Mobiquity Technologies, Inc.
Form 10-Q
August 14, 2017

Table of contents

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2017

COMMISSION FILE NUMBER: 000-51160

MOBIQUITY TECHNOLOGIES, INC.
(Exact name of registrant as specified in its charter)

NEW YORK	**11-3427886**
(State of jurisdiction of Incorporation)	(I.R.S. Employer Identification No.)

626 RXR Plaza
Uniondale, NY 11556

(Address of principal executive offices)

(516) 256-7766

(Registrant's telephone number)

600 Old Country Road, Suite 541,
Garden City, NY 11530

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

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

Yes No

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

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer”, “smaller reporting company”, and “emerging growth company” in Rule 12b-2 of the Exchange Act. (Check one)

Large accelerated filer o	Accelerated filer o
Non-accelerated filer o	Smaller reporting company x
Emerging growth company o	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

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

Yes No

As of August 10, 2017, the registrant had a total of 192,421,390 shares of Common Stock outstanding.

MOBIQUITY TECHNOLOGIES, INC.

FORM 10-Q QUARTERLY REPORT

TABLE OF CONTENTS

	PAGE
PART I. FINANCIAL INFORMATION	
Item 1. Financial Statements (Unaudited)	
Condensed Consolidated Balance Sheets as of June 30, 2017 (unaudited) and December 31, 2016 (audited)	3
Condensed Consolidated Statements of Operations for the Three Months and Six Months Ended June 30, 2017 and June 30, 2016 (unaudited)	4
Condensed Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2017 and June 30, 2016 (unaudited)	5
Notes to Condensed Financial Statements (unaudited)	6
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	20
Item 3 Quantitative and Qualitative Disclosures	25
Item 4. Controls and Procedures	25
PART II. OTHER INFORMATION	
Item 1. Legal Proceedings	26
Item la. Risk Factors	26
Item 2. Changes in Securities	26
Item 3. Defaults Upon Senior Securities	26
Item 4. Mine Safety Disclosures	27
Item 5. Other Information	27
Item 6. Exhibits and Reports on Form 8-K	27
SIGNATURES	30

2

Part I - FINANCIAL INFORMATION

Item 1. Financial Statements

MOBIQUITY

TECHNOLOGIES, INC.

Condensed Consolidated Balance Sheets

	June 30, 2017 Unaudited	December 31, 2016 Audited
Assets		
Current Assets:		
Cash and cash equivalents	$306,259	$213,184
Accounts receivable, net	383,604	298,928
Inventory, net	66,142	79,291
Prepaid expenses and other current assets	10,367	38,929
Total Current Assets	766,372	630,332
Property and equipment, net	2,748	15,392
Intangible assets, net	22,817	37,117
Other assets	17,385	43,332
Total Assets	$809,322	$726,173
Liabilities and Stockholders' Deficit		
Current Liabilities:		
Accounts payable	$743,008	$914,697
Accrued expenses	660,418	1,161,628
Derivative liability	1,614,729	350,700
Convertible promissory notes, net	1,083,907	10,832,275
Total Current Liabilities	4,102,062	13,259,300
Total Liabilities	4,102,062	13,259,300
	11,854,062	–

AAA Preferred Stock, $.0001 par value; 5,000,000 shares authorized 1,117,588 and zero shares issued and outstanding at June 30, 2017 and December 31, 2016, respectively		
Stockholders' Deficit:		
Preferred Stock, $.0001 par value; 5,000,000 shares authorized, zero and 240,000 shares issued and outstanding at June 30, 2017 and December 31, 2016, respectively	–	25
Common stock, $.0001 par value; 900,000,000 and 500,000,000 shares authorized; 192,421,390 and 99,020,103 shares issued and outstanding at June 30, 2017, and December 31, 2016, respectively	19,253	9,913
Additional paid-in capital	44,119,565	38,652,075
Accumulated other comprehensive income (loss)	–	(13,047)
Accumulated deficit	(59,285,620)	(51,182,093)
Total Stockholders' Deficit	(15,146,802)	(12,533,127)
Total Liabilities and Stockholders' Deficit	$809,322	$726,173

See notes to condensed consolidated financial statements.

MOBIQUITY

TECHNOLOGIES, INC.

