond click through rates to properly assess return on investment and alter advertising programs in real-time, which we believe can mean the difference in competitive advantage.

Our offerings now include:

*SITO Location Based Advertising* – Deliver display advertisements and videos (rich media) on behalf of advertisers, including the following features:

Geo-fencing – Targets customers within a certain radius of location and uses technology to push coupons, ads and promotions to mobile applications.

Verified Walk-in – Tracks foot-traffic to locations and which ads drove action.

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Real-time Verified Walk-In (VWI), a proprietary technology that enhances how brands measure and optimize mobile advertising campaigns by reporting attribution and performance measurements to clients in real-time to help marketers make informed campaign decisions and appropriate adjustments to optimize campaign performance mid-campaign.

Behavioral Targeting – Tracks past behaviors over 30-90 day increments allowing for real-time campaign management.

Analytics and Optimization – Culling and building measurement system used to track metrics such as user demographics, psychographics, Cost Per Thousand Ad Impressions Served (“CPM”), click-throughs and time of engagement.

SITO Mobile Messaging – Platform for building and controlling tailored programs including messaging, customer incentive programs, etc.

Creates a direct channel to customers;

Builds customer loyalty;

Drives consumer interaction to increase sales; and

Everywhere – a portal/platform where customers can manage their own campaigns and can tailor to regions and products.

## Recent Developments

### *Year End Change*

On May 5, 2016, our Board of Directors approved a change in the Company's fiscal year from September 30 to December 31, effective immediately.

### *Amendment No. 1 to Agreement with Fortress Credit Co.*

On March 1, 2016, we entered into Amendment No.1 (the "Amendment") to the Revenue Sharing and Note Purchase Agreement (the "Fortress Agreement") by and among SITO Mobile Solutions, Inc., our wholly-owned subsidiary, SITO Mobile R&D IP, LLC, our wholly-owned subsidiary, Fortress Credit Co LLC, as collateral agent CF DB EZ LLC and the Fortress Credit Co LLC. Pursuant to the terms of the Amendment, principal payment on the Note issued pursuant to the Fortress Agreement was reduced from \$333,333 to \$175,000 for the period commencing on the last business day of February 2016 through the last business day of February 2017 and from \$333,333 to \$300,000 for the period commencing on the last business day of March 2017 to the last day of business on February 2018, with the final payment on the last business day on March 2018 increased to repay the remaining principal in full. In consideration for the Amendment, we agreed to paid a restructuring fee of \$100,000 and issued 200,000 shares of its common stock with an aggregate value of \$568,000 to the Investors.

### *Amendments to Articles of Incorporation or Bylaws*

On March 1, 2016, the Company filed a Certificate of Amendment to its Certificate of Incorporation to reduce the number of authorized shares of common stock from 300,000,000 to 100,000,000 shares.

On May 5, 2016, the Company's Board of Directors approved an amendment to its bylaws to include a forum selection provision.

## Background of Industry Growth and Potential



Across the globe, the mobile channel is growing fast. People in every country are buying more and more advanced mobile devices, and businesses and consumers alike are using mobile phones for everyday activities such as checking the weather, taking advantages of discounts, shopping or sending and receiving financial information. As the use of mobile phones increases, e-Business and channel strategy professionals are challenged to determine how these devices integrate with their existing sales and service channels. Rapid adoption of the mobile channel is a critical driver of the need for e-Business professionals to evolve their strategy and operations to agile commerce

### **Principal Products and Services**

***Location Based Advertising*** – We use location-based mobile advertising including geo-fencing, verified walk-ins and behavioral targeting with analytics and optimization for the client. “Geo-fencing” targets customers within a certain radius of location and uses technology to push coupons, ads and promotions to mobile apps and mobile websites in real-time. Analytics and optimization allow clients to measure campaign performance and insight into key metrics, with a measurement system to track key metrics like user demographics, psychographics, CPM, click-throughs and time of engagement. We also offer mobile messaging a platform for building and controlling tailored CRM programs using text messaging and voice calls. This enables marketers to develop the most intimate, direct digital channel to their customers. Our platform allows brands to access the right audiences at the right time in the key locations ultimately driving traffic and sales.

According to a report released by eMarketer, mobile advertising will account for the vast majority of growth in the global ad market over the next four years. New projections highlight the importance of digital devices in the world's advertising industry, the growth of which is projected to come primarily through mobile phones. Of the more than \$150 billion in global ad market growth projected through 2018, \$118 billion is expected to be derived from mobile advertising. Global expenditure on mobile ads is forecasted to increase to \$21 billion in 2015 from an estimated \$3.3 billion in 2011 (Gartner). BIA/Kelsey forecasts location targeted mobile ad revenues will reach \$10.8 billion and rise to 52% of overall mobile revenues by 2017. The number of U.S. smartphone owners using mobile coupons is expected to grow to 29.5 million, up from 7.4 million just two years ago (BI Intelligence).

We provide a product to deliver location based mobile advertisements directly to consumers' smartphones for retailers and advertisers. We have found that by combining multiple real time bidding networks with our ability to serve coupons, ads and promotions at times and places when consumers are most interested, we can create relevant content for consumers. We enable advertisers to deliver targeted ads in mobile applications ("Apps") to the smartphones of people within close proximity (approximately 15 feet) of a specific location. We launched this revenue stream in December 2013. Our revenue is driven by our sales of mobile advertising campaigns that feature banner ads on mobile devices. Our revenue is based on the same key media metrics as Internet advertising, which are the number of audience impressions and the CPM (cost per thousand) price to reach that audience. We enable advertisers to reach highly targeted audiences at CPM prices that are significantly below CPM prices for print and Internet advertising.

***Messaging and Notifications*** – Our Short Message Service (SMS) gateway has proven to be a channel for retailers to communicate with their brand loyalists on a very personal level. This is accomplished through integration with the client's customer relationship management (CRM) database. With such integration, retailers are able to send targeted mobile coupons and transactional messages based on a shopper's CRM profile. Targeted mobile coupons can be sent based on past purchase behaviors making the content relevant and timely to a shopper. Transactional messages can add another layer of value by sending shipping and order pick-up alerts, as well as notifications for reorders, layaway and new product releases. Our SMS uses short messages that are accepted in the mobile marketplace.

## **Competition**

The mobile media and data communications market for products and services continues to be competitive with the rapid growth and adoption of mobile data services, along with the increased demand for mobile marketing and advertising solutions.

We believe we have a unique offering of services and technology that will provide us with a competitive edge. However, some of our competitors are more established, benefit from greater name recognition, have larger customer bases and have greater financial, technical and marketing resources. Other competitors have proprietary technology that differentiates their product and service offerings from our product and service offerings. As a result of these competitive advantages, our competitors and potential competitors may be able to respond more quickly to market

forces, undertake more extensive marketing campaigns for their brands, products and services, and make more attractive offers to potential customers.

We compete with publicly traded companies providing similar service offerings to ours, including Facebook (FB), Twitter (TWTR), Tube Mogul (TUBE), Voltari (VLTC), and Mobivity (MFON) and private companies, including Ninth Decimal, PlaceIQ, xAd, Verve, ThinkNear, OpenMarket and Twilio.

We expect new market entrants, existing competitors and nontraditional players to introduce new products and services that compete with our products. Additionally, we face the risk that our customers may seek to develop in-house products as an alternative to those currently being provided by us.

### **Certain Agreements**

Our business agreements consist primarily of customer agreements and carrier agreements. Customer agreements are typically agreements with companies which have sales relationships with the end users of the transacted media content or service application. These agreements typically involve a split of the fees received between the brand owner and us or a fixed fee per transaction. Carrier agreements are infrastructure in nature and establish the connection to the end user that enables us to deliver and collect payment for the transacted media content or service application.

During the three months December 31, 2015, two customers accounted for 40% of our revenue, comprised of 22% from contracts with five customers covered under our master services agreement with AT&T, and 18% from multiple advertising contracts under one media placement customer.

## **Intellectual Property Development**

### *Patents and Licenses for Operations*

We currently hold rights to multiple purchased and developed patents relating to certain aspects of accessing information on a mobile device, sending information to and between mobile devices, advertising and media streaming. We believe the ownership of such patents is an important factor in our existing and future business. We have 24 patents issued from May 1998 to May 2016 in the United States.

We regularly file patent applications to protect innovations arising from our research, development and design, and are currently pursuing multiple patent applications. Over time, we have accumulated a portfolio of issued patents primarily in the U.S. No single patent is solely responsible for protecting our systems and services. We believe the duration of our patents is adequate relative to the expected lives of our systems and services.

Some of our systems and services may include intellectual property obtained from third parties. It may be necessary in the future to seek or renew licenses relating to various aspects of our systems and services. There is no guarantee that such licenses could be obtained on reasonable terms or at all. Because of technological changes in the industries in which we compete, current extensive patent coverage, and the rapid rate of issuance of new patents, it is possible that certain components of our systems and services may unknowingly infringe existing patents or intellectual property rights of others.

### *Patent Portfolio Development, Protection and Licensing.*

We have a portfolio of intellectual property relevant to our industry related to mobile search, commerce, advertising and streaming media. This portfolio represents our many years of innovation in the wireless industry through U.S. patented technology developed by us, including new and amended patents granted to us by the U.S. Patent and Trademark Office as well as patented technology we purchased from Microsoft and others.

We established a separate subsidiary, SITO Mobile Solutions R&D IP, LLC, dedicated to the monetization of these assets, primarily through licensing. The patents cover three broad categories:

Digital Video and Audio Streaming and Advertising - these patents related to Over the Top (“OTT”) streaming services and protocols (e.g. HLS, MPEG DASH) as well as the notion of dynamic advertising insertion into these streams and the billing and tracking of ad-revenues thereof.

Sending Information to and Between Mobile Devices - these patents relate to over-the-air provisioning of smartphones and mobile devices such that the customer, when transitioning over to new phones or modifying existing phones, can highly customize their phones, from carrier plan to interface to smartphone design features to content and form of delivery. While still an emerging market, carriers, under duress from governments worldwide, are unlocking carrier plans and it is expected in the short-term that consumers will be able to go online and pick their carrier plan of choice. We have patents in this area as well as smartphone back-up and synchronization patents that make up our mobility portfolio.

Accessing Information on a Mobile Device - this group of patents relates to features that offer users improved effectiveness in accessing information on a mobile device, whether content or services or advertising solutions. This includes everything from abbreviated dial codes for rapid access to services to providing ads and coupons to these links through to more efficient user interface features. This category of patents will be primarily used for defensive purposes. Our patent litigation with Zoove Corporation involved patents in this category.

In October 2014, we pledged as collateral on \$10,000,000 in new borrowings from Fortress our entire portfolio of patents and we entered into an intellectual property revenue sharing agreement that provides for Fortress to receive a portion of proceeds from the sale or licensing of our patents.

## **Government Regulation**

We provide value-added and enabling platforms for carrier-based distribution of various software and media content, as well as notifications and other communications. Applicable regulations are primarily under the Federal Communications Commission and related to the operations policies and procedures of the wireless communications carriers. Messaging is regulated by, among other things, the Telephone Consumer Protection Act (TCPA) and safeguarding personal health information, moreover, is regulated by, among other things, the Privacy Rule of the Health Insurance Portability and Accountability Act (HIPAA). Given the growing and dynamic evolution of digital wireless products that can be offered to consumers over a wireless communication network, regulators could impose rules, requirements and standards of conduct on third-party content and infrastructure providers such as us. We are not currently aware of any pending regulations that would materially impact our operations.

## **Corporate Overview**

We were incorporated in Delaware on May 31, 2000, under our original name, Hosting Site Network, Inc. On May 12, 2008, we changed our name to Single Touch Systems Inc. and on September 26, 2014, we changed our name to SITO Mobile, Ltd. On July 24, 2008, we acquired all of the outstanding shares of SITO Mobile Solutions, Inc., which was incorporated in Nevada on April 2, 2002.

We maintain a website located at <http://www.sitomobile.com>, and electronic copies of our periodic or other reports and any amendments to those reports, are available, free of charge, under the “Investors” link on our website as soon as practicable after such material is filed with, or furnished to, the Securities and Exchange Commission.

## **Employees**

We currently have 51 full-time including our chief executive officer and chief financial officer, 6 persons serving as programmers and technical staff operators, 39 persons in sales and account management and 4 persons in administration. We do not have any part time employees. We expect to increase our future employee levels on an as-needed basis in connection with our expected growth.

## **ITEM 1A. RISK FACTORS.**

### **RISKS RELATED TO OUR BUSINESS**

*We have a history of operating losses.*

We have a history of losses and may continue to incur operating and net losses for the foreseeable future. We incurred a consolidated net loss of \$437,101 for the three months ended December 31, 2015 and consolidated net losses for all prior periods that has resulted in our having an accumulated deficit of \$139,374,825 as of December 31, 2015. We have not achieved profitability on an annual basis. We may not be able to reach a level of revenue to achieve profitability. If our revenues grow slower than anticipated, or if operating expenses exceed expectations, then we may not be able to achieve profitability in the near future or at all, which may depress the price of our stock.

***We currently rely on AT&T to market our mobile messaging products and services to their customers and to generate the majority of our wireless applications revenues. The loss of or a change in our relationships with AT&T or their customers could materially reduce our revenues.***

Our success in mobile messaging is highly dependent upon maintaining successful relationships with AT&T and one of their customers. A significant portion of our revenue has always been derived from a single AT&T customer, and currently, nearly all of our wireless applications revenues are paid to us through AT&T. We expect that we will continue to generate a substantial majority of our wireless applications revenues through marketing relationships with AT&T for the foreseeable future. Our failure to maintain or build our relationships with AT&T and any reduction in the business received through AT&T would materially reduce our revenues and thus harm our business, operating results and financial condition.

The AT&T customer to which the majority of our mobile messaging products and services are sold has selected another vendor to provide service and we anticipate that our wireless applications revenue will decrease significantly.

***We may not be able to effectively protect or monetize our patents.***

We have 24 patents which were issued from May 1998 to May 2016 related to mobile search, commerce, advertising and streaming media. To monetize some or all of our patents through sales would require access to potential buyers, which may be difficult for a smaller company such as us to obtain, and would also require completion of a buyer's due diligence investigation into the strength of our patents, demonstration to the buyer that owning such patents would have defensive or offensive value, and negotiation of the price and other terms of transaction documents.

To monetize some or all of the patents by licensing would require similar steps. In addition, we may not be able to monetize our patents as against companies who use our patented inventions unless they respect our ability to enforce our patents against them if they were not to agree to licenses.

To prosecute patent infringement actions may require us to incur substantial legal fees and costs. The outcome of litigation is never certain, and the amount of damages that might be awarded to us under any judgment is also uncertain. Even if a judgment is obtained it would be subject to appeal and to the uncertainties of collection. In addition, companies whose actual or planned activities are blocked by our patents could attempt to develop technological work-arounds in order to avoid compensating us.



There can be no assurance that we will be able to effectively protect or monetize our patents, or that we will be able to obtain a return equal to the fair intrinsic value of the patents. Any effort to obtain monetization could entail significant expenses and also opportunity costs.

*We may need to raise additional capital to meet our business requirements in the future. Capital raising may be costly or difficult to obtain and could dilute current stockholders' ownership interests.*

Over the next twelve months we believe that existing capital and anticipated funds from operations may be sufficient to sustain our current level of operations and debt service. Inasmuch as the Company is pursuing the monetization of its intellectual property, which plans are subject to change, additional external financing relating to such efforts may be required. Increased acceleration in our core business, monthly principal payments on our debt and/or other economic influences might also necessitate additional financing. There can be no assurance that we will be able obtain additional debt financing, if at all or upon terms that will be acceptable to us or our existing secured lender.

As a result of the recent economic recession, and the continuing economic uncertainty, it has been difficult for companies to obtain equity or debt financing. While the credit markets have improved over the last year, it remains difficult for smaller companies to obtain financing on reasonable terms.

Any additional capital raised through the sale of equity or equity-backed securities may dilute current stockholders' ownership percentages and could also result in a decrease in the fair market value of our equity securities. The terms of the securities issued by us in future capital transactions may be more favorable to new investors and may include preferences, superior voting rights and the issuance of warrants or other derivative securities which may have a further dilutive effect.

Debt securities, on the other hand, are senior to common stock, might contain onerous restrictive covenant and must be repaid when they mature. If we do not profitably use the money raised, we may not have enough cash on hand to repay the debt upon maturity without impairing our operations.

If we raise additional funds through collaboration and licensing arrangements with third parties, it may be necessary to relinquish some rights to our technologies or our services or grant licenses on terms that are not favorable to us.

Furthermore, any additional debt or equity or other financing that we may need may not be available on terms favorable to us, or at all. If we are unable to obtain required additional capital, we may have to curtail our growth plans or cut back on existing business and, further, we may not be able to continue operations if we do not generate sufficient revenues from operations.

We may incur substantial costs in pursuing future capital financing, including investment banking fees, legal fees, accounting fees, securities law compliance fees, printing and distribution expenses and other costs. We may also be

required to recognize non-cash expenses in connection with certain securities we issue, such as convertible notes and warrants, which may adversely impact our reported financial results.

*We may not be able to manage our growth effectively.*

Our strategy envisions growing our business. There can be no assurance that such growth will occur, either to the extent our strategy envisions, or at all. Even if we do experience growth, if we fail to manage our growth effectively, our financial results could be adversely affected. Growth may place a strain on our management systems and resources. We must continue to refine and expand our business development capabilities, our systems and processes and our access to financing sources. As we grow, we must continue to hire, train, supervise and manage new employees. We cannot assure you that we will be able to:

meet our capital needs;

implement, improve and expand our operational, financial, management information, risk management and other systems effectively or efficiently or in a timely manner;

allocate our human resources optimally;

identify, hire, train, motivate and retain qualified managers and employees;

develop the management skills of our managers and supervisors; or

evolve a corporate culture that is conducive to success.

If we are unable to manage our growth and our operations our financial results could be adversely affected.

***If we fail to maintain an effective system of internal control over financial reporting and other business practices, and of board-level oversight, we may not be able to report our financial results accurately or prevent and detect fraud and other improprieties. Consequently, investors could lose confidence in our financial reporting, and this may decrease the trading price of our stock.***

We must maintain effective internal controls to provide reliable financial reports and to prevent and detect fraud and other improprieties. We are responsible for reviewing and assessing our internal controls and implementing additional controls when improvement is needed. Failure to implement any required changes to our internal controls or other changes we identify as necessary to maintain an effective system of internal controls could harm our operating results and cause investors to lose confidence in our reported financial information. Any such loss of confidence would have a negative effect on the market price of our stock.

Sarbanes-Oxley Act requirements regarding internal control over financial reporting, and other internal controls over business practices, are costly to implement and maintain, and such costs are relatively more burdensome for smaller companies such as us than for larger companies. We have limited internal personnel to implement procedures and must scale our procedures to be compatible with our resources. We also rely on outside professionals including accountants and attorneys to support our control procedures. Until fiscal year 2012 we did not have an Audit Committee, Compensation Committee or Governance and Nominating Committee composed of independent directors. We are working to improve all of our controls but, if our controls are not effective, we may not be able to report our financial results accurately or prevent and detect fraud and other improprieties which could lead to a decrease in the market price of our stock.

***We are subject to competition and, if technological conditions change, our competitors may be better able to react than we are.***

We have many actual and potential competitors, many of whom may have more financial resources, personnel, intellectual property, development and/or reputational resources than we do. If we and our business do not grow larger, we will not be able to enjoy the brand power and economies of scale that many of our competitors enjoy. In addition, it is likely that our industry will be subject to rapid and profound technological changes. Our competitors may have more ability to react to such changes than we do which could harm our business, operating results and financial condition.

***We may be unable to develop and timely introduce new products or services.***

The planned timing and introduction of new products and services are subject to risks and uncertainties. Unexpected technical, operational, deployment, distribution or other problems could delay or prevent the introduction of new

products and services, which could result in a loss of, or delay in, revenues.

***We may not be able to adequately safeguard our intellectual property rights from unauthorized use, and we may become subject to claims that we infringe on others' intellectual property rights.***

We rely on a combination of patents, trade secrets, copyrights, trademarks, and other intellectual property laws, nondisclosure agreements and other arrangements with employees, actual and prospective customers and actual or prospective capital providers and their agents and advisors, and other protective measures to preserve our proprietary rights. These measures afford only limited protection and may not preclude competitors from developing products or services similar or superior to ours. Moreover, the laws of certain foreign countries do not protect intellectual property rights to the same extent as the laws of the United States.

Although we implement protective measures and intend to defend our proprietary rights our efforts may not be successful. From time to time, we may litigate within the United States or abroad to enforce our issued or licensed patents, to protect our trade secrets and know-how or to determine the enforceability, scope and validity of our proprietary rights and the proprietary rights of others. Enforcing or defending our proprietary rights can involve complex factual and legal questions and could be expensive, would require management's attention and might not bring us timely or effective relief.

Furthermore, third parties may assert that our products or processes infringe their intellectual property rights. Although there are no pending or threatened intellectual property lawsuits against us, we may face litigation or infringement claims in the future. Infringement claims could result in substantial judgments, and could result in substantial costs and diversion of our resources even if we ultimately prevail. A third party claiming infringement may also obtain an injunction or other equitable relief which could effectively block our use of allegedly infringing intellectual property. Although we may seek licenses from third parties covering intellectual property that we are allegedly infringing, we may not be able to obtain any such licenses on acceptable terms and conditions, if at all.

## **RISKS RELATED TO OUR INDUSTRY**

*Demand for the services we provide is not yet well established.*

Brand owners who are potential users of the services we provide must weigh their decisions in light of limited budgets for marketing and notification, the inertia of dealing with well-established providers of traditional modalities for marketing and notification, lack of experience with services such as ours and the perception (whether or not well founded) of technological risk and not-fully-demonstrated cost-effectiveness of our services. There are indications that the market among major brand owners for services such as ours is in an early stage of development.

*System or network failures could reduce our sales, increase costs or result in a loss of end users of our products and services.*

Any failure of, or technical problem with, carriers', third parties' billing systems, delivery or information systems, or communications networks could result in the inability of end users to receive communications or download our products, prevent the completion of a billing transaction, or interfere with access to some aspects of our products. If any of these systems fails or if there is an interruption in the supply of power, an earthquake, superstorm, fire, flood or other natural disaster, or an act of war or terrorism, end users might be unable to access our offerings. For example, from time to time, our carriers have experienced failures with their billing and delivery systems and communication networks, including gateway failures that reduced the provisioning capacity of their branded e-commerce system. Any failure of, or technical problem with, the carriers', third parties' or our systems could cause us to lose end users or revenues or incur substantial repair costs and distract management from operating our business, or persuade retailers or brand owners that solutions utilizing our programs are not sufficiently reliable. This, in turn, could harm our business, operating results and financial condition.

## **RISKS RELATED TO OUR COMMON STOCK**

*Trading in our stock has been modest, so investors may not be able to sell as much stock as they want at prevailing prices. Moreover, modest volume can increase stock price volatility.*

The average daily trading volume in our common stock for the year ended December 31, 2015 was approximately 26,958 shares. If trading in our stock continues at this level, it may be difficult for investors to sell or buy substantial quantities of shares in the public market at any given time at prevailing prices. Moreover, the market price for shares of our common stock may be made more volatile because of the relatively low volume of trading in our common

stock. When trading volume is low, significant price movement can be caused trading a relatively small number of shares.

***Securities analysts may not initiate coverage or continue to cover our common stock, and this may have a negative impact on the market price of our common stock.***

Common stock prices are often significantly influenced by the research and reports that securities analysts publish about companies and their business. We do not have any control over these analysts. There is no guarantee that securities analysts will cover our common stock. If securities analysts do not cover our common stock, the lack of research coverage may adversely affect the market price of our common stock. If our common stock is covered by securities analysts and our stock is downgraded, our stock price will likely decline. If one or more of these analysts ceases to cover us or fails to publish regular reports on us, we can lose visibility in the financial markets, which can cause our stock price or trading volume to decline.

***The price of our common stock has been and may continue to be volatile, which could lead to losses by investors and costly securities litigation.***

The trading price of our common stock has been and is likely to be volatile and could fluctuate in response to factors such as:

actual or anticipated monetizations of our patents;

actual or anticipated variations in our operating results (including whether we have achieved our key business targets and/or earnings estimates) and prospects;

announcements of technological innovations or new services by us or our competitors;

announcements by us or our competitors of significant acquisitions, business successes, strategic partnerships, joint ventures or capital commitments;

additions or departures of key personnel;

sales of our common stock or other securities in the open market (particularly if overall trading volume is not high);

general market conditions and broader political and economic conditions; and

other events or factors, many of which are beyond our control.

The stock market has experienced significant price and volume fluctuations, which have often been unrelated to the operating performance of companies, and in particular the market prices of stock in smaller companies and technology companies have been highly volatile. The market price of our common stock at any particular time may not remain the market price in the future. In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been initiated against that company. Litigation initiated against us, whether or not successful, could result in substantial costs and diversion of our management's attention and resources, which could harm our business and financial condition.

***We do not expect any cash dividends to be paid on our common stock in the foreseeable future.***

We have never declared or paid a cash dividend on our common stock, and we do not anticipate paying cash dividends in the foreseeable future. We expect to use future earnings, if any, as well as any capital that may be raised in the future, to fund business growth. Consequently, a stockholder's only opportunity to achieve a return on investment would be for the price of our common stock to appreciate. We cannot assure stockholders of a positive return on their investment when they sell their shares, nor can we assure that stockholders will not lose the entire amount of their investment.

***You may experience dilution of your ownership interests because of the future issuance of additional shares of our common stock and our preferred stock.***

In the future, we may issue our authorized but previously unissued equity securities, resulting in the dilution of the ownership interests of our present stockholders. We are currently authorized to issue an aggregate of 105,000,000 shares of capital stock consisting of 100,000,000 shares of common stock and 5,000,000 shares of preferred stock with



preferences and rights to be determined by our Board of Directors. As of March 31, 2016, there were 17,355,478 shares outstanding and potentially issuable common shares amounted to 2,634,083 options.

The holders of such options can be expected to exercise them at a time when our common stock is trading at a price higher than the exercise price of these outstanding options. If these options to purchase our common stock are exercised, or other equity interests are granted under our 2008, 2009 or 2010 stock plans, or under other plans or agreements adopted in the future, such equity interests will have a dilutive effect on your ownership of common stock. We may also issue additional shares of our common stock or other securities that are convertible into or exercisable for common stock in connection with hiring or retaining employees, future acquisitions, future sales of our securities for capital raising purposes, or for other business purposes. Such securities may be issued at below-market prices or, in any event, prices that are significantly lower than the price at which you may have paid for your shares. The future issuance of any such securities may create downward pressure on, or dampen any upward trend in, the trading price of our common stock.

***Our certificate of incorporation, bylaws and Delaware law contain provisions that could have the effect of deterring or delaying changes in incumbent management, proxy contests or changes in control.***

Anti-takeover provisions of our certificate of incorporation, bylaws and Delaware law may have the effect of deterring or delaying attempts by our stockholders to remove or replace management, engage in proxy contests and/or effect changes in control. The provisions of our charter documents include:

the inability of stockholders to call special meetings of stockholders;

the ability of our Board of Directors to amend our bylaws without stockholder approval; and

the ability of our Board of Directors to issue up to 5,000,000 shares of preferred stock without stockholder approval upon the terms and conditions and with the rights, privileges and preferences as our Board of Directors may determine.

In addition, as a Delaware corporation, we are subject to Delaware law, including Section 203 of the Delaware General Corporation Law. In general, Section 203 prohibits a Delaware corporation from engaging in any business combination with any interested stockholder for a period of three years following the date that the stockholder became an interested stockholder unless certain specific requirements are met as set forth in Section 203. These provisions, alone or together, could have the effect of deterring or delaying changes in incumbent management, proxy contests or changes in control. We think Section 203 does not currently apply to us, but in the future it may apply to us.

## **ITEM 2. PROPERTIES.**

Our executive offices are located at 100 Town Square Place, Suite 204, Jersey City, New Jersey 07310. We have a four-year lease for this space at a rate of \$25,000 per month. The facilities comprise approximately 7,500 square feet consisting entirely of sales, marketing and administrative office space.

We also maintain offices located in Rogers, Arkansas, Meridian, Idaho, Chicago, Illinois, Detroit, Michigan, Boston, Massachusetts and Seattle, Washington and house our servers at locations in California, Idaho, Maryland and Illinois.

## **ITEM 3. LEGAL PROCEEDINGS.**

We are not currently a party to, nor is any of our property currently the subject of, any pending legal proceeding that will have a material adverse effect on our business.

## **ITEM 4. MINE SAFETY DISCLOSURES.**

Not applicable.



**PART II****ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.**

Our common stock is presently quoted on the NASDAQ Capital Market under the symbol "SITO". The following table sets forth, for the fiscal quarters indicated, the high and low closing sale prices per share of our common stock. Such quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission, and may not represent actual transactions.

Period	High	Low
December 31, 2015	\$3.93	\$2.08
Fiscal Year Ended September 30, 2015		
September 30, 2015	6.00	3.40
June 30, 2015	3.90	2.90
March 31, 2015	4.90	1.50
December 31, 2014	4.20	1.60

**Holder**s

As of June 17, 2016 there were approximately 139 record holders of our common stock. This does not include the holders of approximately 179 un-exchanged stock certificates or the additional holders of our common stock who held their shares in street name as of that date.

**Dividends**

We have never paid or declared any cash dividends on our common stock and do not anticipate paying cash dividends in the foreseeable future but rather intend to retain future earnings, if any, for reinvestment in our future business. Any future determination to pay cash dividends will be in compliance with our contractual obligations and otherwise at the discretion of the Board of Directors and based upon our financial condition, results of operations, capital requirements and such other factors as the Board of Directors deems relevant.

**Transfer Agent**

Our registrar and transfer agent is Continental Stock Transfer & Trust Company.

***Equity Compensation Plan Information***

The following table reflects information for equity compensation plans and arrangements for any and all directors, officers, employees and/or consultants through December 31, 2015.

**Equity Compensation Plan Information**

	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	156,700	5.27	537,180
Equity compensation plans not approved by security holders	2,399,757	4.77	1,600,243
Total	2,556,457	4.80	2,137,423

In April 2008 our Board of Directors and stockholders adopted the 2008 Stock Option Plan (the “2008 Plan”) to provide participating employees, non-employee directors, consultants and advisors with an additional incentive to promote our success. The maximum number of shares of common stock which may be issued pursuant to options and awards granted under the 2008 Plan is 880,000. The 2008 Plan is currently administered by our Compensation Committee designated by our Board of Directors. The 2008 Plan authorizes the grant to 2008 Plan participants of non-qualified stock options, incentive stock options, restricted stock awards, and stock appreciation rights. No option shall be exercisable more than 10 years after the date of grant. Upon separation from service, no further vesting of options can occur, and vested options will expire unless exercised within a year after separation, except as provided in individual employment agreements. No option granted under the 2008 Plan is transferable by the individual or entity to whom it was granted otherwise than by will or laws of decent and distribution, and, during the lifetime of such individual, is not exercisable by any other person, but only by him.

In December 2009 our Board of Directors adopted the 2009 Employee and Consultant Stock Plan (“2009 Plan”) to provide common stock grants to selected employees, non-employee directors, consultants and advisors. The total number of shares subject to the 2009 Plan is 200,000. The 2009 Plan is administered by our Board of Directors.

In December 2010 our Board of Directors adopted the 2010 Stock Plan (“2010 Plan”) to provide common stock option grants to selected employees, non-employee directors, consultants and advisors. In June 2011, the Board increased the total number of shares subject to the 2010 Plan to 2,500,000 and to 4,000,000 in November 2013. The 2010 Plan is administered by our Board of Directors.

#### **Recent Sales of Unregistered Securities**

None.

#### **Issuer Purchases of Equity Securities**

None.

#### **ITEM 6. SELECTED FINANCIAL DATA.**

Not required for smaller reporting companies.

## **ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.**

*The following Management's Discussion and Analysis should be read in conjunction with our financial statements and the related notes thereto included elsewhere herein. The Management's Discussion and Analysis contains forward-looking statements that involve risks and uncertainties, such as statements of our plans, objectives, expectations and intentions. Any statements that are not statements of historical fact are forward-looking statements. When used, the words "believe," "plan," "intend," "anticipate," "target," "estimate," "expect," and the like, and/or future-tense or conditional constructions ("will," "may," "could," "should," etc.), or similar expressions, identify certain of these forward-looking statements. These forward-looking statements are subject to risks and uncertainties that could cause actual results or events to differ materially from those expressed or implied by the forward-looking statements in this prospectus. Our actual results and the timing of events could differ materially from those anticipated in these forward-looking statements as a result of several factors including, but not limited to, those noted under "Risk Factors" of the reports filed with the Securities and Exchange Commission. We do not undertake any obligation to update forward-looking statements to reflect events or circumstances occurring after the date of this transition report.*

### **Overview**

We provide a mobile engagement platform that enables brands to increase awareness, loyalty, and ultimately sales.

Our business has focused on leveraging our solution in the areas of messaging/notifications and media placement on mobile devices. Our Verified Walk-In platform is a proprietary attribution technology that utilizes geo-fencing to reach customers within a certain radius of location and uses technology to push coupons, advertisements, and promotions to mobile apps and mobile websites in real-time, allowing for a more accurate advertising approach. This technology identifies consumers who visit physical storefronts after seeing advertisements that we distribute. This platform allows our clients to assess mobile-to-offline attribution allowing the ability to quantify and measure the impact of campaigns on in-store visits, leveraging real-time insights on campaign performance through key metrics such as user demographics, psychographics, visitation rates, click-through and time of engagement.

Our portfolio of intellectual property represents our many years' of innovation in the wireless industry through patented technology that we developed, as well as patented technology we purchased from Microsoft and others. We are dedicated to the monetization of our patents, primarily through licensing agreements that allow others to use our patents in exchange for royalty income and other consideration.

On July 24, 2014, we acquired all of the shares of DoubleVision Networks, Inc. ("DoubleVision"). We paid \$3,600,000 for DoubleVision by issuing 800,000 shares of the Company's common stock to the sellers at an agreed-upon valuation of \$4.50 per share. We also agreed to pay \$400,000 to one of DoubleVision's creditors. Substantially all of the DoubleVision shareholders were subject to lockup/leak out agreements that restricted the sale of the shares acquired for at least one year and provided in some instances, for orderly disposition of the shares after the first anniversary.

On June 30, 2015, pursuant to the terms of the DoubleVision purchase agreement which provided for additional payment of purchase price consideration should we achieve at least \$3,000,000 in media placement revenue in the twelve-month period starting August 1, 2014, we issued additional consideration of 296,401 shares of common stock that is valued at \$1,067,044 based upon a \$3.60 share price on the date of issuance.

As we expand operational activities and seek new opportunities to monetize our patented technology, we may from time to time experience operating losses and/or negative cash flows from operations and we may be required to obtain additional financing to fund operations. There can be no assurance that such financing will be available to us. We are heavily reliant on the revenue we generate from a single customer relationship. Our core mobile media business operates in a relatively new and evolving industry that seeks to gain a larger share of business spending which has traditionally been directed toward older established media solutions. There can be no assurance that we will be successful in addressing these challenges and others that we face, and the failure to do so can have a material adverse effect on our business prospects, financial condition and results of operations.

## **Results of Operations**

### Results of Operations for the Three Months Ended December 31, 2015 and 2014

During the three months ended December 31, 2015, our revenue increased by 87% over revenue generated during the three months ended December 31, 2014 (\$7,203,755 in the three months ended December 31, 2015 compared to \$3,847,436 in the three months ended December 31, 2014). Our revenue growth was comprised of a \$4,047,013 or 314% increase in media placement revenue, a \$802,441 or 33% decrease in wireless application revenues and a \$111,747 or 84% increase in licensing and royalty revenue. Media placement revenue increased as a result of expanding our direct sales force and acquiring the Hipcricket, Inc. mobile advertising business in July 2015. Media placement revenue has increased on a sequential quarterly basis for each quarter since we launched the business in



December 2013. Wireless applications revenue declined primarily due to a decrease in the number of text and voice messages that we sent on behalf of our largest customer within our AT&T relationship. From October 1, 2014 to March 31, 2015, the customer transitioned its database of customers who receive our messages to a new standard rate messaging program and the transition caused a decline in the number of customers who elected to continue to receive messages. The increase in licensing and royalty revenue resulted from \$100,000 in additional revenue from an amendment in December 3, 2015 to our agreement with Zoove Corporation.

Of our revenue earned during the three months ended December 31, 2015, approximately 21% was generated from contracts with five customers covered under our agreements with AT&T. Of our revenue earned during the quarter ended December 31, 2014, approximately 64% was generated from contracts with five customers covered under our agreements with AT&T.

Our cost of revenue, which represents the costs associated with wireless applications and media placement revenues, increased \$1,601,069 or 87% to \$3,449,256 for the three months ended December 31, 2015 as compared to \$1,848,187 for the three months ended December 31, 2014. Our cost of revenue varies substantially in line with wireless applications and media placement revenues and includes depreciation and amortization expense of our mobile engagement technology platforms that we use to operate our wireless applications and media placement business. Cost of revenue for the three months ended December 31, 2015 increased as compared to the three months ended December 31, 2014, primarily as result of the 314% increase in media placement revenues over the same comparable periods and an \$96,229 increase in software development amortization expense. For the three months ended December 31, 2015 and 2014, software development cost amortization and depreciation expense included in cost of revenue was \$219,776 and \$123,547, respectively.

General and administrative expense, excluding stock based compensation, was \$1,525,264 for the three months ended December 31, 2015 as compared to \$1,197,809 for the three months ended December 31, 2014, an increase of \$327,455 or 27%, that is primarily attributable to the increased number of our personnel and increased expenditure for professional services. We include research and development expense in general and administrative expense, and for the three months ended December 31, 2015, the expense decreased to \$8,865 from \$10,316 in the three months ended December 31, 2014. Our technology investment in revenue growth is focused on our mobile engagement platform through software development efforts. We capitalize the cost of developing our mobile engagement platform and amortize our investment over three years. For the three-month periods ended December 31, 2015 and 2014, we recognized \$219,776 and \$123,547, respectively, in amortization of software development costs, with the increased amortization attributable to the increased investment in developing our platform.