Condensed Consolidated Statements of Operations

	Three Months Ended June 30, (Unaudited)		Six Months Ended June 30, (Unaudited)	
	2017	2016	2017	2016
Revenues				
Product revenue	$750,304	$584,740	$1,102,636	$1,042,790
Service revenue	100,204	11,750	181,991	70,932
	850,508	596,490	1,284,627	1,113,722
Cost of Revenues				
Cost of product revenue	570,046	394,065	904,322	773,880
Cost of service revenue	309,739	–	406,031	88,310
	879,785	394,065	1,310,353	862,190
Gross Profit	(29,277)	202,425	(25,726)	251,532
Operating Expenses:				
Selling, general and administrative	1,606,184	2,255,983	3,466,379	4,870,755
Total Operating Expenses	1,606,184	2,255,983	3,466,379	4,870,755
Loss from Operations	(1,635,461)	(2,053,558)	(3,492,105)	(4,619,223)
Other Income (Expense):				
Interest expense	(758,492)	(792,478)	(1,892,426)	(1,422,505)
Gain/(Loss) on Derivative Instrument	1,006,309	537,497	1,284,031	756,835
Initial derivative expense	(181,265)	(565,780)	(1,284,704)	(565,780)
Gain/(Loss) on Settlement of Debt	–	–	(2,706,197)	–
Impairment of intangible assets	–	–	(12,127)	–
Interest income	1	2	1	3
Total Other Income (Expense)	66,553	(820,759)	(4,611,422)	(1,231,447)
Net Loss	(1,568,908)	$(2,874,317)	(8,103,527)	$(5,850,670)
Other Comprehensive (Loss)	–	(747)	(13,047)	(20,789)
Net Comprehensive Loss	$(1,568,908)	$(2,875,064)	$(8,090,480)	$(5,871,459)

Net Loss Per Common Share:				
Basic and Diluted	$(0.01)	$(0.04)	$(0.05)	$(0.07)
Weighted Average Common Shares Outstanding:				
Basic and Diluted	191,606,473	80,138,462	170,802,429	79,660,300

See notes to condensed consolidated financial statements.

MOBIQUITY

TECHNOLOGIES, INC.

Consolidated Statements of Cash Flows

Six Months Ended June 30,	2017 Unaudited	2016 Unaudited
Cash Flows from Operating Activities:		
Net loss	$(8,103,527)	$(5,850,670)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation Expense	6,451	70,513
Amortization - Intangible Assets	14,300	14,300
Amortization - Debt discount	1,363,013	1,190,909
Stock-based compensation	425,358	349,409
Common stock issued for services	314,310	122,750
Initial derivative expense	1,284,704	565,780
Gain on change in derivative	(1,284,031)	(756,835)
Gain on settlement of debt	2,706,197	–
Loss on disposal of assets	12,241	–
Expenses paid from note	567,737	–
Changes in operating assets and liabilities:		
Accounts receivable	(84,676)	93,729
Inventory	13,149	19,807
Prepaid expenses and other assets	48,461	388,890
Accounts payable	(163,310)	18,198
Accrued expenses and other current liabilities	361,064	162,588
Total adjustments	5,584,968	2,240,038
Net Cash Used in Operating Activities	(2,518,559)	(3,610,632)
Cash Flows from Investing Activities:		
Purchase of property and equipment	–	(173,940)
Loss on disposition of fixed assets	–	–
Net Cash Used in Investing Activities	–	(173,940)
Cash Flows from Financing Activities:		
Proceeds from the issuance of notes	1,735,000	1,580,626
Proceeds from issuance of common stock	311,250	–
Proceeds received from exercising warrants	95,834	–
Proceeds from the collection of stock subscription receivable	456,503	–
Proceeds from the issuance of preferred stock	–	400,000
Net Cash Provided by Financing Activities	2,598,587	1,980,626

Net Change in Cash and Cash Equivalents	80,028	(1,803,946)
Cash and Cash Equivalents, beginning of period	213,184	2,044,662
Change in foreign currency	13,047	(20,790)
Cash and Cash Equivalents, end of period	$306,259	$219,926
Supplemental Disclosure Information:		
Cash paid for interest	$3,140	$50,150
Cash paid for taxes	$–	$–
Non-cash Disclosures:		
Common Stock issued for interest	–	$62,215
Original debt discount against derivative liabilities	$1,600,000	$1,025,000
Conversion of note and interest into AAA Preferred and Common Stock	$12,791,476	$–
Original issue discount against convertible notes	$294,939	$–

See notes to condensed consolidated financial statements.