Sales and marketing expense, excluding stock based compensation, was \$1,812,519 for the three months ended December 31, 2015 as compared to \$663,986 for the three months ended December 31, 2014, an increase of \$1,148,533 or 173%, that is primarily attributable to increased sales and marketing spending, including expansion of our direct sales force and customer management personnel in connection with our media placement business that we launched in December 2013 and expanded by acquiring Hipcricket's mobile advertising business in July 2015. As a percentage of revenue, sales and marketing expense was 26% and 17% for the three-month periods ended December 31, 2015 and 2014, respectively, a 49% increase in the percentage of revenue. Our media placement revenues have carried relatively higher spending levels than our wireless application revenues. Sales and marketing expense has increased in line with media placement revenue growing to 74% of total revenue in the current quarter from 34% in the comparable quarter last year.

For the three months ended December 31, 2015, total stock based compensation expense decreased 15% to \$153,928 from \$180,814 for the three months ended December 31, 2014. The decrease is attributable to fewer stock based compensation issuances as part of our effort to reduce the number of issued and potentially issuable shares of our common stock.

Interest expense for the three months ended December 31, 2015 and 2014 was \$471,799 and \$417,378, respectively, an increase of \$54,421 or 13%. The increase in interest expense is attributable to the principal of our Note to Fortress being outstanding for the full quarter ended December 31, 2015 as compared to a partial quarter in the preceding year. In October 2014, we sold a secured \$10,000,000 42-month note having an interest rate of 9% plus the greater of LIBOR, which was 0.36% as of December 31, 2015, or 1%. Included in interest expense for the three months ended December 31, 2015 is \$183,242 in amortization of discounts on the debt for a structuring fee, termination fees and the rights assigned to Fortress to share in our potential future new intellectual property monetization revenue streams.

Our net loss for the three months ended December 31, 2015 was \$437,101 as compared to a net loss of \$536,251 for the three months ended December 31, 2014, a decrease of \$99,150 or 18% that is primarily attributable to the \$4,047,013 increase in media placement revenue that was partially offset by the \$1,601,069 increase in cost of revenue, the \$1,207,967 increase in sales and marketing expense, net of stock compensation expense, and \$54,421 increase in interest expense. Excluding stock based compensation, our net loss for the three month periods ended December 31, 2015 and 2014 were \$283,173 and \$355,437, respectively.

Our net loss on a basic and fully diluted basis was \$0.03 per share for the three months ended December 31, 2015 based on our weighted average shares outstanding of 17,155,478 as compared to a net loss of \$0.03 per share for the three months ended December 31, 2014 based on our weighted average shares outstanding of 15,326,275. The increase in the number of weighted shares outstanding primarily reflects the issuance of shares of common stock, of which 833,700 shares were issued for warrants which were exercised, 261,954 shares were issued to Fortress, 70,000 shares were issued for consulting services, 296,401 were issued to DoubleVision in satisfaction of the earnout provision and 620,560 shares were issued for the acquisition of Hipcricket's mobile advertising business.

## **Liquidity and Capital Resources**

At December 31, 2015, we had total assets of \$20,757,068, including \$8,906,691 in current assets, and total liabilities of \$15,576,490, including \$10,635,323 in current liabilities. At September 30, 2015, we had total assets of \$18,598,680, including \$6,582,226 in current assets, and total liabilities of \$13,284,984, including \$7,587,837 in current liabilities. The \$2,158,388 or 12% increase in assets is primarily attributable to the increase in current assets that largely consisted of a \$611,045 increase in cash attributable to net positive operating cash flows and the \$1,902,335 increase in accounts receivable attributable to increased revenues. The \$2,291,506 increase in liabilities is primarily attributable to the increase in current liabilities that largely consisted of a \$2,489,411 increase in accounts payable attributable to the growth in our costs of revenue and operations that resulted from the expansion of our

business.

During the three months ended December 31, 2015, we generated \$1,644,035 in cash for operating activities that is primarily attributable to our net loss for the period that was partially offset by noncash expenses of \$622,243 in depreciation and amortization expense and \$153,928 in stock compensation expense. In addition, we used \$1,677,335 for growth in our accounts receivable this quarter which has resulted from increased media placement revenue, which typically remains outstanding in accounts receivable longer than our wireless applications revenue.

Cash used in investing activities for the three months ended December 31, 2015 was \$511,396, of which \$417,192 represented capitalized internal costs of our software development for our core operations, \$71,013 was attributable to investments in our intellectual property which is designed to strengthen our intellectual property portfolio and expand our mobile communications/advertising offerings, and \$23,191 was attributable to purchases of property and equipment in connection with our personnel expansion.

Cash used in financing activities for the three months ended December 31, 2015 totaled \$521,594, which primarily consisted of \$666,668 in principal repayments on our Note to Fortress that was partially offset by \$150,055 in proceeds from investors who purchased our common stock by exercising warrants at share prices of \$2.50 and \$3.05.

Our Note to Fortress bears interest at a rate equal to 9% plus the greater of LIBOR or 1%, of which 2% per annum of the interest shall be paid through the issuance of shares of common stock at maturity. The term of the Note is 42 months and we began making monthly interest payments in October 2014. In October 2015, we began making monthly amortization payments on the Note, each in the amount of \$333,334. We agreed to apply 85% of any revenues from new licensing and royalty arrangements that we generate using our patents (“Monetization Revenues”) to the payment of accrued and unpaid interest on, and then to repay outstanding principal (at par) of, the Note until all amounts due with respect to the Note has been paid in full. After the repayment of the Note, we will pay Fortress up to 50% of Monetization Revenues totaling (i) \$5,000,000, if paid in full prior to March 31, 2018 and (ii) \$7,500,000 thereafter. In addition, we must also pay \$350,000 to Fortress upon repayment of the Note.

We are seeking to increase our working capital to facilitate anticipated revenue growth, invest in our technology platform, develop our patent portfolio for new monetization opportunities and to improve liquidity. Over the next twelve months we believe that existing capital and anticipated funds from operations may be sufficient to sustain current level of operations and debt service. Inasmuch as the Company is pursuing the monetization of its intellectual property, which plans are subject to change, additional external financing relating to such efforts may be required. Increased acceleration in our core business, monthly principal payments on our debt and/or other economic influences might also necessitate additional financing.

There can be no assurance that we will be able obtain additional financing, if at all or upon terms that will be acceptable to us or our existing secured lender.

As a result of the recent economic recession, and the continuing economic uncertainty, it has been difficult for companies to obtain equity or debt financing. While the credit markets have improved over the last year, it remains difficult for smaller companies to obtain financing on reasonable terms.

Any additional capital raised through the sale of equity or equity-backed securities may dilute current stockholders’ ownership percentages and could also result in a decrease in the fair market value of our equity securities. The terms of the securities issued by us in future capital transactions may be more favorable to new investors and may include preferences, superior voting rights and the issuance of warrants or other derivative securities which may have a further dilutive effect.

If we raise additional funds through collaboration and licensing arrangements with third parties, it may be necessary to relinquish some rights to our technologies or our services or grant licenses on terms that are not favorable to us.

Furthermore, any additional debt or equity or other financing that we may need may not be available on terms favorable to us, or at all. If we are unable to obtain required additional capital, we may have to curtail our growth plans or cut back on existing business. Further, we may not be able to continue operations if we do not generate sufficient revenues from operations.

We may incur substantial costs in pursuing future capital financing, including investment banking fees, legal fees, accounting fees, securities law compliance fees, printing and distribution expenses and other costs. We may also be required to recognize non-cash expenses in connection with certain securities we issue, such as convertible notes and warrants, which may adversely impact our reported financial results.

### **Off-Balance Sheet Arrangements**

We have no off-balance sheet arrangements or financing activities with special purpose entities.

## **Critical Accounting Policies and Estimates**

The discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. We have identified the following accounting policies that we believe are key to an understanding of our financial statements. These are important accounting policies that require management's most difficult, subjective judgments.

### *Revenue Recognition and Deferred Revenue*

The Company recognizes media placement revenue based on the activity of mobile users viewing ads through developer applications and mobile websites. Media placement revenues are recognized when the Company's advertising services are delivered based on the specific terms of the advertising contract, which are commonly based on the number of ads delivered, or views, clicks or actions by users on mobile advertisements. At such time, the Company's services have been provided, the fees charged are fixed or determinable, persuasive evidence of an arrangement exists, and collectability is reasonably assured.

The Company evaluates whether it is appropriate to recognize media placement revenue based on the gross amount billed to the customers or the net amount earned as revenue. When the Company is primarily obligated in a transaction, has latitude in establishing prices, is responsible for fulfillment of the transaction, has credit risk, or has several but not all of these indicators, revenue is recorded on a gross basis. While none of the factors individually are considered presumptive or determinative, in reaching conclusions on gross versus net revenue recognition, the Company places the most weight on the analysis of whether or not it is the primary obligor in the arrangement. The Company records the net amounts as media placement revenue earned if it is not primarily obligated or does not have latitude in establishing prices or credit risk.

The Company recognizes wireless applications revenue based on the delivery of Short Message Service (SMS) text messages and voice messages and messaging program management services. Wireless applications revenues are recognized when the Company's services are delivered based on the specific terms of the Company's contracts with customers, which are commonly based on the number of messages delivered. At such time, the Company's services have been provided, the fees charged are fixed or determinable, persuasive evidence of an arrangement exists, and collectability is reasonably assured.

In general, licensing and royalty revenue arrangements provide for the payment of contractually determined fees in consideration for the patented technologies owned by or controlled by the Company's operating subsidiary. The

intellectual property rights granted may be perpetual in nature, extending until the expiration of the related patents, or can be granted for a defined, relatively short period of time, with the licensee possessing the right to renew the agreement at the end of each contractual term for an additional minimum upfront payment. Pursuant to the terms of these agreements, the Company's operating subsidiary may have no further obligation with respect to the grant of the non-exclusive retroactive and future licenses, covenants-not-to-sue, releases, and other deliverables, including no express or implied obligation on the Company's operating subsidiary's part to maintain or upgrade the technology, or provide future support or services. Generally, the agreements provide for the grant of licenses, covenants-not-to-sue, releases, and other significant deliverables upon the execution of the agreement, or upon the receipt of the minimum upfront payment for term agreement renewals. As such, when the Company has no further obligation under the agreement, the earnings process is complete and revenue is recognized upon the execution of the agreement, when collectability is reasonably assured, or upon receipt of the minimum upfront fee for term agreement renewals, and when all the other revenue recognition criteria have been met, otherwise the Company recognizes revenue on a straight-line basis over the life of the agreement based on the contractually determined fees.

Deferred revenue arises as a result of differences between the timing of revenue recognition and receipt of cash from the Company's customers.



### *Software Development Costs*

The Company accounts for costs incurred to develop or purchase computer software for internal use in accordance with ASC Topic 350-40 “Internal-Use Software.” As required by ASC 350-40, the Company capitalizes the costs incurred during the application development stage, which include costs to design the software configuration and interfaces, coding, installation, and testing.

Costs incurred during the preliminary project stage along with post-implementation stages of internal use computer software are expensed as incurred. Capitalized development costs are amortized over a period of two to three years. Costs incurred to maintain existing product offerings are expensed as incurred. The capitalization and ongoing assessment of recoverability of development costs requires considerable judgment by management with respect to certain external factors, including, but not limited to, technological and economic feasibility, and estimated economic life.

### *Long-Lived Assets*

We account for our long-lived assets in accordance with Accounting Standards Codification (“ASC”) Topic 360-10-05, “Accounting for the Impairment or Disposal of Long-Lived Assets.” ASC Topic 360-10-05 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the historical cost carrying value of an asset may no longer be appropriate. We assess recoverability of the carrying value of an asset by estimating the future net cash flows expected to result from the asset, including eventual disposition. If the future net cash flows are less than the carrying value of the asset, an impairment loss is recorded equal to the difference between the asset’s carrying value and fair value or disposable value. During the year ended December 31, 2015, we recognized an impairment loss of \$831,000 on our “*Anywhere*” *Software License* as further discussed in Note 6 of the financial statements.

### *Fair Value Measurement*

The Company complies with the provisions of ASC No. 820-10 (ASC 820-10), “*Fair Value Measurements and Disclosures*.” ASC 820-10 relates to financial assets and financial liabilities. ASC 820-10 defines fair value, establishes a framework for measuring fair value in accounting principles generally accepted in the United States of America (GAAP), and expands disclosures about fair value measurements. The provisions of this standard apply to other accounting pronouncements that require or permit fair value measurements and are to be applied prospectively with limited exceptions.

ASC 820-10 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820-10 establishes a fair value hierarchy that distinguishes between (1) market participant assumptions developed based on market data obtained from independent sources (observable inputs) and (2) an entity's own assumptions about market participant assumptions that are developed based on the best information available in the circumstances (unobservable inputs). The fair value hierarchy consists of three broad levels, which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under ASC 820-10 are described below:

Level 1. Valuations based on quoted prices in active markets for identical assets or liabilities that an entity has the ability to access.

Level 2. Valuations based on quoted prices for similar assets or liabilities, quoted prices for identical assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable data for substantially the full term of the assets or liabilities.

Level 3. Valuations based on inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

#### **ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.**

All financial information required by this Item is attached hereto at the end of this report beginning on page F-1 and is hereby incorporated by reference.

#### **ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.**

None.

## **ITEM 9A. CONTROLS AND PROCEDURES.**

### *Evaluation of Disclosure Controls and Procedures.*

Our management, with the participation of our CEO and our CFO, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) of the Exchange Act) as of the end of the period covered by this report. Based on that evaluation, our CEO and our CFO concluded that our disclosure controls and procedures as of the end of the period covered by this report were effective to ensure that information required to be disclosed is made known to management and others, as appropriate, to allow timely decision regarding required disclosure and that the information required to be disclosed by us in reports that we file or submit under the Securities Exchange Act of 1934 is (i) recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms and (ii) accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. A controls system cannot provide absolute assurance, however, that the objectives of the controls system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

### *Limitations on the Effectiveness of Controls.*

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all controls systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected. Our disclosure controls and procedures are designed to provide reasonable assurance of achieving its objectives.

### *Management's Report on Internal Control over Financial Reporting.*

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes of accounting principles generally accepted in the United States.

Our internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the

Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements

Our management conducted an evaluation of the effectiveness of our internal control over financial reporting as of the end of the period covered by this transition report, December 31, 2015 based on the criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that our internal control over financial reporting was effective as of December 31, 2015, based on those criteria.

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance of achieving their control objectives.

*This report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to rules of the SEC that permits the Company to provide only management's report in this report.*

#### *Changes in Internal Controls.*

There has been no change in our internal control over financial reporting that occurred during the quarter ended December 31, 2015 that has materially affected, or is reasonably likely to materially affect our internal control over financial reporting.

#### **ITEM 9B. OTHER INFORMATION.**

None.

**PART III**

**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.**

The following persons are our executive officers and directors and hold the offices set forth opposite their names.

<b>Name</b>	<b>Age</b>	<b>Position</b>
<b>Jerry Hug</b>	48	Chief Executive Officer and Director
<b>Kurt Streams</b>	54	Chief Financial Officer
<b>Betsy J. Bernard</b>	60	Lead Director
<b>Jonathan E. Sandelman</b>	57	Director
<b>Peter D. Holden</b>	50	Director
<b>Joseph A. Beatty</b>	52	Director
<b>Richard O'Connell, Jr.</b>	58	Director

Our Board of Directors consists of six members, including four independent members (Ms. Bernard, Messrs. Sandelman, Beatty and Livingston). Only our non-executive directors receive any cash remuneration for acting as such. All directors may, however be reimbursed their expenses, if any, for attendance at meetings of the Board of Directors.

The following is a brief account of the business experience during the past five years of each of our directors and executive officers:

**Jerry Hug** became our interim Chief Executive Officer on August 27, 2014 and our Chief Executive Officer and a Director on November 10, 2014. Mr. Hug joined the Company in 2011 as our Director of Corporate Development and was then promoted to Executive Vice President in March 2013. Between 2007 and 2010, Mr. Hug was the co-founder and President of Waveyard Development LLC, a water-sports resort destination development company. From 2003 to June 2006, Mr. Hug served as Executive Vice President and Chief Strategy Officer of Wireless Retail Inc., a \$400

million wireless services company that was among the first U.S. businesses to use the store-in-store business model to sell mobile phones for wireless carriers through large nationwide retailers. Mr. Hug was interim CFO for Wireless Retail Inc. leading up to its sale to Radio Shack Corporation. From 2002 to 2004, Mr. Hug was Managing Partner of Redwood Partners, an early-stage merchant bank and advisory firm that focused on providing early-stage capital and executive management to technology, media and telecommunications businesses.

The Board of Directors has concluded that Mr. Hug is qualified to serve as a director of the Company because of his extensive experience in the wireless industry and his prior experience in finance.

**Kurt Streams** joined us on November 1, 2013 as our Chief Financial Officer. From 2009 through 2013, Mr. Streams was a Partner at GBM LLC, a business management firm serving public and private companies, where he managed patents and licensing for a publicly-held consumer products client. From 2008 through 2009, Mr. Streams was a Principal at RBSM LLP, a CPA firm that is a U.S. member of Russell Bedford International, one of the world's top 15 accounting networks according to International Accounting Bulletin. Mr. Streams has served as CFO of three companies including IGIA, Inc. where he managed patents and licensing for IGIA's portfolio of branded consumer products. Prior, he was CFO at The Deal, LLC, a private equity owned financial news organization. Mr. Streams started his career at Deloitte & Touche where he served in several positions which culminated in his role as Senior Audit Manager in Connecticut and The Netherlands. Mr. Streams was awarded a BA in Economics from the University of Massachusetts at Amherst and is a CPA.

**Betsy J. Bernard** joined our Board of Directors on July 15, 2014. Ms. Bernard was previously the President of AT&T, a position she held from October 2002 until her retirement in December 2003. Ms. Bernard also served as President and CEO of AT&T Consumer from April 2001 through October 2002. Prior to 2001, Ms. Bernard held senior executive positions with Qwest Communications International, Inc., USWEST, Inc. AVIRNEX Communications Group and Pacific Bell. Ms. Bernard serves as a Director, a member of the Finance Committee and Chair of the Nominating and Governance Committee of Principal Financial Group. She also serves as a director, a member of the compensation committee and Chair of the Nominating and Governance Committee of Zimmer Biomet. She previously served as Chair of the Telular Corporation. Ms. Bernard serves on the advisory boards of GroTech Ventures, Innovate Partners and the Silverfern Group. Ms. Bernard received a BA from St. Lawrence University, an MBA from Fairleigh Dickinson University, an MS degree in management from Stanford University's Sloan Fellowship Program, and a Doctor of Laws (Honorary) from Pepperdine University.

The Board of Directors has concluded that Ms. Bernard is qualified to serve as a director of the Company because of her past experience in senior executive roles with leading global telecommunications companies and her significant experience as a director of public company boards, including service as chairman of the board, and experience as a member of compensation and audit committees as well as chair of nomination and governance committees.