MOBIQUITY TECHNOLOGIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SIX MONTHS ENDED JUNE 30, 2017 AND 2016
(UNAUDITED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS – On September 10, 2013, Mobiquity Technologies, Inc. changed its name from Ace Marketing & Promotions, Inc. “the Company” or “Mobiquity”). We operate through two wholly-owned U.S. subsidiaries, namely, Mobiquity Networks, Inc. and Ace Marketing & Promotions, Inc. Mobiquity Networks owns 100% of Mobiquity Wireless S.L.U, a company incorporated in Spain. This corporation had an office in Spain to support our U.S. operations, which office was closed in the fourth quarter of 2016.

We operate a national location-based mobile advertising network that has developed a consumer-focused proximity network which we believe is unlike any other in the United States. Our integrated suite of proprietary location based mobile advertising technologies allows clients to execute more personalized and contextually relevant experiences, driving brand awareness and incremental revenue.

Mobiquity Technologies, Inc., a New York corporation (OTCQB: MOBQ). Through its wholly-owned subsidiary, Mobiquity Networks, Inc. has evolved and grown from a mobile advertising technology company focused on Driving Awareness and Foot-traffic throughout its indoor mall-based beacon network, into a next generation mobile location data and marketing company. The Company provides precise unique, at-scale location based data and insights on consumer’s real world behavior and trends for use in marketing and research. With our combined exclusive data sets of shopping malls, premium outlets and cinemas beacon data, and first party location data via our advanced Software Development Kit (SDK) utilizing multiple geo-location technologies; Mobiquity Networks provides one of the most accurate and scaled solution for mobile data collection and analysis. This should create several additional revenue streams, including, but not limited to; Push Notification Campaigns, Re-targeting Campaigns, Data Provision, Audience Profiles, Attribution Reporting and Custom Research.

Ace Marketing is our legacy marketing and promotions business which provides integrated marketing services to our commercial customers. While Ace Marketing currently represents a substantial portion of our revenue, we anticipate that activity from Ace Marketing will represent a diminishing portion of corporate revenue as our attention is now principally focused on developing and executing on opportunities in our Mobiquity Networks business.

GOING CONCERN - The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. The Company's continued existence is dependent upon the Company's ability to obtain additional debt and/or equity financing to advance its new technology revenue stream. The Company has incurred losses for the three months and six months ended June 30, 2017. As of June 30, 2017, the Company has an accumulated deficit of $59,285,620. The Company has had negative cash flows from operating activities of $2,518,559 for the six months ended June 30, 2017. These factors raise substantial doubt about the ability of the Company to continue as a going concern.

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

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

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

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

The Condensed Consolidated Balance Sheets as of June 30, 2017, the Condensed Consolidated Statements of Operations for the three months and six months ended June 30, 2017 and 2016 and the Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2017 and 2016 have been prepared by us without audit, and in accordance with the requirements of Form 10-Q and, therefore, they do not include all information and footnotes necessary for a fair presentation of financial position, results of operations, and cash flows in conformity with accounting principles generally accepted in the United States of America. In our opinion, the accompanying unaudited condensed consolidated financial statements contain all adjustments necessary to present fairly in all material respects our financial position as of June 30, 2017, results of operations for the three and six months ended June 30, 2017 and 2016 and cash flows for the six months ended June 30, 2017 and 2016. All such adjustments are of a normal recurring nature. The results of operations and cash flows for the three and six months ended June 30, 2017 are not necessarily indicative of the results to be expected for the full year. We have evaluated subsequent events through the filing of this Form 10-Q with the Securities and Exchange Commission, and determined there have not been any events that have occurred that would require adjustments to our unaudited Condensed Financial Statements.

The information contained in this report on Form 10-Q should be read in conjunction with our Form 10-K for our fiscal year ended December 31, 2016.

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

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

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

- Level 1 - Observable inputs that reflect quoted market prices in active markets for identical assets or liabilities.
- Level 2 - Inputs reflect quoted prices for identical assets or liabilities in markets that are not active; quoted prices for similar assets or liabilities in active markets; inputs other than quoted prices that are observable for the assets or liabilities; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

- Level 3 - Unobservable inputs reflecting the Company's assumptions incorporated in valuation techniques used to determine fair value. These assumptions are required to be consistent with market participant assumptions that are reasonably available.

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

The Company accounts for its derivative liabilities, at fair value, on a recurring basis under level 3.

	Level 1	Level 2	Level 3	Total
Fair value of derivatives	$ –	$ –	$1,614,729	$1,614,729

Embedded Conversion Features

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

Derivative Financial Instruments

The Company has financial instruments that are considered derivatives or contain embedded features subject to derivative accounting related to eight convertible notes issued totaling $1,850,000 which included a ratchet provision in the conversion price of $.05 or $.30 or a price equal to the last equity transaction completed by the Company as part of a subscription agreement. The notes have maturity dates ranging from July 31, 2017 – October 28, 2017. The Company also has financial instruments that are considered derivatives or contain embedded features subject to derivative accounting related to 500,000 warrants which included a ratchet provision in the conversion price of $.05 as part of a conversion of preferred AAA shares, and 1,000,000 warrants which included a ratchet provision in the conversion price of $.055 as part of a placement fee related to a note. Embedded derivatives are valued separately from the host instrument and are recognized as derivative liabilities in the Company's balance sheet. The Company measures these instruments at their estimated fair value and recognizes changes in their estimated fair value in results of operations during the period of change. The Company has estimated the fair value of these embedded derivatives for convertible debentures and associated warrants using a multinomial lattice model as of June 30, 2017. The fair values of the derivative instruments are measured each quarter, which resulted in a gain of $1,284,031 and derivative expense of $1,284,704 during the period ended June 30, 2017. As of June 30, 2017, the fair market value of the derivatives aggregated $1,614,729 using the following assumptions: estimated 0.1 to 0.5-year term, estimated volatility of 139.48% to 338.04%, and a discount rate of 0.00% to 1.03%.

Cash and cash equivalents include money market securities that are considered to be highly liquid and easily tradable as of June 30, 2017 and December 31, 2016. These securities are valued using inputs observable in active markets for identical securities and are therefore classified as Level 1 within our fair value hierarchy.

The carrying amounts of financial instruments, including accounts receivable, accounts payable and accrued liabilities, and promissory note, approximated fair value as of June 30, 2017 and December 31, 2016, because of the relatively short-term maturity of these instruments and their market interest rates. No instruments are carried at fair value.

CASH AND CASH EQUIVALENTS - The Company considers all highly liquid debt instruments with a maturity of three months or less, as well as bank money market accounts, to be cash equivalents. As of June 30, 2017, and December 31, 2016, the balances were $306,259 and $213,184, respectively.

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

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

The Company places its temporary cash investments with high credit quality financial institutions. At times, the Company maintains bank account balances, which exceed FDIC limits. As of June 30, 2017, and December 31, 2016, the Company exceeded FDIC limits by $0 and $0, respectively.

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

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

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

MOBIQUITY NETWORKS – Revenue is recognized with the billing of an advertising contract or data sale. The customer signs a contract directly with us for an advertising campaign with mutually agreed upon term and is billed on the start date of the advertising campaign, which are normally in short duration periods. The second type of revenue is through the licensing of our data. Revenue from data can occur in two ways; the first is a direct feed, which is billed at the end of each month. The second way is through the purchasing of audience segments. When an audience segment is purchased, we bill the buyer upon delivery, which is usually 30 days for the order date.

ALLOWANCE FOR DOUBTFUL ACCOUNTS - Management must make estimates of the collectability of accounts receivable. Management specifically analyzes accounts receivable and analyzes historical bad debts, customer concentrations, customer credit-worthiness, current economic trends and changes in customer payment terms when evaluating the adequacy of the allowance for doubtful accounts. As of June 30, 2017, and December 31, 2016, allowance for doubtful accounts were $104,611 and $104,611, respectively.

INVENTORY - Inventory is recorded at cost (First In, First Out) and is comprised of finished goods. The Company maintains an inventory on hand for its largest customer's frequent order items. All items held are branded for the customer, therefore are not available for public distribution. The Company has an agreement with this customer, for cost recovery, if vendor relationship is terminated. There have been minimal reserves placed on inventory, based on this arrangement. As of June 30, 2017, and December 31, 2016, the Company has reserved against $31,676 and $31,676, respectively.

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

LONG LIVED ASSETS - Long-lived assets such as property, equipment and identifiable intangibles are reviewed for impairment whenever facts and circumstances indicate that the carrying value may not be recoverable. When required impairment losses on assets to be held and used are recognized based on the fair value of the asset. The fair value is determined based on estimates of future cash flows, market value of similar assets, if available, or independent appraisals, if required. If the carrying amount of the long-lived asset is not recoverable from its undiscounted cash flows, an impairment loss is recognized for the difference between the carrying amount and fair value of the asset. When fair values are not available, the Company estimates fair value using the expected future cash flows discounted at a rate commensurate with the risk associated with the recovery of the assets. The company recognized $223,487 impairment losses for the period ended December 31, 2016 and $12,127 for the six months ended June 30, 2017.