**Jonathan E. Sandelman** joined our Board of Directors on December 10, 2012. Mr. Sandelman is the Chief Executive Officer, Founder, and Chief Investment Officer at Sandelman Partners, LP. He founded the firm on July 1, 2005. Mr. Sandelman is the President and Director at NMS Services Inc., NMS Services (Cayman) Inc., and BAC Services Inc. He was the President of the New York Office at Bank of America Securities LLC. Mr. Sandelman joined the firm in 1998 as the Head of Equity Financial Products and took charge of the equity department in 2002. He headed the firm's debt and equities business before becoming the President, a post that Mr. Sandelman held until October 20, 2004. He was the Deputy Head of Global Equities, member of the Risk Management Committee, member of the Compensation Committee, and Managing Director of Equity Derivatives at Salomon Brothers. Mr. Sandelman was a Director of Do Something and Impact Web Enterprises, Inc. He holds a Bachelor of Arts and a Juris Doctor from Yeshiva University-Cardozo Law School.

Mr. Sandelman's financial and intellectual property knowledge and experience qualifies him to serve on the Company's Board of Directors.

**Peter D. Holden**, joined our Board of Directors on March 29, 2013. Since September 2014, Mr. Holden has served as the President of IPCREATE – a pioneer in *invention-on-demand*<sup>™</sup> that works with organizations to generate and patent disruptive inventions to speed, quality and scale to complement their own internal research and development efforts in a more market-driven way. Prior to IPCREATE, from July 2012 to August 2014, Mr. Holden was Senior Vice President at IPVALUE Management, Inc., a leader in “IP agency” transactions for blue chip companies worldwide. Prior to joining IPVALUE, in September 2006, Mr. Holden founded the IP Investment Group at Collier Capital LP and led the investment and subsequent monetization of thousands of patents, delivering top-quartile returns to investors. In 1999 Mr. Holden founded and ran Invisible Hand LLC an IP venturing fund focused on building and/or acquiring fundamental IP positions and repurposing these into founders' equity in promising early stage companies. Mr. Holden

formerly held senior positions at Panasonic based out of Osaka, Japan and University Patents, Inc. Mr. Holden holds Ph.D. and undergraduate degrees from the United Kingdom. He also held positions as Senior Fellow at Wharton Business School and was awarded the Honda Fellowship at the University of Electro-Communications in Tokyo, Japan. He has also advised several governmental and sovereign initiatives on IP fund formation and is on the Innovation Advisory Board of United Technologies Corp.

Mr. Holden's financial and intellectual property knowledge and experience qualifies him to serve on the Company's Board of Directors.

**Joseph A. Beatty**, joined our Board of Directors on September 9, 2014. Mr. Beatty was President and Chief Executive Officer and a board member of Telular Corporation from 2008 until its sale in June 2013. Prior to serving Telular's President and Chief Executive Officer, Mr. Beatty served as its Executive Vice President (beginning in April 2007) and Chief Financial Officer and Secretary (beginning in May 2007). From June 2003 until June 2006, Mr. Beatty was President and Chief Executive Officer of Concourse Communications Group, a privately held developer and operator of distributed antenna systems and airport wi-fi networks. From March 2001 until June 2003, Mr. Beatty worked with private equity firm Cardinal Growth L.P. on various acquisition projects and also acted as part-time Interim Chief Financial Officer for Novaxess B.V., a privately held telecom services provider based in the Netherlands. From November 1996 until February 2001, Mr. Beatty was a co-founder and the Chief Financial Officer of Focal Communications Corporation, a publicly held telecom services provider. Earlier in his career, Mr. Beatty was a securities analyst and also held numerous technical management positions for a local telecom services provider. Mr. Beatty is a former Chairman and continues to serve on the board of trustees of Edward Health Services Corporation, a not-for-profit healthcare provider located in Naperville, Illinois. He is also a director of EHSC Cayman Segregated Portfolio, its captive insurance subsidiary, domiciled in the Cayman Islands, Intelliquent, Inc. and CityScan, Inc. Mr. Beatty earned a bachelor's degree in electrical engineering from the University of Illinois and an MBA from the University of Chicago's Booth School of Business. He is also a Chartered Financial Analyst.



Mr. Beatty's extensive management and leadership experience in the telecommunications industry and his strong background in finance and impressive experience as a member of senior management for a number of telecommunications companies provides our Board of Directors with key expertise in financial matters and valuable insight regarding strategic opportunities.

**Richard O'Connell, Jr.** joined our board of directors on February 18, 2016. From 2010 to May 2016, Mr. O'Connell served as the Chief Financial Officer and Chief Credit Officer of Emergent Capital, Inc., a NYSE-listed specialty-finance business that primarily invests in life settlements. From 2006 until 2009 Mr. O'Connell served as the Chief Financial Officer of RapidAdvance, LLC, and from 2002 until 2005 he served as the Chief Operating Officer of Insurent Agency Corporation. From 2000 until 2001, Mr. O'Connell acted as Securitization Consultant to the Industrial Bank of Japan, and from 1999 until 2000, he served as President of Telomere Capital, LLC. From 1988 until 1998, Mr. O'Connell served in various senior capacities at Enhance Financial Services and its subsidiary, Singer Asset Finance Company, including Chief Operating Officer and President of Singer Asset Finance and Senior Vice President and Treasurer of Enhance Financial Services. Mr. O'Connell received a B.A. from Franklin and Marshall College and an M.B.A. from Rutgers University Graduate School of Management.

The Board has concluded that Mr. O'Connell is qualified to serve as a member of the Board and the Board Committees because of his past experience as Chief Operating Officer and Chief Financial Officer of various finance companies.

### **Involvement in Certain Legal Proceedings**

During the past ten years, none of our directors, executive officers, promoters, control persons, or nominees has been:

the subject of any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;

convicted in a criminal proceeding or is subject to a pending criminal proceeding (excluding traffic violations and other minor offenses);

subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction or any Federal or State authority, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities;

found by a court of competent jurisdiction (in a civil action), the Commission or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law;

the subject of, or a party to, any Federal or State judicial or administrative order, judgment, decree, or finding, not subsequently reversed, suspended or vacated, relating to an alleged violation of (a) any Federal or State securities or commodities law or regulation; (b) any law or regulation respecting financial institutions or insurance companies including, but not limited to, a temporary or permanent injunction, order of disgorgement or restitution, civil money penalty or temporary or permanent cease-and-desist order, or removal or prohibition order; or (c) any law or regulation prohibiting mail or wire fraud or fraud in connection with any business entity; or

the subject of, or a party to, any sanction or order, not subsequently reversed, suspended or vacated, of any self-regulatory organization (as defined in Section 3(a)(26) of the Exchange Act (15 U.S.C. 78c(a)(26))), any registered entity (as defined in Section 1(a)(29) of the Commodity Exchange Act (7 U.S.C. 1(a)(29))), or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member.

**Committees of the Board of Directors**

The following table sets forth the three standing committees of our Board of Directors and the members of each committee:

<b>Director</b>	<b>Audit Committee</b>	<b>Compensation Committee</b>	<b>Governance and Nominating Committee</b>
<b>Betsy J. Bernard</b>	X	X	Chair
<b>Joseph A. Beatty*</b>	Chair	X	X
<b>Richard O’Connell, Jr.</b>	X	Chair	X

\* Audit Committee Financial Expert.

To assist it in carrying out its duties, the Board of Directors has delegated certain authority to an Audit Committee, a Compensation Committee and a Corporate Governance and Nominating Committee as the functions of each are described below.

**Audit Committee**

The Audit Committee is currently comprised of Mr. Beatty (Chairman), Ms. Bernard, and Mr. O’Connell. We believe all the members of the audit committee are “independent,” as defined by SEC rules adopted pursuant to the requirements of the Sarbanes-Oxley Act of 2002.

The duties and responsibilities of the Audit Committee are set forth in the Audit Committee’s charter adopted by the Board of Directors.

The Audit Committee oversees the financial reporting process for the Company on behalf of the Board of Directors and has other duties and functions as described in its charter.

The Company’s management has the primary responsibility for the Company’s financial statements and the reporting process. The Company’s independent registered public accounting firm is responsible for auditing the Company’s

financial statements and expressing an opinion as to their conformity with accounting principles generally accepted in the United States.

Our Audit Committee serves to monitor our financial reporting process and internal control system; retains and pre-approves audit and any non-audit services to be performed by our independent registered accounting firm; directly consults with our independent registered public accounting firm; reviews and appraises the efforts of our independent registered public accounting firm; and provides an open avenue of communication among our independent registered public accounting firm, financial and senior management and the Board of Directors.

Our Audit Committee reviewed and discussed with representatives of RBSM LLP, our independent registered public accounting firm, our audited financial statements for the three months ended December 31, 2015 and the twelve months ended September 30, 2015 with the Board of Directors, and the matters required to be discussed by the Statement on Auditing Standards, as amended.

Our board of directors has determined that Joseph A. Beatty is an “audit committee financial expert” as such term is defined in Item 407(d) of Regulation S-K promulgated by the SEC.

### **Compensation Committee**

The Compensation Committee is currently comprised of Mr. O'Connell (Chairman), Ms. Bernard, and Mr. Beatty. We believe all of the members of the Committee are "independent," as defined by SEC rules adopted pursuant to the requirements of the Sarbanes-Oxley Act of 2002.

The duties and responsibilities of the Compensation Committee are set forth in the Compensation Committee's charter adopted by the Board of Directors.

Among its duties, our Compensation Committee determines the compensation and benefits paid to our executive officers, including our President, Chief Executive Officer and our Executive Chairman.

Our Compensation Committee reviews and determines salaries, bonuses and other forms of compensation paid to our executive officers and management, approves recipients of stock option awards and establishes the number of shares and other terms applicable to such awards.

Our Compensation Committee also determines the compensation paid to our Board of Directors, including equity-based awards. More information about the compensation of our non-employee directors is set forth in the section of this report titled "Director Compensation."

### **Governance and Nominating Committee**

The Governance and Nominating Committee is currently comprised of Ms. Bernard (Chairman), Mr. Beatty and Mr. Livingston. We believe all the members of the Committee are "independent," as defined by SEC rules adopted pursuant to the requirements of the Sarbanes-Oxley Act of 2002.

The duties and responsibilities of the Governance and Nominating Committee are set forth in the Governance and Nominating Committee's charter adopted by the Board of Directors.

Our Corporate Governance and Nominating Committee is charged with recommending the slate of director nominees for election to the Board of Directors, identifying and recommending candidates to fill vacancies on the Board of Directors, and reviewing, evaluating and recommending changes to our corporate governance processes. Among its duties and responsibilities, the Corporate Governance and Nominating Committee periodically evaluates and assesses the performance of the Board of Directors; reviews the qualifications of candidates for director positions; assists in identifying, interviewing and recruiting candidates for the Board of Directors; reviews the composition of each committee of the Board of Directors and presents recommendations for committee memberships; and reviews and recommends changes to the charter of the Governance and Nominating Committee and to the charters of other Board of Director committees.

The process followed by the Governance and Nominating Committee to identify and evaluate candidates includes (i) requests to Board of Director members, our Chief Executive Officer, and others for recommendations; (ii) meetings from time to time to evaluate biographical information and background material relating to potential candidates and their qualifications; and (iii) interviews of selected candidates. The Corporate Governance and Nominating Committee also considers recommendations for nomination to the Board of Directors submitted by shareholders.

In evaluating the suitability of candidates to serve on the Board of Directors, including shareholder nominees, the Governance and Nominating Committee seeks candidates who are "independent," as defined by SEC rules adopted pursuant to the requirements of the Sarbanes-Oxley Act of 2002 and who meet certain selection criteria established by the Governance and Nominating Committee.

#### Corporate Governance Materials

The full text of the charters of our Audit, Governance and Nominating, and Compensation Committees and our Insider Trading Policy and Code of Ethics can be found at <http://ir.sitomobile.com/governance-documents>.

### **Code of Ethics**

On December 1, 2004 we adopted a Code of Ethics that applies to our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. A copy of our Code of Ethics will be provided to any person requesting same without charge. To request a copy of our Code of Ethics please make written request to our Chief Financial Officer c/o SITO Mobile, Ltd. at 100 Town Square Place, Suite 204, Jersey City, NJ 07310.

### **Family Relationships**

There are no family relationships among our executive officers and directors.

### **Compliance with Section 16(A) of the Exchange Act**

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires that our directors and executive officers and persons who beneficially own more than 10% of our common stock (referred to herein as the “reporting persons”) file with the SEC various reports as to their ownership of and activities relating to our common stock. Such reporting persons are required by the SEC regulations to furnish us with copies of all Section 16(a) reports they file. Based solely upon a review of copies of Section 16(a) reports and representations received by us from reporting persons, and without conducting any independent investigation of our own during the transition period ended December 31, 2015 all reports were timely filed.

### **Changes in Nominating Procedures**

None.

## **ITEM 11. EXECUTIVE COMPENSATION.**

### **Compensation Discussion and Analysis**

The following Compensation Discussion and Analysis describes the material elements of compensation for our executive officers identified in the Summary Compensation Table (“Named Executive Officers”), and executive officers that we may hire in the future. As more fully described above, the Compensation Committee is responsible for recommendations relating to compensation of the Company’s directors and executive officers.

### **Compensation Program Objectives and Rewards**

Our compensation philosophy is based on the premise of attracting, retaining, and motivating exceptional leaders, setting high goals, working toward the common objectives of meeting the expectations of clients and stockholders, and rewarding outstanding performance. Following this philosophy, in determining executive compensation, we consider all relevant factors, such as the competition for talent, our desire to link pay with performance in the future, the use of equity to align executive interests with those of our stockholders, individual contributions, teamwork and performance, and each executive’s total compensation package. We strive to accomplish these objectives by compensating all executives with total compensation packages consisting of a combination of competitive base salary and incentive compensation.

The primary purpose of the compensation and benefits described below is to attract, retain, and motivate highly talented individuals when we do hire, who will engage in the behaviors necessary to enable us to succeed in our mission while upholding our values in a highly competitive marketplace. Different elements are designed to engender different behaviors, and the actual incentive amounts, which may be awarded to each Named Executive Officer are subject to the annual review of the of the Compensation Committee.



## **The Elements of our Compensation Program**

### **Base Salary**

Executive officer base salaries are based on job responsibilities and individual contribution. The Compensation Committee reviews the base salaries of our executive officers, including our Named Executive Officers, considering factors such as corporate progress toward achieving certain objectives, individual performance experience and expertise and salaries paid to executives at companies similarly situated to ours.

### **Incentive Compensation Awards**

Each of our Named Executive is eligible for an annual cash bonus, based upon net revenue, gross margins, and individual key performance indicators, set by the Compensation Committee annually. Our Compensation Committee sets the target bonus compensation paid as a percentage of each executive's base salary with payment based upon certain threshold performance set by the Compensation Committee. The target bonus compensation is reviewed on an annual basis by our Compensation Committee.

### **Equity Incentive Awards**

The equity grant component of the compensation plan for our named Executives is performance based. The number of performance options to be received by each of the executives is based upon the achievement by the Company of certain net revenues and gross margins targets which is reviewed on an annual basis by our Compensation Committee.

### **Benefits and Prerequisites**

Other than health insurance and a 401(k) plan, we do not currently provide any employee benefit or retirement programs.

We have no plans in place and have never maintained any plans that provide for the payment of retirement benefits or benefits that will be paid primarily following retirement including, but not limited to, tax qualified deferred benefit

plans, supplemental executive retirement plans, tax-qualified deferred contribution plans and nonqualified deferred contribution plans.

### **Employment Agreements**

Effective November 1, 2013, we entered into an employment agreement with Kurt Streams who serves as our Chief Financial Officer. Pursuant to our employment agreement with Mr. Streams dated October 18, 2013 we agreed to pay Mr. Streams an annual salary of \$200,000, which is reviewed annually and discretionary cash bonuses. Our agreement with Mr. Streams also calls for successive one-year renewals unless either party elects against renewal.

Pursuant to the employment agreement with Mr. Streams, we granted to Mr. Streams an option to purchase 2,500 shares of our common stock under our 2009 Employee and Consultant Stock Plan. We also granted to Mr. Streams stock options under our 2010 Stock Option Plan to purchase 75,000 shares of our common stock at a strike price equal to the closing price of the Company's stock on October 31, 2013 of \$6.20, with the scheduled expiration date of the stock options to be November 1, 2018. The stock options vest annually in equal installments of 25,000 over a three-year period commencing on November 1, 2014.

We have not entered into an employment agreement with our CEO, Jerry Hug.

### **Separation and Change in Control Arrangements**

Pursuant to the terms of the employment agreement with Mr. Streams, in the event that Mr. Streams is (i) terminated without Cause (as defined in the Employment Agreement), (ii) terminated due to a Disability (as defined in the Employment Agreement), (iii) resigns with Good Reason (as defined in the Employment Agreement), or (iv) the Employment Agreement is not renewed at the election of the Company, Mr. Streams shall be entitled to receive severance benefits. Mr. Streams shall be entitled to receive the following severance benefits: (i) Base Salary immediately in effect immediately prior to the termination of the Employment Agreement (the "Termination Date") for a period of three months and (ii) payment of COBRA premiums for Mr. Streams and his eligible dependents for a period of three months, subject to the Company's right to discontinue or change its COBRA policy. Receipt of severance benefits shall be contingent upon Mr. Streams executing and delivering a general release of all claims in favor of the Company and its related persons.

In addition to severance benefits Mr. Streams shall receive (i) any salary earned and accrued but unpaid prior to the Termination Date, (ii) payment for all accrued but unused paid time off and (iii) any documented business expenses incurred in accordance with the Company's policies.

### Summary Compensation Table

The following table sets forth information concerning the total compensation paid or accrued by us during the transition period ended December 31, 2015 and during our prior two fiscal years ended September 30, 2015 to all individuals who served as our chief executive officer, chief financial officer or acted in a similar capacity for us at any time during our last fiscal year ended September 30, 2015

Position		Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	Total (\$)
Jerry Hug	2015*	75,000	0	0	31,710	106,710
Chief Executive Officer	2015	250,000	105,144	0	0	355,144
	2014	250,000	0	0	30,546	280,546
Kurt Streams	2015*	56,250	0	0	34,423	214,516
Chief Financial Officer	2015	200,000	67,293	0	95,975	363,268
	2014	183,333		0	0	183,333

\* Represents the three-month transition period ended December 31, 2015.

Note: The table above includes only the value of options that vested during the periods indicated. The listed executives may have also received unvested options that may vest in a future period. See "Outstanding Equity Awards at December 31, 2015" below.

(1) Mr. Hug was appointed Interim CEO on August 19, 2014. Mr. Hug was previously Director of Corporate Development.

(2) Kurt Streams was appointed in fiscal 2014 on November 1, 2013 as our Chief Financial Officer.



*Employment Agreements and Benefits**Outstanding Equity Awards*

The following table reflects options granted to our executive officers named in the Summary Compensation Table.

**Outstanding Equity Awards at December 31, 2015**

Name	Number of securities underlying unexercised options exercisable (#)	Number of securities underlying unexercised options unexercisable (#)	Option exercise price (\$)	Option expiration date
Jerry Hug	100,067	-	6.50	7/01/2016
	84,943	-	4.69	7/01/2016
	50,000	-	4.69	12/01/2017
	21,030	42,060	2.805	11/21/2019
	-	150,000	(1) 3.51	11/18/2020
Kurt Streams	50,000	25,000	6.20	11/1/2018
	8,412	16,842	2.805	11/21/2019
	-	70,000	(1) 3.51	11/18/2020

Note: The table above reflects modifications to outstanding options made pursuant to November 2012 program where we modified the terms of stock options granted to certain employees, officers, directors, and active third party service providers. See "Employment Agreements and Benefits" above and "Certain Relationships and Related Transactions, and Director Independence - Outstanding Current Service Provider High-Exercise-Price Plan Options" below.