WEBSITE TECHNOLOGY - Website technology developed during the prior years were capitalized for the period of development and testing. Expenditures during the planning stage and after implementation have been expensed in accordance with ASC 985.

ADVERTISING COSTS- Advertising costs are expensed as incurred. For the six months ended June 30, 2017 and June 30, 2016, there were advertising costs of $0 and $0, respectively.

ACCOUNTING FOR STOCK BASED COMPENSATION. Stock based compensation cost is measured at the grant date fair value of the award and is recognized as expense over the requisite service period. The Company uses the Black-Sholes option-pricing model to determine fair value of the awards, which involves certain subjective assumptions. These assumptions include estimating the length of time employees will retain their vested stock options before exercising them ("expected term"), the estimated volatility of the Company's common stock price over the expected term ("volatility") and the number of options for which vesting requirements will not be completed ("forfeitures"). Changes in the subjective assumptions can materially affect estimates of fair value stock-based compensation, and the related amount recognized on the consolidated statements of operations. Refer to Note 6 "Stock Option Plans" in the Notes to Consolidated Financial Statements *in* this report for a more detailed discussion.

BENEFICIAL CONVERSIONS - Debt instruments that contain a beneficial conversion feature are recorded as deemed interest to the holders of the convertible debt instruments. The beneficial conversion is calculated as the difference between the fair values of the underlying common stock less the proceeds that have been received for the debt instrument limited to the value received.

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

(i) Monetary assets and liabilities at the rate of exchange in effect at the balance sheet date.

(ii) Fixed assets and equity transactions at historical rates.

(iii) Revenue and expense items at the average rate of exchange prevailing during the period.

Adjustments arising from such translations are deferred until realization and are included as a separate component of stockholders' equity as a component of comprehensive income or loss. Therefore, translation adjustments are not included in determining net income (loss) but reported as other comprehensive income. The subsidiary has since been closed down with foreign operations now being conducted back in the United States.

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

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

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

NOTE 2: LOSS PER SHARE

Basic loss per common share is computed by dividing net loss by the weighted average number of shares of common stock outstanding during the period. Dilutive loss per share gives effect to stock options and warrants, which are considered to be dilutive common stock equivalents. Basic loss per common share was computed by dividing net loss by the weighted average number of shares of common stock outstanding. The number of common shares potentially issuable upon the exercise of certain options and warrants that were excluded from the diluted loss per common share calculation was approximately 75,747,177 because they are anti-dilutive as a result of a net loss for the three and six months ended June 30, 2017.

NOTE 3: CONVERTIBLE PROMISSORY NOTE

Summary of Convertible Promissory Notes:

	June 30, 2017	December 31, 2016
Arnost Note	$–	$322,000
Cavu Notes net of $0 for 2017 and $8,379 for 2016	100,000	241,621
Berg Notes (a)	50,000	3,722,000
Investor Note, net of discounts	100,000	6,546,654
Secured Debt (b) net of $833,907 for 2017 and $0 for 2016	1,600,000	-0-
Total Debt	1,850,000	10,832,275
Current portion of debt	1,850,000	10,832,275
Long-term portion of debt	$–	$–

(a) Between August and December 2015, the Company borrowed $3,675,000 from accredited investors. These loans are due and payable the earlier of December 31, 2016 or the completion of an equity financing of at least $2,500,000. Upon the sale of the unsecured promissory notes, the Company issued $1 of principal, one share of common stock and a warrant to purchase one share of common stock at an exercise price of $0.40 per share through August 31, 2017. Accordingly, an aggregate of 3,675,000 shares of common stock and warrants to purchase a like amount were issued in the last six months of 2015. Each noteholder has the right to convert the principal of their note and accrued interest thereon at a conversion price of $0.30 per share or at the noteholder's option, into equity securities of the Company on the same terms as the last equity transaction completed by the Company prior to each respective conversion date.

(b) On February 28, 2017, the Company entered into an agreement with two non-affiliated persons to provide $1.6 million of short term secured debt financing in three monthly tranches. The Company will issue in connection with each tranche, a six-month secured convertible promissory note. In connection with this transaction, the Company agreed to issue an origination fee of 3,200,000 warrants. Alexander Capital L.P. acted as Placement Agent and Advisor for this transaction.

The Company has financial instruments that are considered derivatives or contain embedded features subject to derivative accounting related to five convertible notes issued totaling $1,700,000 which included a ratchet provision in the conversion price of $.05 or $.30 or a price equal to the last equity transaction completed by the Company as part of a subscription agreement. The notes have maturity dates ranging from July 31, 2017 – October 28, 2017. Embedded derivatives are valued separately from the host instrument and are recognized as derivative liabilities in the Company's balance sheet. The Company measures these instruments at their estimated fair value and recognizes changes in their estimated fair value in results of operations during the period of change. The Company has estimated the fair value of these embedded derivatives for convertible debentures and associated warrants using a multinomial lattice model as of June 30, 2017. The fair values of the derivative instruments are measured each quarter, which resulted in a gain of $1,284,031 and derivative expense of $1,284,704 during the year ended June 30, 2017. As of June 30, 2017, the fair market value of the derivatives aggregated $1,593,752, using the following assumptions: estimated 0.1 to 0.5-year term, estimated volatility of 139.48% to 338.04%, and a discount rate of 0.00% to 1.03%.

In April 2016 through the filing date of this Form 10-Q, the Company issued and sold 12% unsecured promissory notes in the principal amount of $1,025,000, convertible at $0.20 per common share. Upon conversion, the note holders would receive 100% warrant coverage, exercisable at $0.20 per common share over a period of five years with cashless exercise provisions. These notes automatically convert in the event at least $5 million is raised in an equity financing. Prior to the mandatory conversion date, note holders have the option to convert the principal and accrued interest also on the same terms as the mandatory conversion and the Company has the option to prepay. The fair values of the derivative instruments are measured each quarter, which resulted in a gain of $1,507,450 and initial derivative expense of $565,780. As of December 31, 2016, the fair market value of these derivatives aggregated $126,275, using the following assumptions: estimated 0.3 year term, estimated volatility of 279%, and a discount rate of 0.51%. As of June 30, 2017, the fair market value of the derivatives aggregated $1,614,729 using the following assumptions: estimated 0.1 to 0.5-year term, estimated volatility of 139.48% to 338.04% and a discount rate of 0.00% to 1.03%.

The Company raised $700,000 in the third quarter of 2016 from the sale of secured promissory notes in the principal amount of $700,000 from six accredited investors. Each Note was scheduled to be repaid on October 31, 2016, extended to December 15, 2016 but payment was not made. In lieu of interest on the Note, 4,900,000 restricted shares of common stock were issued to the Note Holders. At the option of the Note Holder, each Note shall be convertible at the lower of $.20 per common share or into securities on the same terms of the next completed equity offering of at least $10 million in gross proceeds. In the event the Note is converted into common stock, 100% warrant conversion shall be provided to the Note Holder for each share of common stock issued upon conversion. These warrants will have a term of three years and shall be exercisable at $.20 per common share. Prior to this offering, Thomas Arnost, Executive Chairman, has a secured interest in the amount of $322,000 in the assets of the Company and its subsidiaries. Mr. Arnost has agreed that the investors in this offering will have a pari passu first secured interest with Mr. Arnost in all assets of the Company and its subsidiaries. The fair values of the derivative instruments are measured each quarter, which resulted in a gain of $11,071. As of December 31, 2016, the fair market value of these derivatives aggregated $42,945, using the following assumptions: estimated volatility of 279.0%, and a discount rate of 0.51%. As of June 30, 2017, the fair market value of these derivatives aggregated $1,593,753, using the following assumptions: expected volatility of 155.62% to 167.67% and a discount rate of 0.00% to 1.80%.

In February 2017, The Company debt holders converted $3,672,000 of notes being converted at 0.05 per share into 73,440,000 shares of common stock.