The options granted are performance options and shall vest and become exercisable in 1/3 increments over a three-year period commencing on the first anniversary of the November 18, 2015 date of grant. The maximum (1) number of options subject to the grant shall be 150,000 and 70,000 for Mr. Hug and Mr. Streams, respectively. The number of options to be received is dependent upon the achievement of certain corporate goals, determined by our Compensation Committee.



## Director Compensation

Our non-employee Board of Director members receive an annual cash payment of \$30,000, payable quarterly, for service on the Board of Directors and \$250 per committee or board meeting, attended in-person or telephonically. Directors may also be reimbursed their expenses for travelling, hotel and other expenses reasonably incurred in connection with attending board or committee meetings or otherwise in connection with the Company's business. There are currently no other cash compensation arrangements in place for members of the Board of Directors acting as such.

Upon appointment to the Board of Directors and annually thereafter, our directors receive a grant of five-year options to purchase 20,000 shares of common stock which options vest immediately upon grant and which expire upon the earlier of the scheduled expiration date or 18 months after the cessation of service, whichever is sooner. The chairperson of each of our standing committees receives a grant of options to purchase 5,000 shares.

Effective November 10, 2015, our Board of Directors agreed to increase the compensation of the Lead Director to \$45,000 and options to purchase 30,000 shares of common stock.

The following table sets forth compensation received by our directors in the three months ended December 31, 2015.

Name	Fees earned or paid in cash (\$)	Stock awards (\$)	Option awards (\$)	All other compensation (\$)	Total (\$)
Jerry Hug (1)	0	0	0	0	0
Jonathan D. Sandelman	8,000	0	7,756	0	15,756
Peter D. Holden	7,750	0	0	0	7,750
Betsy J. Bernard	8,500	0	0	0	8,500
Joseph A. Beatty	8,500	0	0	0	8,500
Philip Livingston (2)	8,500	0	10,729	0	19,229
Richard O'Connell, Jr. (3)	0	0	0	0	0

(1) This table includes only his compensation which was expressly for service as a director. Mr. Hug received other compensation as an executive officer—see the Summary Compensation Table above.

(2) Mr. Livingston was appointed as a Director on November 10, 2014 and did not stand for re-election at our February 18, 2016 annual meeting of shareholders .

(3) Mr. O'Connell, Jr. was appointed as a Director on February 18, 2016.



**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.**

The following table sets forth the beneficial ownership of our Common Stock by each of our directors and named executive officers, each person known to us to beneficially own 5% or more of our Common Stock, and by the officers and directors of the Company as a group. Except as otherwise indicated, all shares are owned directly, based on 17,355,478 shares outstanding as of June \_\_, 2016. Unless otherwise indicated in the footnotes to the following table, each person named in the table has sole voting and investment power (subject to applicable community property laws) and that person's address is c/o SITO Mobile, Ltd., 100 Town Square Place, Suite 204, Jersey City, NJ 07310. Shares of Common Stock subject to options, warrants, or convertible notes currently exercisable or convertible or exercisable or convertible within 60 days after June \_\_, 2016 are deemed outstanding for computing the share ownership and percentage of the person holding such options, warrants, or convertible notes but are not deemed outstanding for computing the percentage of any other person.

Name	Shares	Percentage	
Jerry Hug (1)	256,040	1.5	%
Kurt Streams (2)	60,912	*	%
Betsy J. Bernard (3)	119,753	*	%
Jonathan E. Sandelman (4)	549,076	3.0	%
Peter D. Holden (5)	106,986	*	%
Joseph A. Beatty (6)	77,610	*	%
Richard O'Connell, Jr. (7)	29,400	*	%
Officers and Directors as a Group (7 persons)	1,068,246	7.0	%
Nicole Braun (8)	2,033,252	11.7	%
Ashford Capital Management, Inc. (9)	1,406,963	8.1	%

(1) Includes 256,040 shares underlying stock options which are fully vested. Does not include 192,060 shares underlying unvested stock options, of which 150,000 are performance options.

(2) Includes 58,412 shares underlying stock options which are fully vested. Does not include 111,842 shares underlying unvested stock options, of which 70,000 are performance options.

(3) Includes 66,014 shares underlying stock options which are fully vested.

(4) Includes 88,288 shares underlying stock options which are fully vested.

(5) Includes 106,986 shares underlying stock options which are fully vested.

(6) Includes 57,945 shares underlying stock options which are fully vested.

(7) Includes 25,000 shares underlying stock options which are fully vested.

(8) The address for Ms. Braun is 100 Town Square Place, Suite 204, Jersey City, NJ 07310. Ms. Braun holds 2,033,252 shares in her name and 25,000 shares as custodian for her children.

(9) The address for Ashford Capital Management, Inc. is One Walker's Mill Road, Wilmington, DE 19807. Theodore H. Ashford III has the voting authority with respect to 1,406,963 shares.

(\* ) Less than 1%.

### **ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE.**

Except for the cash and equity compensation arrangements of our directors and executive officers discussed above under “Director Compensation” and “Executive Compensation,” there were no transactions since December 31, 2015, to which we have been a party in which the amount involved exceeded or will exceed \$120,000 and in which any of our directors, executive officers, beneficial holders of 5% or more of our capital stock, or entities affiliated with them, had or will have a direct or indirect material interest.

#### **Director Independence**

Our Board of Directors presently consists of six members. Our Board of Directors has determined that each of Ms. Bernard, Messrs. Sandelman, Beatty and O’Connell Jr. are “independent,” as defined by SEC rules adopted pursuant to the requirements of the Sarbanes-Oxley Act of 2002 and in accordance with Rule 4200(a)(15) of the Marketplace Rules of the Nasdaq Stock Market, Inc.

### **ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.**

#### **Audit Fees**

The aggregate fees billed for the three months ended December 31, 2015 for professional services rendered by the principal accountant for the audit of the registrant's financial statements as of December 31, 2015 and for the three months then ended included in the registrant's Transitional Form 10-K for the three months ended December 31, 2015 were \$25,000.

#### **Audit-Related Fees**

No aggregate fees were billed in either of the last two fiscal years for assurance and related services by the principal accountant that are reasonably related to the performance of the audit or review of the registrant's financial statements and are not reported under item (1) for the three months ended, 2015.

**Tax Fees**

No aggregate fees were billed for professional services rendered by the principal accountant for tax compliance, tax advice, and tax planning for the three months ended December 31, 2015.

**All Other Fees**

There were no other fees associated with the 3 months ended December 31, 2015.

### Audit Committee Pre-Approval Policies

Our Audit Committee has approved the principal accountant's performance of services for the audit of the registrant's financial statements included in our Transitional Form 10-K for the three months ended December 31, 2015. Audit-related fees, tax fees, and all other fees, if any, are approved by the Audit Committee.

### Work Performed by Others

The percentage of hours expended on the principal accountant's engagement to audit the registrant's financial statements for the three months ended December 31, 2015 that were attributed to work performed by persons other than the principal accountant's full-time, permanent employees was less than 50 percent.

## PART IV

### ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

Exhibit No.	Description
3.1	Amended and Restated Certificate of Incorporation of SITO Mobile, Ltd. filed with the Secretary of State, State of Delaware September 25, 2013 (Incorporated by reference to Exhibit 3.5 to the registrant's Registration Statement on Form S-1 file on November 6, 2013).
3.2	Certificate of Amendment to the Certificate of Incorporation filed with the Secretary of State of Delaware on September 26, 2014 (Incorporated by reference to current report on 8-K filed September 30, 2014).
3.4	Amended and Restated Bylaws of Hosting Site Network, Inc. (currently known as SITO Mobile, Ltd.) Incorporated by reference to Exhibit 3.3 to Post-Effective Amendment No. 2 to the registrant's Registration Statement on Form SB-2, filed February 8, 2002.
3.5	Amended and Restated Bylaws of SITO Mobile, Ltd. (Incorporated by reference to Exhibit 3.1 to the registrant's current report on Form 8-K).
10.3	Services Agreement 20071210.103.C Between SITO Mobile Solutions, Inc. and AT&T Services, Inc. dated April 11, 2008. Incorporated by reference to Exhibit 10.6 to the registrant's Annual Report on Form 10-K, filed January 14, 2010.
10.3.1	Amendment 20071210.103.A.001 to the Services Agreement 20071210.103.C Between SITO Mobile Solutions, Inc., and AT&T Services, Inc., dated March 20, 2009. Incorporated by reference to Exhibit 10.7 to the registrant's Annual Report on Form 10-K, filed January 14, 2010.
10.3.2	

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- Amendment 20071210.103.A.002 to Services Agreement 20071210.103.C Between SITO Mobile Solutions, Inc. and AT&T Services, Inc., dated October 25, 2010. Incorporated by reference to Exhibit 10.6.2 to the registrant's Registration Statement on Form S-1, filed November 12, 2010.
- 10.3.3 Amendment 20071210.103.A.005 between SITO Mobile Solutions, Inc., and AT&T Services dated October 10, 2014 (Incorporated by reference to Exhibit 10.3.3 to the registrant's annual report on Form 10-K, filed December 2, 2014).
- 10.4+ 2008 Stock Option Plan for SITO Mobile, Ltd. (formerly Hosting Site Network, Inc.) Incorporated by reference to Exhibit 10.10 to the registrant's Current Report on Form 8-K, filed July 31, 2008.
- 10.4.1+ Form of Notice of Stock Option Grant/Stock Option Agreement under 2008 Stock Option Plan. Incorporated by reference to Exhibit 10.7.1 to the registrant's Registration Statement on Form S-1, filed November 12, 2010.
- 10.6+ 2009 Employee and Consultant Stock Plan. Incorporated by reference to Exhibit 4 to the registrant's Registration Statement on Form S-8 (SEC File No. 333-163557), filed December 8, 2009.
- 10.6.1+ Form of stock grant acknowledgement letter under 2009 Employee and Consultant Stock Plan. Incorporated by reference to Exhibit 10.16.1 to the registrant's Registration Statement on Form S-1, filed November 12, 2010.
- 10.7+ 2010 Stock Option Plan. Incorporated by reference to Exhibit 10.32 to the registrant's Annual Report on Form 10-K, filed December 29, 2010.
- 10.7.1+ Certificate regarding amendment of 2010 Stock Plan. Incorporated by reference to Exhibit 10.32.1 to the registrant's registration statement on Form S-1, filed June 24, 2011.
- 10.7.2+ Form of Notice of Stock Option Grant/Stock Option Agreement under 2010 Stock Plan. Incorporated by reference to Exhibit 10.32.2 to the registrant's registration statement on Form S-1, filed June 24, 2011.
- 10.8+ Employment letter agreement, between James Orsini and us, dated March 10, 2011. Incorporated by reference to Exhibit 10.1 to the registrant's Quarterly Report on Form 10-Q, filed May 16, 2011.
- 10.9+ Amendment of employment letter agreement, between James Orsini and us, dated May 16, 2011. Incorporated by reference to Exhibit 10.33.1 to the registrant's registration statement on Form S-1, filed June 24, 2011.
- 10.10+ Form of Indemnification Agreement. Incorporated by reference to Exhibit 10.3 to the registrant's Quarterly Report on Form 10-Q, filed February 13, 2012.
- 10.11 Form of Warrant replacing Stock Option in favor of Pharmacy Management Strategies LLC, dated June 28, 2011. Incorporated by reference to Exhibit 10.2 to the registrant's Quarterly Report on Form 10-Q, filed May 18, 2012 .
- 10.11.1 Joint Marketing Agreement between Pharmacy Management Strategies LLC and SITO Mobile Solutions, Inc., dated March 12, 2012 (Incorporated by reference to Exhibit 3.5 to the registrant's Registration Statement on Form S-1 file on November 6, 2013).
- 10.12 Settlement Agreement and Mutual General Release, among Soapbox Mobile, Inc. with, by and including all Common Shareholders collectively and individually and us, effective March 30, 2012. Incorporated by reference to Exhibit 10.1 to the registrant's Quarterly Report on Form 10-Q, filed May 18, 2012.
- 10.12.1 Perpetual Exclusive License Agreement among Soapbox Mobile, Inc. and us, effective March 30, 2012. Incorporated by reference to Exhibit 10.1.1 to the registrant's Quarterly Report on Form 10-Q, filed May 18, 2012.

- 10.13+ Board of Directors Service Letter Agreement between Jonathan E. Sandelman and us dated December 10, 2012. Incorporated by reference to Exhibit 10.29 to the registrant's Annual Report on Form 10-K, filed January 2, 2013.
- 10.14+ Employment letter agreement between Kurt Streams and us, dated October 18, 2013. Incorporated by reference to Exhibit 10.1 to the registrant's current report on Form 8-K, filed October 21, 2013.
- 10.15 Patent License and Settlement Agreement, dated November 12, 2013 (Incorporated by reference to Exhibit 10.1 to the registrant's current report on Form 8-K, filed November 14, 2013).
- 10.16 Consulting Agreement between Peter Holden and the Company dated as of October 10, 2013 (Incorporated by reference to Exhibit 10.30 to the registrant's annual report on Form 10-K, filed December 9, 2014).
- 10.17 Joint Licensing Agreement entered into as of April 21, 2014 between VideoStar, LLC and Television Technology LLC (Incorporated by reference to Exhibit 10.1 to the registrant's quarterly report on Form 10-Q filed August 12, 2014).
- 10.18 Share Purchase Agreement, dated July 24, 2014, by and among the Company and Doublevision Networks, Inc. (Incorporated by reference to Exhibit 10.1 to the registrant's current report on Form 8-K, filed July 29, 2014).
- 10.19 Revenue Sharing and Note Purchase Agreement, dated October 3, 2014 (Incorporated by reference to Exhibit 10.1 to the registrant's current report on Form 8-K, filed October 9, 2014).
- 10.20 Subscription Agreement, dated October 3, 2014, (Incorporated by reference to Exhibit 10.2 to the registrant's current report on Form 8-K, filed October 9, 2014).
- 10.21+ Board of Directors Service Letter Agreement between Betsy J. Bernard and SITO Mobile, Ltd dated July 15, 2014 (Incorporated by reference to Exhibit 10.31 to the registrant's annual report on Form 10-K, filed December 2, 2014).
- 10.22+ Board of Directors Service Letter Agreement between Joseph A. Beatty and SITO Mobile, Ltd dated September 9, 2014 (Incorporated by reference to Exhibit 10.32 to the registrant's annual report on Form 10-K, filed December 2, 2014).
- 10.23+ Board of Directors Service Letter Agreement between Philip B. Livingston and us dated November 10, 2014 (Incorporated by reference to Exhibit 10.33 to the registrant's annual report on Form 10-K, filed December 2, 2014).
- 10.24 Asset Purchase Agreement dated as of July 8, 2015 by and among SITO Mobile, Ltd., SITO Mobile Solutions, Inc., Hipcricket, Inc. and solely for purposes of Section 10.10, ESW Capital LLC dated as of January 20, 2015 (Incorporated by reference to Exhibit 10.1 to the registrant's current report on Form 8-K, filed July 13, 2015).
- 21 List of Subsidiaries (Incorporated by reference to Exhibit 21 to the registrant's annual report on Form 10-K, filed December 2, 2014).
- 23.1\* Consent of RBSM, LLP
- 31.1\* Certification of Chief Executive Officer pursuant to Rule 13a-14 of the Securities Exchange Act of 1934
- 31.2\* Certification of Chief Financial Officer pursuant to Rule 13a-14 of the Securities Exchange Act of 1934
- 32.1\* Certification of Chief Executive Officer pursuant to Section 1350
- 32.2\* Certification of Chief Financial Officer pursuant to Section 1350
- 101.INS\*\* XBRL Instance Document.
- 101.SCH\*\* XBRL Taxonomy Extension Schema Document.
- 101.CAL\*\* XBRL Taxonomy Extension Calculation Linkbase Document.
- 101.DEF\*\* XBRL Taxonomy Extension Definition Linkbase Document.
- 101.LAB\*\* XBRL Taxonomy Extension Label Linkbase Document.
- 101.PRE\*\* XBRL Taxonomy Extension Presentation Linkbase Document.

\* Filed herewith

\*\*Furnished herewith

+ Each of these Exhibits constitutes a management contract, compensatory plan, or arrangement.





**Joseph A. Beatty, Director**

Date: June 17, 2016 /s/ Richard O'Connell, Jr.

**Richard O'Connell, Jr., Director**

**INDEX TO FINANCIAL STATEMENTS**

	Page
<u>Report of Independent Registered Public Accountant Firm (RBSM)</u>	F-2
<u>Consolidated Balance Sheets as of December 31, 2015 and September 30, 2015(Audited)</u>	F-3 - F-4
<u>Consolidated Statements of Operations for the three months ended December 31, 2015 and 2014(Audited)</u>	F-5
<u>Consolidated Statement of Changes In Stockholders' Equity for the three months ended December 31, 2015(Audited)</u>	F-6
<u>Consolidated Statements of Cash Flows for the three months ended December 31, 2015 and 2014</u>	F-7 - F-8
<u>Notes to Consolidated Financial Statements(Audited)</u>	F-9

F-1

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Stockholders

SITO Mobile, Ltd.

We have audited the accompanying consolidated balance sheet of SITO Mobile, Ltd. (the “Company”) as of December 31, 2015, and the related consolidated statement of operations, stockholders’ equity and cash flows for the three month period ended December 31, 2015. These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company’s internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of SITO Mobile, Ltd. at December 31, 2015, and the consolidated results of its operations and its cash flows for the period then ended, in conformity with U.S. generally accepted accounting principles.

New York, NY

June 17, 2016

F-2

**SITO Mobile, Ltd.****CONSOLIDATED BALANCE SHEETS****(AUDITED)**

	December 31, 2015	September 30, 2015
Assets		
<b>Current assets</b>		
Cash and cash equivalents	\$ 2,615,184	\$ 2,004,139
Accounts receivable, net - current portion	6,167,816	4,265,481
Other prepaid expenses	123,692	312,606
<b>Total current assets</b>	<b>8,906,692</b>	<b>6,582,226</b>
<b>Property and equipment, net</b>	<b>585,356</b>	<b>610,161</b>
<b>Other assets</b>		
Accounts receivable, net	-	225,000
Capitalized software development costs, net	1,600,813	1,403,397
Intangible assets:		
Patents	445,473	493,952
Patent applications cost	897,087	826,074
Other intangible assets, net	1,714,477	1,837,227
Goodwill	6,444,225	6,444,225
Deferred loan costs, net	78,116	92,842
Other assets including security deposits	84,829	83,576
<b>Total other assets</b>	<b>11,265,020</b>	<b>11,406,293</b>
<b>Total assets</b>	<b>\$ 20,757,068</b>	<b>\$ 18,598,680</b>

See accompanying notes.