In February 2017, the Company reported that all of its Series AA preferred stock and substantially all of its outstanding debt both secured and unsecured (approximately $12.1 million) have been converted into equity securities of the Company as outlined below. It should be noted that the capital transactions below were based on a premium to the average closing sale price of $0.045 per share during the 60 day period prior to February 08, 2017. The Company had outstanding 1,122,588 shares of newly designated Series AAA preferred stock and $1,350,000 of convertible notes. The convertible notes consist of $1,200,000 of secured notes and $150,000 of unsecured notes. Of the 1,122,588 shares of Series AAA preferred stock outstanding, 240,000 Series AA preferred stock with an original cost basis of $2.4 million were converted into Series AAA preferred stock. The remaining 882,588 shares of Series AAA preferred stock were issued in exchange for the conversion of principal and accrued interest of approximately $11,854,038 of unsecured debt. This conversion resulted in a loss on extinguishment of debt of $2,706,197. The terms of the Series AAA preferred stock can be summarized as follows:

The price of each preferred share shall be, at the option of the holder, convertible into 100 shares of Common Stock. If the preferred shares are converted, the subscriber will then receive 100% warrant coverage, with each warrant exercisable at $.05 per share with a cash payment to the Company through the close of business on December 31, 2019. The preferred shares have no voting or other preferences except as required by law other than the right of conversion described above and a liquidation preference equal to $.01 per share.

In February 2017, Thomas Arnost, our Executive Vice Chairman, and another principal stockholder agreed to convert letters of credit in the principal amount of $2,700,000 and $322,000 of secured debt into shares of common stock at the then marketing price of $.05 per share. Accrued interest on these obligations were either previously converted into our common stock or were upon conversion of the principal, converted into common stock at the fair market value of our common stock at each interest accrual date.

NOTE 4: STOCKHOLDERS' EQUITY (DEFICIT)

In December 2015, the Company sold 200,000 shares of its Series AA Preferred Stock at a purchase price of $10 per share and raised $2 million. Each share of Preferred Stock is convertible into 50 shares of Common Stock at an effective conversion price of $.20 per share of Common Stock. The Preferred Stockholder has anti-dilution protection rights through December 31, 2016. In the first quarter of 2016, the Company sold an additional 40,000 shares of its Series AA Preferred Stock and raised $400,000. In 2017, the Company exchanged 240,000 shares of AA preferred stock for AAA preferred stock. Also in 2017, the Company issued an additional 882,588 shares of AAA preferred stock in exchange for outstanding debt and accrued interest. The AAA Preferred shares at a purchase price of $10 per share shall be, at the option of the holder, convertible into 100 shares of Common Stock. If the preferred shares are converted, the subscriber will then receive 100% warrant coverage, with each warrant is exercisable at $0.05 per share with an expiration date of December 31, 2019. The preferred shares have no voting or other preferences except as required by law other than the right of conversion described above and a liquidation preference equal to $.01 per share. During the six months ended June 30, 2017, 5,000 AAA Preferred shares were converted to 500,000 shares of common stock.

Shares issued for services

During the quarter ended March 31, 2017, the Company issued 3,800,000 common shares, at $0.06 to $0.13 per share, valued at $314,310. During the quarter ended June 30, 2017, the Company issued zero common shares.

Shares issued for accrued interest

During the quarter ended March 31, 2017, the Company issued 3,919,620 common shares, at $0.04 to $0.05 per share, valued at $194,790 and AAA preferred shares of 47,588, at $10.00 per share, valued at $475,841. No shares were issued for interest during the quarter ended June 30, 2017.

During the year entered December 31, 2016, the Company issued 1,000,000 common shares in satisfaction of back rent owed the landlord in the sum of $57,157. The shares were valued at $20,000 and a gain on settlement of debt was recorded of $36,177.

During the year ended December 31, 2016, the Company issued 11,908,335 common shares, at $0.05 per share, valued at $594,417 for the exercise of outstanding warrants. During the quarter ended March 31, 2017, the Company

issued 1,916,667 shares, at $0.05 per share, valued at $95,834 for cash for the exercise of outstanding warrants.

See Note 3 above for a discussion of first half of 2017 stock transactions.

NOTE 5: STOCK-BASED COMPENSATION

Compensation costs related to share-based payment transactions, including employee stock options, are recognized in the financial statements utilizing the straight line method for the cost of these awards.

The Company's results for the three months ended June 30, 2017 and 2016 include employee share-based compensation expense totaling $152,000 and $166,000, respectively. The Company's results for the six month periods ended June 30, 2017 and 2016 include share based compensation expense totaling approximately $425,000 and $349,000, respectively. Such amounts have been included in the Condensed Consolidated Statements of Operations within selling, general and administrative expenses. No income tax benefit has been recognized in the statement of operations for share-based compensation arrangements due to a history of operating losses.