**SITO Mobile, Ltd.****CONSOLIDATED BALANCE SHEETS****(AUDITED)**

	December 31, 2015	September 30, 2015
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	\$4,828,600	\$2,339,189
Accrued expenses	1,277,896	1,062,097
Deferred revenue	532,909	595,669
Current obligation under capital lease	11,699	15,858
Note payable, net - current portion	3,984,219	3,575,024
Total current liabilities	10,635,323	7,587,837
Long-term liabilities		
Obligations under capital lease	6,201	7,023
Note payable	4,934,966	5,690,124
Total long-term liabilities	4,941,167	5,697,147
Total liabilities	15,576,490	13,284,984
Commitments and contingencies - See notes 15	-	-
Stockholders' Equity		
Preferred stock, \$.0001 par value, 5,000,000 shares authorized; none outstanding	-	-
Common stock, \$.001 par value; 300,000,000 shares authorized, 17,155,478 shares issued and outstanding as of December 31, 2015 and as of September 30, 2015, respectively	17,156	17,156
Additional paid-in capital	144,538,247	144,234,264
Accumulated deficit	(139,374,825)	(138,937,724)
Total stockholders' equity	5,180,578	5,313,696
Total liabilities and stockholders' equity	\$20,757,068	\$18,598,680

See accompanying notes.

F-4



**SITO Mobile, Ltd.****CONSOLIDATED STATEMENTS OF OPERATIONS****(AUDITED)**

	<b>For the Three Months Ended December 31,</b>	
	<b>2015</b>	<b>2014 (Unaudited)</b>
<b>Revenue</b>		
Media placement	\$5,336,102	\$1,289,089
Wireless applications	1,622,325	2,424,766
Licensing and royalties	245,328	133,581
<b>Total Revenue</b>	<b>7,203,755</b>	<b>3,847,436</b>
<b>Costs and Expenses</b>		
Cost of revenue	3,449,256	1,848,187
<b>Sales and marketing</b>	<b>1,880,038</b>	<b>672,071</b>
<b>General and administrative</b>	<b>1,620,538</b>	<b>1,380,854</b>
Depreciation and amortization	219,225	65,197
Total costs and expenses	7,169,057	3,966,309
<b>Income (Loss) from operations</b>	<b>34,698</b>	<b>(118,873 )</b>
<b>Other Expenses</b>		
Interest expense	(471,799 )	(417,378 )
<b>Net loss before income taxes</b>	<b>(437,101 )</b>	<b>(536,251 )</b>
Provision for income taxes	-	-
<b>Net loss</b>	<b>\$(437,101 )</b>	<b>\$(536,251 )</b>
<b>Basic and diluted loss per share</b>	<b>\$(0.03 )</b>	<b>\$(0.03 )</b>
<b>Weighted average shares outstanding</b>	<b>17,155,478</b>	<b>15,326,275</b>

See accompanying notes.

**SITO Mobile, Ltd.**

**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**

**FOR THE THREE MONTHS ENDED DECEMBER 31, 2015**

**(AUDITED)**

	<b>Common Stock Shares</b>	<b>Common Stock Amount</b>	<b>Additional Paid-in Capital</b>	<b>Accumulated Deficit</b>	<b>Total</b>
Balance - September 30, 2015	17,155,478	17,156	144,234,264	(138,937,724)	5,313,690
Compensation recognized on option and warrant grants	-	-	153,928	-	153,928
Warrant receivable	-	-	150,055	-	150,055
Net loss for the three months ended December 31, 2015	-	-	-	(437,101 )	(437,101)
Balance - December 31, 2015	17,155,478	\$17,156	\$144,538,247	\$(139,374,825)	\$5,180,578

See accompanying notes.

**SITO Mobile, Ltd.****CONSOLIDATED STATEMENTS OF CASH FLOWS****(AUDITED)**

	<b>For the Three Months Ended December 31,</b>	
	<b>2015</b>	<b>2014 (Unaudited)</b>
<b>Cash Flows from Operating Activities</b>		
Net loss	\$(437,101 )	\$(536,251 )
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation expense	47,996	24,174
Amortization expense - software development costs	219,776	123,547
Amortization expense - patents	48,479	41,023
Amortization expense - discount of debt	168,516	128,897
Amortization expense - deferred costs	14,726	11,264
Amortization expense - intangible assets	122,750	-
Loss on disposition of assets	-	2,950
Stock based compensation	153,928	180,814
Changes in operating assets and liabilities:		
(Increase) in accounts receivable, net	(1,677,335)	(715,649 )
Decrease in prepaid expenses	188,914	67,078
(Increase) in other assets	(1,253 )	(50,655 )
Increase in accounts payable	2,489,411	737,907
Increase (decrease) in accrued expenses	215,799	(119,839 )
(Decrease) increase in deferred revenue	(62,760 )	374,067
Increase (decrease) in accrued interest	152,189	(506,031 )
<b>Net cash provided (used) in operating activities</b>	<b>1,644,035</b>	<b>(236,704 )</b>
<b>Cash Flows from Investing Activities</b>		
Patents and patent applications costs	(71,013 )	(119,067 )
Purchase of property and equipment	(23,191 )	(21,843 )
Capitalized software development costs	(417,192 )	(246,791 )
<b>Net cash used in investing activities</b>	<b>\$(511,396 )</b>	<b>\$(387,701 )</b>

See accompanying notes.

F-7

**SITO Mobile, Ltd.****CONSOLIDATED STATEMENTS OF CASH FLOWS****(AUDITED)**

	For the Three Months Ended December 31,	
	2015	2014 (Unaudited)
Cash Flows from Financing Activities		
Proceeds from issuance of common stock	\$ 150,055	\$ 1,000,000
Proceeds from issuance of note payable	-	8,205,816
Principal reduction on obligation under capital lease	(4,981 )	(4,924 )
Principal reduction on repayment of debt	(666,668 )	-
Principal reduction on convertible debt	-	(3,708,000)
<b>Net cash (used in) provided by financing activities</b>	<b>(521,594 )</b>	<b>5,492,892</b>
<b>Net increase in cash and cash equivalents</b>	<b>611,045</b>	<b>4,868,487</b>
<b>Cash and cash equivalents - Beginning of period</b>	<b>2,004,139</b>	<b>620,185</b>
<b>Cash and cash equivalents - Ending of period</b>	<b>\$2,615,184</b>	<b>\$5,488,672</b>
Supplemental Information:		
Interest expense paid	\$ 136,369	\$ 781,143
Income taxes paid	\$-	\$-
<b>Non-cash investing and financing activities:</b>		

**For the three months ended December 31, 2015**

During the three months ended December 31, 2015, the Company recognized stock-based compensation expense totaling \$153,928, through the vesting of 328,360 common stock options.

See accompanying notes.



**SITO Mobile, Ltd.**

**Notes to Consolidated Financial Statements**

**(Audited)**

**1. Organization, History and Business**

SITO Mobile, Ltd. (“the Company”) was incorporated in Delaware on May 31, 2000, under its original name, Hosting Site Network, Inc. On May 12, 2008, the Company changed its name to Single Touch Systems, Inc. and on September 26, 2014, it changed its name to SITO Mobile, Ltd.

The Company provides a mobile engagement platform that enables brands to increase awareness, loyalty, and ultimately sales.

**Reverse Stock Split**

On July 29, 2015, the Company filed an amendment to the Certificate of Incorporation to effect a 1-for-10 reverse split of its issued and outstanding common stock. The reverse split became effective in the market on July 30, 2015. Unless otherwise noted, all references herein to the number of common shares, price per common share or weighted average number of common shares outstanding have been adjusted to reflect this reverse stock split on a retroactive basis.

**2. Summary of Significant Accounting Policies**

**Reclassification**

Certain reclassifications have been made to conform the 2014 amounts to the 2015 classifications for comparative purposes.

**Principles of Consolidation**

The accompanying consolidated financial statements include the accounts of SITO Mobile, Ltd. and its wholly-owned subsidiaries, SITO Mobile Solutions Inc., SITO Mobile R&D IP, LLC, SITO Mobile Media Inc. and DoubleVision Networks Inc. (“DoubleVision”). Intercompany transactions and balances have been eliminated in consolidation.

### **Cash and Cash Equivalents**

The Company considers cash and cash equivalents to include all stable, highly liquid investments with maturities of three months or less.

### **Accounts Receivable, net**

Accounts receivable are reported at the customers’ outstanding balances, less any allowance for doubtful accounts. Interest is not accrued on overdue accounts receivable.

### **Allowance for Doubtful Accounts**

An allowance for doubtful accounts on accounts receivable is charged to operations in amounts sufficient to maintain the allowance for uncollectible accounts at a level management believes is adequate to cover any probable losses. Management determines the adequacy of the allowance based on historical write-off percentages and information collected from individual customers. Accounts receivable are charged off against the allowance when collectability is determined to be permanently impaired.



**SITO Mobile, Ltd.**

**Notes to Consolidated Financial Statements**

**(Audited)**

**Property and Equipment, net**

Property and equipment are stated at cost. Major renewals and improvements are charged to the asset accounts while replacements, maintenance and repairs that do not improve or extend the lives of the respective assets are expensed. At the time property and equipment are retired or otherwise disposed of, the asset and related accumulated depreciation accounts are relieved of the applicable amounts. Gains or losses from retirements or sales are credited or charged to income.

Depreciation is computed on the straight-line and accelerated methods for financial reporting and income tax reporting purposes based upon the following estimated useful lives:

Software development	2- 3 years
Equipment and computer hardware	5 years
Office furniture	7 years
Leasehold Improvements	5 years

**Long-Lived Assets**

The Company accounts for its long-lived assets in accordance with Accounting Standards Codification (“ASC”) Topic 360-10-05, “Accounting for the Impairment or Disposal of Long-Lived Assets.” ASC Topic 360-10-05 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the historical cost carrying value of an asset may no longer be appropriate. The Company assesses recoverability of the carrying value of an asset by estimating the future net cash flows expected to result from the asset, including eventual disposition. If the future net cash flows are less than the carrying value of the asset, an impairment loss is recorded equal to the difference between the asset’s carrying value and fair value or disposable value.

**Capitalized Software Development Costs**

The Company accounts for costs incurred to develop or purchase computer software for internal use in accordance with ASC Topic 350-40 "Internal-Use Software." As required by ASC 350-40, the Company capitalizes the costs incurred during the application development stage, which include costs to design the software configuration and interfaces, coding, installation, and testing.

Costs incurred during the preliminary project stage along with post-implementation stages of internal use computer software are expensed as incurred. Capitalized development costs are amortized over a period of two to three years. Costs incurred to maintain existing product offerings are expensed as incurred. The capitalization and ongoing assessment of recoverability of development costs requires considerable judgment by management with respect to certain external factors, including, but not limited to, technological and economic feasibility, and estimated economic life.

### **Capital Leases**

Assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the leased assets. The assets are depreciated over the lower of their related lease terms or their estimated productive lives. Depreciation of the assets under capital leases is included in depreciation expense.

**SITO Mobile, Ltd.**

**Notes to Consolidated Financial Statements**

**(Audited)**

**Debt issuance costs**

Deferred debt issuance costs are amortized using the effective interest method over the related term of the debt and are included in other assets. The amortization of deferred debt issuance costs is included in interest expense.

**Income Taxes**

The Company accounts for its income taxes under the provisions of ASC Topic 740, "Income Taxes." The method of accounting for income taxes under ASC 740 is an asset and liability method. The asset and liability method requires the recognition of deferred tax liabilities and assets for the expected future tax consequences of temporary differences between tax bases and financial reporting bases of other assets and liabilities. The Company had no material unrecognized income tax assets or liabilities for the three months ended December 31, 2015 or for the three months ended December 31, 2014. The Company recognizes income tax interest and penalties as a separately identified component of general and administrative expense. During the three months ended December 31, 2015 and 2014, there were no income taxes, or related interest and penalty items in the statements of operations, or liabilities on the balance sheets.

**Issuances Involving Non-cash Consideration**

All issuances of the Company's stock for non-cash consideration have been assigned a dollar amount equaling the market value of the shares issued on the date the shares were issued for such services and property. The non-cash consideration paid pertains to consulting services, the acquisition of a software license, the acquisition of DoubleVision Networks Inc. and assets purchased from Hipcricket, Inc. (See Notes 16 and 17).

**Revenue Recognition**

The Company recognizes media placement revenue based on the activity of mobile users viewing ads through developer applications and mobile websites. Media placement revenues are recognized when the Company's advertising services are delivered based on the specific terms of the advertising contract, which are commonly based on the number of ads delivered, or views, clicks or actions by users on mobile advertisements. At such time, the Company's services have been provided, the fees charged are fixed or determinable, persuasive evidence of an arrangement exists, and collectability is reasonably assured.

The Company evaluates whether it is appropriate to recognize media placement revenue based on the gross amount billed to the customers or the net amount earned as revenue. When the Company is primarily obligated in a transaction, has latitude in establishing prices, is responsible for fulfillment of the transaction, has credit risk, or has several but not all of these indicators, revenue is recorded on a gross basis. While none of the factors individually are considered presumptive or determinative, in reaching conclusions on gross versus net revenue recognition, the Company places the most weight on the analysis of whether or not it is the primary obligor in the arrangement. The Company records the net amounts as media placement revenue earned if it is not primarily obligated or does not have latitude in establishing prices or credit risk.

The Company recognizes wireless applications revenue based on the delivery of Short Message Service (SMS) text messages and voice messages and messaging program management services. Wireless applications revenues are recognized when the Company's services are delivered based on the specific terms of the Company's contracts with customers, which are commonly based on the number of messages delivered. At such time, the Company's services have been provided, the fees charged are fixed or determinable, persuasive evidence of an arrangement exists, and collectability is reasonably assured.

**SITO Mobile, Ltd.**

**Notes to Consolidated Financial Statements**

**(Audited)**

In general, licensing and royalty revenue arrangements provide for the payment of contractually determined fees in consideration for the patented technologies owned by or controlled by the Company's operating subsidiary. The intellectual property rights granted may be perpetual in nature, extending until the expiration of the related patents, or can be granted for a defined, relatively short period of time, with the licensee possessing the right to renew the agreement at the end of each contractual term for an additional minimum upfront payment. Pursuant to the terms of these agreements, the Company's operating subsidiary may have no further obligation with respect to the grant of the non-exclusive retroactive and future licenses, covenants-not-to-sue, releases, and other deliverables, including no express or implied obligation on the Company's operating subsidiary's part to maintain or upgrade the technology, or provide future support or services. Generally, the agreements provide for the grant of licenses, covenants-not-to-sue, releases, and other significant deliverables upon the execution of the agreement, or upon the receipt of the minimum upfront payment for term agreement renewals. As such, when the Company has no further obligation under the agreement, the earnings process is complete and revenue is recognized upon the execution of the agreement, when collectability is reasonably assured, or upon receipt of the minimum upfront fee for term agreement renewals, and when all the other revenue recognition criteria have been met, otherwise the Company recognizes revenue on a straight-line basis over the life of the agreement based on the contractually determined fees.

Deferred revenue arises as a result of differences between the timing of revenue recognition and receipt of cash from the Company's customers.

**Stock Based Compensation**

Stock-based compensation is accounted for based on the requirements of the Share-Based Payment topic of ASC Topic 718 which requires recognition in the financial statements of the cost of employee and director services received in exchange for an award of equity instruments over the period the employee or director is required to perform the services in exchange for the award (presumptively, the vesting period). The Financial Accounting Standards Board ("FASB") also requires measurement of the cost of employee and director services received in exchange for an award based on the grant-date fair value of the award.

Pursuant to ASC Topic 505-50, for share-based payments to consultants and other third-parties, compensation expense is determined at the "measurement date." The expense is recognized over the vesting period of the award. The Company records compensation expense based on the fair value of the award at the reporting date.

The value of the stock-based award is determined using the Binomial or Black-Scholes option-pricing models, whereby compensation cost is the excess of the fair value of the award as determined by the pricing model at the grant date or other measurement date over the amount that must be paid to acquire the stock. The resulting amount is charged to expense on the straight-line basis over the period in which the Company expects to receive the benefit, which is generally the vesting period.

F-12

**SITO Mobile, Ltd.**

**Notes to Consolidated Financial Statements**

**(Audited)**

**Loss per Share**

The Company reports earnings (loss) per share in accordance with ASC Topic 260-10, "Earnings per Share." Basic earnings (loss) per share are computed by dividing income (loss) available to common shareholders by the weighted average number of common shares available. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive. Diluted loss per share has not been presented since the effect of the assumed conversion of warrants and debt to purchase common shares would have an anti-dilutive effect. Potential common shares as of December 31, 2015 that have been excluded from the computation of diluted net loss per share amounted to 2,524,257 shares and include 2,524,257 options. Potential common shares as of December 31, 2014 that have been excluded from the computation of diluted net loss per share amounted to 3,140,400 shares and included 988,950 warrants, and 2,151,450 options.

On July 29, 2015, the Company filed an amendment to the Certificate of Incorporation to effect a 1-for-10 reverse split of its issued and outstanding common stock the reverse split became effective in the market on July 30, 2015. Following the reverse split, every ten shares of the Company's issued and outstanding common stock were automatically combined and converted into one issued and outstanding share of common stock with a par value of \$0.001 per share. No fractional shares are to be issued. As a result, all prior per share calculations reflect the effects of this reverse stock split.

**Concentrations of Credit Risk**

The Company primarily transacts its business with one financial institution. The amount on deposit in that one institution may from time to time exceed the federally-insured limit.

During the three months ending December 31, 2015, two customers accounted for 40% of our revenue, comprised of 22% from contracts with five customers covered under our master services agreement with AT&T, and 18% from multiple contracts under one media placement customer. Of the Company's revenue earned during the three months ended December 31, 2014, approximately 64% was generated from contracts with eight customers covered under the

Company's master services agreement with AT&T.

The Company's accounts receivable is typically unsecured and are derived from U.S. customers in different industries. The Company performs ongoing credit evaluations of its customers and maintains allowances for potential credit losses. Historically, such losses have been within management's expectations. As of December 31, 2015 and 2014, two customers accounted for 42% and 51%, respectively, of the Company's net accounts receivable balance, respectively.

### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

F-13



**SITO Mobile, Ltd.**

**Notes to Consolidated Financial Statements**

**(Audited)**

**Business Combinations**

The Company accounts for all business combinations using the acquisition method of accounting. Under this method, assets and liabilities are recognized at fair value at the date of acquisition. The excess of the purchase price over the fair value of assets acquired, net of liabilities assumed is recognized as goodwill. Certain adjustments to the assessed fair values of the assets, liabilities made subsequent to the acquisition date, but within the measurement period, which is up to one year, are recorded as adjustments to goodwill. Any adjustments subsequent to the measurement period are recorded in income. Results of operations of the acquired entity are included in the Company's results from the date of the acquisition onward and include amortization expense arising from acquired tangible and intangible assets. The Company expenses all costs as incurred related to an acquisition under general and administrative in the consolidated statements of operations.

**Recent Accounting Pronouncements**

In June 2014, the FASB issued new guidance on transfers and servicing ASU 2014-11, Transfers and Servicing (Topic 860): Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosure), effective prospectively for fiscal years beginning after December 15, 2014 and interim periods within those years. The new guidance requires that repurchase-to-maturity transactions and repurchase financing arrangements be accounted for as secured borrowings and provides for enhanced disclosures, including the nature of collateral pledged and the time to maturity. Certain interim period disclosures for repurchase agreements and securities lending transactions are not required until the second quarter of 2015. The adoption of this new guidance will not have a material impact on the Company's consolidated financial statements.

In June 2014, the FASB has issued ASU No. 2014-12, Compensation – Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period. This ASU requires that a performance target that affects vesting, and that could be achieved after the requisite service period, be treated as a performance condition. As such, the performance target should not be reflected in estimating the grant date fair value of the award. This update further clarifies that compensation cost should be recognized in the period in which it becomes probable that the performance target will be achieved and should represent the compensation cost attributable to the period(s) for which the requisite service has already been rendered. The amendments in this ASU are effective for annual periods and interim periods within those annual periods beginning after December 15, 2015. Earlier adoption is permitted. The Company has not yet

determined the effect of the adoption of this standard and it is not expected to have a material impact on the Company's consolidated financial position and results of operations.

In August 2014, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") No. 2014-15, ("ASU 2014-15"), "Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern". ASU 2014-15 requires management to perform interim and annual assessments of an entity's ability to continue as a going concern within one year of the date the financial statements are issued and provides guidance on determining when and how to disclose going concern uncertainties in the financial statements. Certain disclosures will be required if conditions give rise to substantial doubt about an entity's ability to continue as a going concern. ASU 2014-15 applies to all entities and is effective for annual and interim reporting periods ending after December 15, 2016, with early adoption permitted. The Company does not expect that the adoption of this standard will have a material effect on its consolidated financial statements.

**SITO Mobile, Ltd.**

**Notes to Consolidated Financial Statements**

**(Audited)**

In February 2015, the FASB issued new guidance to improve consolidation guidance for legal entities (Accounting Standards Update (“ASU”) 2015-02, Consolidation (Topic 810): Amendments to the Consolidation Analysis), effective for fiscal years beginning after December 15, 2015 and interim periods within those years and early adoption is permitted. The new standard is intended to improve targeted areas of the consolidation guidance for legal entities such as limited partnerships, limited liability corporations, and securitization structures. The amendments in the ASU affect the consolidation evaluation for reporting organizations. In addition, the amendments in this ASU simplify and improve current GAAP by reducing the number of consolidation models. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, “Imputing of Interest – Simplifying the Presentation of Debt Issuance Costs.” This guidance requires that the debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the debt liability, consistent with the presentation of a debt discount. This amendment is effective for fiscal years and interim period within those fiscal years, beginning after December 15, 2015. Early adoption is permitted. The Company is currently evaluating the impact on its consolidated financial statements of adopting this new guidance but at this time does not expect it to have an impact on the Company’s consolidated financial statements.

In August 2015, the FASB issued ASU No. 2015-14 (“ASU 2015-14”), “Revenue from Contracts with Customers”. The objective of ASU 2015-14 is to defer the effective date of Update 2014-09 by one year. The objective of ASU 2014-09 is to establish a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and will supersede most of the existing revenue recognition guidance, including industry-specific guidance. The core principle of ASU 2014-09 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new guidance is effective for annual reporting periods (including interim periods within those periods) beginning after December 15, 2017 for public companies. Early adoption is not permitted. The standard permits the use of either a retrospective or modified retrospective (cumulative effect) transition method. The Company is currently evaluating the new guidance and has not determined the impact this standard may have on its consolidated financial statements nor decided upon the method of adoption.

In November 2015, the FASB issued Accounting Standards Update No. 2015-17, Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes (ASU 2015-17), which simplifies the presentation of deferred income taxes by requiring deferred tax assets and liabilities be classified as noncurrent on the balance sheet. The updated standard is effective for the Company beginning on October 1, 2017 with early application permitted as of the beginning of any interim or annual reporting period. The Company does not expect that the adoption of this standard will have a

material effect on its consolidated financial statements.

### 3. Accounts Receivable, net

Accounts receivable consist of the following:

	<b>December 31,    September 30,</b>	
	<b>2015</b>	<b>2015</b>
Accounts receivable	\$ 6,212,600	\$ 4,738,859
Less allowance for bad debts	(44,784    )	(248,378    )
	6,167,816	4,490,481
Less current portion	(6,167,816    )	(4,265,481    )
Long-term portion	\$ -	\$ 225,000

F-15

**SITO Mobile, Ltd.****Notes to Consolidated Financial Statements****(Audited)**

On November 12, 2013, the Company entered into an agreement with an unrelated third party regarding its usage since October 2010 of certain Company patented intellectual property. Under the agreement, the Company receives a total of \$750,000 and granted extended payment terms that consist of a \$100,000 payment received in November 2013, a \$200,000 payment received in November 2014, a \$225,000 payment to be received in November 2015 and a \$225,000 payment to be received in November 2016. The Company has no obligations under the agreement. An amendment to the patent license agreement was signed on December 4, 2015 in which the Company received the full payment on the remaining balance of the original agreement plus an additional \$100,000.

**4. Property and Equipment, net**

The following is a summary of property and equipment:

	<b>December 31,</b>	<b>September 30,</b>
	<b>2015</b>	<b>2015</b>
Equipment and computer hardware	\$ 727,289	\$ 723,844
Office furniture	233,219	213,473
Leasehold Improvements	186,902	186,902
Equipment held under capital lease	66,272	66,272
	1,213,682	1,190,491
Less: accumulated depreciation	(628,326 )	(580,330 )
	<b>\$ 585,356</b>	<b>\$ 610,161</b>

Depreciation expense for the three months ended December 31, 2015 and 2014 was \$47,996 and \$24,174, respectively.

**SITO Mobile, Ltd.****Notes to Consolidated Financial Statements****(Audited)****5. Capitalized Software Development Costs, net**

The following is a summary of capitalized software development costs:

	<b>December 31,</b>	<b>September 30,</b>
	<b>2015</b>	<b>2015</b>
Beginning balance	\$ 1,403,397	\$ 639,416
Additions	417,192	1,444,629
Amortization	(219,776 )	(680,648 )
Ending balance	\$ 1,600,813	\$ 1,403,397

Amortization expense for the three months ended December 31, 2015 and 2014 was \$219,776 and \$123,547, respectively.

As of December 31, 2015, amortization expense for the remaining estimated lives of these costs is as follows:

<u>Year Ending December 31,</u>	
2016	\$769,649
2017	570,179
2018	260,985
	\$1,600,813

**SITO Mobile, Ltd.****Notes to Consolidated Financial Statements****(Audited)****6. Intangible Assets****Patents**

The following is a summary of capitalized patent costs:

	<b>December 31,</b>	<b>September 30,</b>
	<b>2015</b>	<b>2015</b>
Patent costs	\$ 1,357,407	\$ 1,357,407
Amortization	(911,934 )	(863,455 )
	\$ 445,473	\$ 493,952

Amortization expenses for the three months ended December 31, 2015 and 2014 was \$48,479 and \$41,023, respectively.

A schedule of amortization expense over the estimated remaining lives of the patents is as follows:

<u>Year Ending December 31.</u>	
2016	\$ 186,753
2017	80,836
2018	45,423
2019	41,881
2020	41,880
Thereafter	48,700
	\$445,473

**SITO Mobile, Ltd.****Notes to Consolidated Financial Statements****(Audited)****Other Intangible Assets, net**

The following is a summary of other intangible asset costs:

	<b>December 31,</b>	<b>September 30,</b>
	<b>2015</b>	<b>2015</b>
Technology	\$ 970,000	\$ 970,000
Customer relationships	870,000	870,000
Backlog	110,000	110,000
Amortization	(235,523 )	(112,773 )
	<b>\$ 1,714,477</b>	<b>\$ 1,837,227</b>

Amortization expenses for the three months ended December 31, 2015 and 2014 was \$122,750 and \$0, respectively.

A schedule of amortization expense over the estimated remaining lives of the patents is as follows:

<u>Year Ending December 31,</u>	
2016	\$275,470
2017	271,000
2018	271,000
2019	271,000
2020	187,536
Thereafter	438,471
	<b>\$1,714,477</b>



**SITO Mobile, Ltd.**

**Notes to Consolidated Financial Statements**

**(Audited)**

**Software license**

On March 30, 2012, the Company acquired an exclusive perpetual license to utilize the “Anywhere” software and related source code from Soap Box Mobile, Inc. (“Soapbox”), a company in which the Company’s Executive Chairman at the time owned a majority preferred interest of the license grant. The Company paid \$785,000 in cash and 20,000 shares of Company common stock for the exclusive perpetual license, of which the former Executive Chairman received \$755,000 under terms of a November 27, 2012 agreement. During the year ended December 31, 2015 due to lower than previously expected cash flows as a result of the decrease in the software usage, we determined that indicators of impairment existed with respect to the "Anywhere" software license. As a result of our assessment we determined that projected future cash flows associated with the "Anywhere" software license were not sufficient to support the recoverability of the carrying value of the software license. Accordingly, during the third quarter of 2015, an asset impairment charge of \$831,000 was recorded as Impairment of long-lived asset in the Consolidated Statements of Operations for the year ended December 31, 2015.

**Goodwill**

On July 24, 2014, the Company and DoubleVision and the shareholders of the DoubleVision entered into a Share Purchase Agreement pursuant to which the Company acquired all of the shares of DoubleVision. The Company paid \$3,600,000 for DoubleVision by issuing 800,000 shares of the Company’s common stock to DoubleVision’s shareholders and paid \$400,000 to one of DoubleVision’s creditors that resulted in the Company recognizing \$3,482,884 in goodwill. The Share Purchase Agreement has an earn-out provision that could cause the Company to issue additional shares of the Company’s common stock equal to \$1,000,000 (valued at the average closing price for the ninety days ending July 31, 2015) as additional purchase price consideration if the Company’s media placement revenues for the twelve-month period from August 1, 2014 to July 31, 2015 are at least \$3,000,000, subject to certain conditions such as receipt of customer payments and achievement of a gross margin threshold. In anticipation of achieving the earn-out provision, the Company accrued \$1,000,000 in purchase price payable and increased goodwill to \$4,482,884 as of March 31, 2015. During the quarter ended June 30, 2015, the Company issued 296,402 shares of its common stock at \$3.60 per share for an aggregate amount of \$1,067,044 in satisfaction of the purchase price payable and an increase to goodwill of \$67,044.

On July 8, 2015, the Company and Hipcricket, Inc. entered into an Asset Purchase Agreement pursuant to which the Company acquired assets of Hipcricket’s mobile advertising platform. The Company paid \$3,844,297 for the

Purchased Assets by issuing to Hipcricket 620,560 shares of the Company's common stock at an agreed-upon valuation of \$2,544,297, and \$1,300,000 in cash. The Company expensed additional legal and professional fees in conjunction with the asset acquisition totaling \$95,000. The acquisition resulted in the Company recognizing \$1,894,297 in goodwill. The Company does not amortize goodwill, but reduces the carrying amount of goodwill if management determines that its implied fair value has been impaired.

## 7. Accrued Expenses

The following is a summary of accrued expenses:

	<b>December 31,</b>	<b>September 30,</b>
	<b>2015</b>	<b>2015</b>
Accrued applications costs	\$ 168,983	\$ 103,959
Accrued payroll and related expenses - unrelated parties	380,943	288,657
Accrued professional fees	627,124	415,665
Other accrued expenses	100,846	253,816
	<b>\$ 1,277,896</b>	<b>\$ 1,062,097</b>

F-20

**SITO Mobile, Ltd.****Notes to Consolidated Financial Statements****(Audited)****8. Capital Leases**

The Company leases various office equipment under multiple capital leases that expire in 2016 and 2018. The equipment has a cost of \$66,272.

Minimum future lease payments under the capital leases at December 31, 2015 for each of the next four years and in the aggregate are as follows:

<u>Year Ending December 31,</u>	
2016	\$ 12,340
2017	3,790
2018	2,842
2019	-
Total minimum lease payments	18,972
Less amount representing interest	(1,072 )
Present value of net minimum lease payments	\$ 17,900

The effective interest rate charged on the capital leases range from approximately 2.25% to 7.428% per annum. The leases provide for a \$1 purchase option. Interest charged to operations for the three months ended December 31, 2015 and 2014 was \$241 and \$298, respectively. Depreciation charged to operations for the three months ended December 31, 2015 and 2014 was \$3,314 and \$3,165, respectively.

**9. Income Taxes**

As of December 31, 2015, the Company has a net operating loss carryover of approximately \$39,600,000 available to offset future income for income tax reporting purposes, which will expire in various years through 2035, if not previously utilized. However, the Company's ability to use the carryover net operating loss may be substantially limited or eliminated pursuant to Internal Revenue Code Section 382. We adopted the provisions of ASC 740-10-50. We had no material unrecognized income tax assets or liabilities for the three months ended December 31, 2015 or for the three months ended December 31, 2014.

Our policy regarding income tax interest and penalties is to expense those items as general and administrative expense but to identify them for tax purposes. During the three months ended December 31, 2015 and 2014, there were no federal income tax, or related interest and penalty items in the income statement, or liability on the balance sheet. We file income tax returns in the U.S. federal jurisdiction and various state jurisdictions. The Company is no longer subject to U.S. federal income tax examinations by tax authorities for years ending on or before September 30, 2012 or California state income tax examination by tax authorities for years ending on or before September 30, 2011. We are not currently involved in any income tax examinations.

F-21

**SITO Mobile, Ltd.****Notes to Consolidated Financial Statements****(Audited)****10. Note Payable**

	<b>December 31,</b>	<b>September 30,</b>
	<b>2015</b>	<b>2015</b>
Notes Payable:		
Principal outstanding	\$ 9,333,332	\$ 10,000,000
Accrued Interest	319,418	202,975
Accrued Termination Fee	160,376	124,630
	9,813,126	10,327,605
Less: discount on note payable	(893,941 )	(1,062,457 )
	8,919,185	9,265,148
Less: current portion, net	(3,984,219 )	(3,575,024 )
Long-term portion, net	\$ 4,934,966	\$ 5,690,124

Scheduled maturities on long term debt are as follows:

Years ending December 31	Principal	Discount Amortization	Accrued Interest	Accrued Termination Fee	Total
2016	\$4,333,334	\$ (415,044 )	\$65,929	\$ -	\$3,984,219
2017	4,000,000	(383,118 )	-	-	3,616,882
2018	999,998	(95,779 )	253,489	160,376	1,318,084
	\$9,333,332	\$ (893,941 )	\$319,418	\$ 160,376	\$8,919,185

On October 3, 2014 (the “Effective Date”), the Company and its wholly owned subsidiaries, SITO Mobile Solutions Inc., SITO Mobile R&D IP, LLC, entered into a Revenue Sharing and Note Purchase Agreement (the “Agreement”) with Fortress Credit Co LLC, as collateral agent (the “Collateral Agent”), and CF DB EZ LLC (the “Revenue Participant”) and the Fortress Credit Co LLC (the “Note Purchaser” and together with the Revenue Participant, the “Investors”).

On the Effective Date, the Company issued and sold a senior secured note (the “Note”) with an aggregate original principal amount of \$10,000,000 (the “Original Principal Amount”) and issued, pursuant to a Subscription Agreement, 261,954 new shares of common stock to Fortress at \$3.817 per share (which represents the trailing 30-day average

closing price) for an aggregate amount of \$1,000,000. After deducting original issue discount of 10% on the Notes and a structuring fee to the Investors, the Company received \$8,850,000 before paying legal and due diligence expenses.

F-22

**SITO Mobile, Ltd.**

**Notes to Consolidated Financial Statements**

**(Audited)**

The principal amount of the note bears interest at a rate equal to LIBOR plus 9% per annum. Such interest is payable in cash except that 2% per annum of the interest shall be paid-in-kind, by increasing the principal amount of the Notes by the amount of such interest. The term of the Notes is 42 months and the Company must make, beginning in October 2015, monthly amortization payments on the Notes, each in a principal amount equal to \$333,334 until the Note is paid in full. The Company shall also apply 85% of Monetization Revenues (as defined in the Agreement) from the Company's patents to the payment of accrued and unpaid interest on, and then to repay outstanding principal (at par) of, the Notes until all amounts due with respect to the Notes have been paid in full. After the repayment of the Notes, in addition to the interest, the Company shall pay the Revenue Participants up to 50% of Monetization Revenues totaling (i) \$5,000,000, if paid in full prior to March 31, 2018 and (ii) \$7,500,000 thereafter (the "Revenue Stream"). The Company must also pay \$350,000 to the Note Purchasers upon repayment of the Notes.

The Company may prepay the Notes in whole or in part, without penalty or premium, except that any optional prepayments of the Notes prior to the first anniversary of the Effective Date shall be accompanied by a prepayment premium equal to 5% of the principal amount prepaid.

The Agreement contains certain standard Events of Default. The Company granted to the Collateral Agent, for the benefit of the Secured Parties, a non-exclusive, royalty free, license (including the right to grant sublicenses) with respect to the Patents, which shall be evidenced by, and reflected in, the Patent License Agreement. The Collateral Agent and the Investors agree that the Collateral Agent shall only use such license following an Event of Default. Pursuant to the Security Agreement, the Company granted the Investors a first priority senior security interest in all of the Company's assets. The Company and the Investors assigned a value of \$500,000 to the revenue sharing terms of the Agreement and in accordance with ASC 470-10-25 "Debt Recognition", the Company recognized \$500,000 as deferred revenue and a discount on the Note that is amortized over the 42-month term of the Note using the effective interest method. For the three months ended December 31, 2015 and 2014, the Company recognized \$51,066 and \$39,060, respectively, in licensing revenue and interest expense from amortization of the deferred revenue.

Interest expense on the Note for the three months ended December 31, 2015 and 2014 was \$252,571 and \$247,629, respectively. Amortization of the discounts for the three months ended December 31, 2015 and 2014 totaled \$168,516 and \$128,897, respectively, which was charged to interest expense. Accrual of termination fees for the three months ended December 31, 2015 and 2014 was \$35,746 and \$27,342, respectively, which was charged to interest expense.

**11. Stock Based Compensation**

During the three months ended December 31, 2015, the Company recognized stock-based compensation expense totaling \$153,928, through the vesting of 328,360 common stock options. During the three months ended December 31, 2014, the Company recognized stock-based compensation expense totaling \$180,814, of which \$99,267 was recognized through the vesting of 125,000 common stock options, and \$81,547 from the amortization of prepaid consulting fees compensated through the granting of 575,000 options.

F-23



**SITO Mobile, Ltd.****Notes to Consolidated Financial Statements****(Audited)****12. Related Party Transactions**

On April 21, 2014 (the “Effective Date”), SITO Mobile R&D IP, LLC, the Company’s wholly-owned subsidiary, through a joint venture arrangement organized as a limited liability company (the “JV”) with Personalized Media Communications, LLC (“PMC”), entered into a Joint Licensing Program Agreement (the “Agreement”) with a national broadcasting entity (“Licensee”) pursuant to which the JV grants the Licensee a term-limited license ( the “License”) to all patents licensable by the JV (“Patents”), including an exclusive license to assert the Patents against certain infringing parties in the media distribution industry. In exchange for the License, the Licensee will pay an annual fee of \$1,250,000 for a minimum of three years (“Annual Fee”). Commencing three years from the Effective Date, the Licensee may each year, at its sole option, pay a \$1,250,000 license fee to renew the License for every year for four additional years. Once the Licensee has paid a total of \$8,750,000 in license fees, either in one lump sum or after paying \$1,250,000 annually for seven years, the License is deemed to be perpetual. For Patents infringement actions provided for under the License, the Licensee will pay 20% of the gross proceeds from settlements received less any Annual Fee amounts paid and litigation costs incurred (“Share of Proceeds”). SITO Mobile R&D IP, LLC and its joint venture partner will serve as co-plaintiffs with the Licensee in infringement actions under the License and the Licensee will be responsible for any out-of-pocket costs of the JV associated with being a co-plaintiff in supporting Licensee in such litigation, including attorneys’ fees. The Licensee will pay the Annual Fee and any Share of Proceeds to the JV. Proceeds received by the JV are shared by SITO Mobile R&D IP, LLC and PMC on a 30% and 70% basis, respectively. In the event that the Licensee does not assert any infringement actions under its rights in the License within five years of the Effective Date, the JV may, at its sole option, choose to terminate Licensee’s exclusive right to assert infringement claims with no reduction or adjustment to the Annual Fee. For the three months ended December 31, 2015 and 2014, the Company amortized \$94,262 and \$94,521 in revenue. As of December 31, 2015 the Company has \$114,754 in deferred revenue under the Licensing Agreement.

The Company entered into a Separation and General Release Agreement (the “Separation Agreement”) with its former Chief Executive Officer, James Orsini, which confirmed his removal from all positions held with the Company, including its subsidiaries, divisions, affiliates, partnerships, joint ventures and related business entities, effective September 19, 2014. Pursuant to the terms of the Separation Agreement and in accordance with the terms of his employment agreement, the Company will pay to Mr. Orsini, one year of his base salary, accrued but unused vacation time and will provide continued medical coverage for a period of one year. In addition, the Company reimbursed Mr. Orsini \$10,000 for his attorneys’ fees in connection with his Separation Agreement. In exchange for these payments, and other provisions, Mr. Orsini agreed to a general release in favor of the Company. The Separation Agreement became effective September 19, 2014. For the three months ended December 31, 2015 and 2014, the Company paid \$0 and \$107,410 under terms of the Separation Agreement and has accrued \$10,000 in remaining obligations.



**SITO Mobile, Ltd.**

**Notes to Consolidated Financial Statements**

**(Audited)**

**13. Fair Value**

The Company's balance sheet includes certain financial instruments. The carrying amounts of current assets and current liabilities approximate their fair values because of the relatively short period of time between the origination of these instruments and their expected realization. The Company determines the fair value of obligations under capital lease, notes payable and convertible debentures based on the effective yields of similar obligations (Level 2).

ASC 820-10 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820-10 establishes a fair value hierarchy that distinguishes between (1) market participant assumptions developed based on market data obtained from independent sources (observable inputs) and (2) an entity's own assumptions, about market participant assumptions, which are developed based on the best information available in the circumstances (unobservable inputs). The fair value hierarchy consists of three broad levels, which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under ASC 820-10 are described below:

Level 1. Valuations based on quoted prices in active markets for identical assets or liabilities that an entity has the ability to access.

Level 2. Valuations based on quoted prices for similar assets or liabilities, quoted prices for identical assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable data for substantially the full term of the assets or liabilities.

Level 3. Valuations based on inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Company did not identify any assets and liabilities that are required to be presented on the consolidated balance sheets at fair value. The Company does not have any assets or liabilities measured at fair value on a recurring basis at December 31, 2015. The Company did not have any fair value adjustments for assets and liabilities measured at fair

value on a nonrecurring basis during the year ended December 31, 2015.

#### **14. Stockholders' Equity**

##### **Common Stock**

The holders of the Company's common stock are entitled to one vote per share of common stock held.

During the three months ended December 31, 2015, the Company did not issue shares of common stock.

During the three months ended December 31, 2014, the Company issued 261,954 shares of common stock for which the Company received \$1,000,000 in gross proceeds.

##### **Warrants**

During the three months ended December 31, 2015, no warrants were granted or exercised, and 2,500 warrants expired.

During the three months ended December 31, 2014, no warrants were granted or exercised, and 360,000 warrants expired.

F-25

**SITO Mobile, Ltd.****Notes to Consolidated Financial Statements****(Audited)****Options**

During the three months ended December 31, 2015, the Company granted options to Directors and employees as follows:

Grant Date	Options Granted	Exercise Price	Expiration	Vesting	Total Value	Risk Free Interest Rate	Volatility	
November 17, 2015	20,000	\$ 3.58	November 17, 2020	3-years	\$47,180	1.70 %	102.67	%
November 17, 2015	4,548	\$ 3.58	November 17, 2020	Immediate	\$10,729	1.70 %	102.67	%
November 17, 2015	3,288	\$ 3.58	November 17, 2020	Immediate	\$7,756	1.70 %	102.67	%
November 18, 2015	150,000	\$ 3.51	November 18, 2020	3-years	\$338,100	1.72 %	102.63	%
November 18, 2015	70,000	\$ 3.51	November 18, 2020	3-years	\$157,780	1.72 %	102.63	%
November 18, 2015	28,000	\$ 3.51	November 18, 2020	3-years	\$63,112	1.72 %	102.63	%
November 18, 2015	28,000	\$ 3.51	November 18, 2020	3-years	\$63,112	1.72 %	102.63	%
November 18, 2015	28,000	\$ 3.51	November 18, 2020	3-years	\$63,112	1.72 %	102.63	%
	331,836							

The Company values options under the Binomial Option Model. The full value of options grants is charged to operations over the vesting period with options grants that vest immediately being fully charged on the date of grant.

During the three months ended December 31, 2015, the Company recognized stock-based compensation expense totaling \$153,928, through the vesting of 328,360 common stock options. During the three months ended December 31, 2014, the Company recognized stock-based compensation expense totaling \$180,814, of which \$99,267 was recognized through the vesting of 125,000 common stock options, and \$81,547 from the amortization of prepaid consulting fees compensated through the granting of 575,000 options.

**SITO Mobile, Ltd.****Notes to Consolidated Financial Statements****(Audited)**

A summary of outstanding stock warrants and options is as follows:

	Number of Shares	Weighted Average Exercise Price
Outstanding – September 30, 2014	3,983,900	\$ 4.80
Granted	352,271	\$ 3.20
Exercised	(833,700 )	\$ (2.50 )
Cancelled	(1,240,800)	\$ (5.40 )
Outstanding – September 30, 2015	2,261,671	\$ 5.00
Granted	331,836	\$ 3.50
Exercised	(- )	\$ (- )
Cancelled	(250 )	\$ (1.20 )
Outstanding – December 31, 2015	2,593,257	\$ 4.80

Of the 2,593,257 options and warrants outstanding, 1,972,931 are fully vested and currently available for exercise.

**15. Commitments and Contingency****Operating Leases**

The Company leases office space in Rogers, Arkansas; Jersey City, New Jersey; Boise, Idaho; and Royal Oak, Michigan. The Rogers office is leased for a term of five years, effective January 1, 2012. The Company's Boise office space is subject to a 38-month lease that commenced on May 1, 2014. The Jersey City office lease, amended on November 6, 2014, expires on November 30, 2018 and the Company has the option to extend the term for an additional five years. In addition to paying rent, the Company is also required to pay its pro rata share of the property's operating expenses. The Company entered into a sub-lease agreement on May 22, 2015 for an office in Michigan. The term for the office space is month to month. Rent expense for the three months ended December 31, 2015 and 2014 was \$98,150 and \$56,616, respectively. Minimum future rental payments under non-cancellable operating leases with terms in excess of one year as of December 31, 2015 for the next five years and in the aggregate are:

2016	\$329,360
2017	269,982
2018	235,224
2019	-
	\$834,566

F-27

**SITO Mobile, Ltd.**

**Notes to Consolidated Financial Statements**

**(Audited)**

**Incentive Compensation**

On November 21, 2014, the Company approved a compensation plan for the executive officers of the Company which provides for the payment of a cash bonus and an equity grant of performance options to the Company's Chief Executive Officer and its Chief Financial Officer (the "Executives"). Each Executive is eligible for an annual cash bonus, based upon net revenue, gross margins, and individual key performance indicators, set annually by the Company's Compensation Committee (the "Target Performance"). The target bonus for the Chief Executive Officer is 50% of his base salary and for the Chief Financial Officer, the target bonus is 40% of his base salary. Eighty percent of the cash bonus is based upon the target net revenues and gross margins of the Company with 20% of the cash bonus based upon individual key performance indicators. Fifty percent of the target cash bonus will be paid if threshold performance of 80% of the Target Performance is achieved, 100% of the target cash bonus will be paid if the Target Performance is reached, with 150% of the cash bonus paid if 120% of the Target Performance is achieved. As of December 31, 2015, the Company has paid \$172,437 in compensation expense for the potential incentive cash bonuses. The equity grant component of the compensation plan provides for the grant of 105,000 performance options to purchase shares of Company common stock to the Chief Executive Officer and 42,000 performance options to purchase shares of Company common stock to the Chief Financial Officer, with the number of performance options to be received by each of the Executives based upon the achievement by the Company of certain net revenues and gross margins targets. The performance options will vest in three year increments commencing on the grant date and are exercisable at a price of \$2.805. As of September 30, 2015, the Company reduced the performance options to 63,090 options for the Chief Executive Officer and 25,236 options for the Chief Executive Officer based on the actual achievement of the key performance indicators. During the three months ended December 31, 2015, the company recognized \$19,682 in stock compensation expense for the performance options.

On November 18, 2015, the Company approved a compensation plan for the executive officers of the Company which provides for the payment of a cash bonus and an equity grant of performance options to the Company's Chief Executive Officer and its Chief Financial Officer (the "Executives"). Each Executive is eligible for an annual cash bonus, based upon net revenue, and gross margins, set annually by the Company's Compensation Committee (the "Target Performance"). The target bonus for the Chief Executive Officer is 50% of his base salary, and for the Chief Financial Officer the target bonus is 40% of his base salary. Forty eight percent of the cash bonus is based upon the target net revenues and 32% of the cash bonus is based upon gross margins of the Company. Seventy percent of the target cash bonus will be paid if threshold performance of 70% of the Target Performance is achieved, 100% of the target cash bonus will be paid if the Target Performance is reached, with 120% of the cash bonus paid if 120% of the Target Performance is achieved. As of December 31, 2015, the Company has accrued \$52,080 in compensation expense for the potential incentive cash bonuses. The equity grant component of the compensation plan provides for the grant of 150,000 performance options to purchase shares of Company common stock to the Chief Executive Officer and 70,000 performance options to purchase shares of Company common stock to the Chief Financial Officer,



with the number of performance options to be received by each of the Executives based upon the achievement by the Company of certain net revenues and gross margins targets. The performance options will vest in three year increments commencing on the grant date and are exercisable at a price of \$3.51. During the three months ended December 31, 2015, the company recognized \$26,324 in stock compensation expense for the performance options.

F-28

**SITO Mobile, Ltd.**

**Notes to Consolidated Financial Statements**

**(Audited)**

On November 18, 2015, the Company approved a compensation plan for three Employees of the Company which provides for the payment of a cash bonus and an equity grant of performance options. Two of the Employees are eligible for an annual cash bonus, based upon net revenue, and gross margins, set annually by the Company's Compensation Committee (the "Target Performance"). The target bonus is 20% of his base salary. Seventy percent of the cash bonus is based upon the target net revenues and 30% of the cash bonus is based upon gross margins of the Company. Seventy percent of the target cash bonus will be paid if threshold performance of 70% of the Target Performance is achieved, 100% of the target cash bonus will be paid if the Target Performance is reached, with 120% of the cash bonus paid if 120% of the Target Performance is achieved. As of December 31, 2015, the Company has accrued \$18,737 in compensation expense for the potential incentive cash bonuses. The equity grant component of the compensation plan provides for the grant of 28,000 performance options to purchase shares of Company common stock to each of the three Employees, with the number of performance options to be received by each of the Employees based upon the achievement by the Company of certain net revenues and gross margins targets. The performance options will vest in three year increments commencing on the grant date and are exercisable at a price of \$3.51. During the three months ended December 31, 2015, the company recognized \$12,340 in stock compensation expense for the performance options.

**16. DoubleVision Acquisition**

On July 24, 2014, the Company acquired all of the outstanding capital stock of DoubleVision, a provider of mobile media for clients looking to place advertisements in mobile devices based on real-time data. With this acquisition, the Company integrated DoubleVision's ability to provide real-time advertising in its mobile media market with our product offerings. The contractual price for the acquisition was \$3,680,000 by issuing 800,000 shares of the Company's common stock to DoubleVision's shareholders at an agreed-upon valuation of \$4.10 per share, plus a cash payment of \$400,000 to one of DoubleVision's creditors.

In addition to the initial purchase price, the agreement called for \$1,000,000 in contingent consideration based on the Company achieving \$3,000,000 in media placement revenue in the twelve months ended July 31, 2014. At March 31, 2015, the Company recorded the additional \$1,000,000 purchase price payable in anticipation of achieving the revenue milestone and increased the goodwill to \$4,482,884. During the year ended September 30, 2015 the Company has issued 296,402 of its common stock at \$3.60 per share for an aggregate amount of \$1,067,044 in satisfaction of the purchase price payable and increased by \$67,044.

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As of December 31, 2015, the allocation of the purchase price to the assets acquired and liabilities assumed on the acquisition date was as follows:

Cash and cash equivalents	\$ 10,102
Accounts receivable	43,574
Note receivable	10,000
Machinery and equipment	21,764
Software development costs	260,524
Security deposit	6,150
Goodwill	3,482,884
Accounts payable	(154,998 )
Total purchase price	\$3,680,000

F-29

**SITO Mobile, Ltd.****Notes to Consolidated Financial Statements****(Audited)**

The following table summarizes the fair value of identifiable intangible assets acquired:

Software development costs	\$260,524
Total intangible assets acquired, excluding goodwill	\$260,524

The excess of the fair value of the total consideration over the estimated fair value of the net assets was recorded as goodwill, which was primarily attributable to the synergies expected from combining the technologies, including complementary products that will enhance the Company's overall product portfolio, and the value of the workforce that became our employees following the closing of the acquisition. The goodwill recognized is not deductible for income tax purposes.

**Pro forma Information**

The following unaudited pro forma information presents the consolidated results of operation of the company as if the acquisition completed during the year ended September 30, 2014 had occurred at the beginning of the applicable reporting period, with pro forma adjustments to give effect to intercompany transactions to be eliminated, amortization of intangible assets, share-based compensation, and transaction costs directly associated with the acquisition:

Net revenue	\$10,681,740
Net loss	(4,046,089 )
Net loss per share	(0.30 )
Net loss per share-diluted	(0.30 )

These unaudited pro forma condensed consolidated financial results have been prepared for illustrative purposes only and do not purport to be indicative of the results of operations that actually would have resulted had the acquisition occurred on the first day of the earliest period presented, or of the future results of the consolidated entities. The unaudited pro forma consolidated financial information does not reflect any operating efficiencies and cost savings that may be realized from the integration of the acquisition.



**SITO Mobile, Ltd.****Notes to Consolidated Financial Statements****(Audited)****17. Hipcricket Acquisition**

On July 8, 2015, the Company, Hipcricket, Inc. and, solely as a guarantor of Hipcricket's indemnity obligations, ESW Capital LLC entered into an Asset Purchase Agreement pursuant to which the Company acquired assets of Hipcricket's mobile advertising business. The Company paid a consideration of \$1,300,000 in cash and issued to Hipcricket 620,560 shares of the Company's common stock that the parties agreed to value at \$2,544,297. The Company acquired all rights in, to contracts with Hipcricket's mobile advertising customers, customer lists and records as well as certain intellectual assets and properties used in Hipcricket's mobile advertising business. The Company hired certain employees of Hipcricket to service the Hipcricket customers.

As of December 31, 2015, the allocation of the purchase price to the assets acquired and liabilities assumed on the acquisition date was as follows:

Technology	\$970,000
Customer relationships	870,000
Backlog	110,000
Goodwill	1,894,297
Total purchase price	\$3,844,297

The following table summarizes the fair value of identifiable intangible assets acquired:

Technology	\$970,000
Customer relationships	870,000
Backlog	110,000
Total intangible assets acquired, excluding goodwill	\$1,950,000

The excess of the fair value of the total consideration over the estimated fair value of the net assets was recorded as goodwill, which was primarily attributable to the synergies expected from combining the technologies, including complementary products that will enhance the Company's overall product portfolio, and the value of the workforce that became our employees following the closing of the acquisition. The goodwill recognized is deductible for income tax purposes.



**SITO Mobile, Ltd.****Notes to Consolidated Financial Statements****(Audited)****Pro forma Information**

The following unaudited pro forma information presents the consolidated results of operation of the company as if the acquisition completed during the year ended September 30, 2015 had occurred at the beginning of the applicable reporting period, with pro forma adjustments to give effect to intercompany transactions to be eliminated, amortization of intangible assets, share-based compensation, and transaction costs directly associated with the acquisition:

Net revenue	\$21,373,171
Net loss	(10,083,640)
Net loss per share	(0.65 )
Net loss per share-diluted	(0.65 )

These unaudited pro forma condensed consolidated financial results have been prepared for illustrative purposes only and do not purport to be indicative of the results of operations that actually would have resulted had the acquisition occurred on the first day of the earliest period presented, or of the future results of the consolidated entities. The unaudited pro forma consolidated financial information does not reflect any operating efficiencies and cost savings that may be realized from the integration of the acquisition.

**18. Subsequent Events***Entry into a Material Definitive Agreement*

On March 1, 2016, SITO Mobile, Ltd. (the “Company”) entered into Amendment No.1 (the “Amendment”) to that certain Revenue Sharing and Note Purchase Agreement, by and among the Company, SITO Mobile Solutions, Inc., SITO Mobile R&D IP, LLC, Fortress Credit Co LLC, and the Purchasers signatory thereto, dated as of October 3, 2014 (the “Agreement”). Pursuant to the terms of the Amendment, principal payment on the Notes issued pursuant to the Agreement shall be reduced from \$333,333 to \$175,000 for the period commencing on the last business day of February 2016 through the last business day of February 2017 and from \$333,333 to \$300,000 for the period commencing on the last business day of March 2017 to the last day of business on February 2018, with the final



payment on the last business day on March 2018 increased to repay the remaining principal in full. In consideration for the Amendment, the Company agreed to pay a restructuring fee of \$100,000 and issue 200,000 shares of its common stock to the Purchasers.

*Amendments to Articles of Incorporation or Bylaws*

On March 1, 2016, the Company filed a Certificate of Amendment to its Certificate of Incorporation to reduce the number of authorized shares of common stock from 300,000,000 to 100,000,000 shares.

*Change in Fiscal Year*

On May 5, 2016 the Board of Directors of the Company approved a change in the Company's fiscal year from September 30 to December 31, effective immediately. . Also on May 5, 2016, the Company's Board of Directors approved an amendment to its bylaws to include a forum selection provision.

*Options*

On November 18, 2015, the Company granted 331,836 options with a \$3.51 exercise price to Directors, Executives and employees, of which, 304,000 options are subject to Target Performance criteria that may reduce the number of options at a later date. The Company cancelled 58,674 options with a \$2.805 exercise price that were granted on November 21, 2014 to Executives and subject to Target Performance criteria.

On February 2, 2016, the Company granted 140,000 options with a 2.58 exercise price to Directors and employees.

On May 5, 2016, the Company granted 394,856 options with a \$2.95 exercise price to Directors, Executives and employees. On May 16, 2016, the Company cancelled 15,000 options with an exercise price of \$6.30 granted on May 16, 2011, and 25,500 options with an exercise price of \$4.69 granted on November 30, 2012.