The following table summarizes stock-based compensation expense for the three months ended June 30, 2017 and 2016:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Employee stock-based compensation - option grants	$152,266	$143,874	$302,858	$295,659
Employee stock-based compensation - stock grants	–	–	–	–
Non-Employee stock-based compensation - option grants	–	21,750	11,500	53,750
Non-Employee stock-based compensation - stock grants	–	–	–	–
Non-Employee stock-based compensation-stock warrant	–	–	111,000	–
Total	$152,266	$165,624	$425,358	$349,409

NOTE 6: STOCK OPTION PLAN

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

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

The weighted average assumptions made in calculating the fair values of options granted during the three and six months ended June 30, 2017 and 2016 are as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2017	2016	2017	2016
Expected volatility	0.00%	137.84%	146.77%	135.65%
Expected dividend yield	–	–	–	–
Risk-free interest rate	0.00%	1.14%	1.89%	1.38%
Expected term (in years)	0	5.00	5.00	5.00

	Share	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding, January 1, 2017	18,315,001	0.41	5.14	$ 5,625
Granted	250,000	0.05	4.5	13,876
Exercised				
Cancelled & Expired	(750,000)			

Outstanding, June 30, 2017	17,815,001	0.40	4.35	$ 27,000
Options exercisable, June 30, 2017	15,412,917	0.39	4.30	$ 27,000

The weighted-average grant-date fair value of options granted during the six months ended June 30, 2017 and 2016 was $0.05 and $0.11, respectively.

The aggregate intrinsic value of options outstanding and options exercisable at June 30, 2017 is calculated as the difference between the exercise price of the underlying options and the market price of the Company's common stock for the shares that had exercise prices, that were lower than the $0.09 closing price of the Company's common stock on June 30, 2017.

As of June 30, 2017, the fair value of unamortized compensation cost related to unvested stock option awards is $314,890.

The weighted average assumptions made in calculating the fair value of warrants granted during the three and six months ended June 30, 2017 and 2016 are as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2017	2016	2017	2016
Expected volatility	0.00%	0.00%	151.49%	0.00%
Expected dividend yield	–	–	–	–
Risk-free interest rate	0.00%	0.00%	0.00%	0.00%
Expected term (in years)	0	0	4.75	0

	Share	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding, January 1, 2017	21,252,734	$ 0.48	1.40	$ –
Granted	4,700,000	$ 0.07	2.93	136,630
Exercised	(1,916,667)			
Expired				
Outstanding, June 30, 2017	24,036,067	$ 0.40	1.42	136,630
Warrants exercisable, June 30, 2017	24,036,067	$ 0.40	1.42	$ 136,630

NOTE 7: COMMITMENTS AND CONTINGENCIES

COMMITMENTS –

In April 2011, we entered into our agreement with Simon Property Group, which agreement was amended first in September 2013 and then in July 2014. This second amendment provides for us to expand our location-based mobile mall network footprint to about 195 current Simon malls across the United States. Our agreement with Simon currently expires December 31, 2017. Simon is entitled to receive fees from us equal to the greater of a pre-set per mall fee or a percentage of revenues derived from within the Simon Mall network. The revenue share agreement in which Simon participates will exceed the minimum annual mall fees if the Company has generated revenues within the Simon network of about $15 million or more in a calendar year. Our agreement with Simon requires the company to maintain letters of credit for each calendar year under the agreement represented by the minimum amount of fees due for such calendar year. For 2015, the minimum fees of $2.7 million has been secured through two bank letters of credit, one of which was issued in the amount of $1,350,000 utilizing the funds of a non-affiliated stockholder and the

second letter of credit was obtained in the same amount through the funds of Thomas Arnost, our Executive Chairman. In the event Simon draws down upon either letter of credit, we have until the next minimum payment due date (approximately 90 days) after the draw down to obtain replacement letters of credit. Each person who secured our letters of credit has the opportunity to notify us that they wish to turn the cash funds securing the letters of credit over to us and to convert such funds into Common Stock currently at a conversion price of $.20 per share. Also, each person who issued the letter of credit is receiving quarterly, while the letters of credit are outstanding, options to purchase 125,000 shares of Common Stock, exercisable at the prevailing market price per share on the date of grant and interest at the rate of 8% per annum on the monies that they have had to set aside in their bank accounts and are unable to have access to such monies. In April, July and October, 2016 and January and April 2017, Simon drew down on each bank letter of credit for an aggregate of $1,350,000 owed to each letter of credit provider. During the first quarter of 2017, the Letter of Credit holders converted the entire $2,700,000 into 54,000,000 shares of Common Stock.

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

Pursuant to a master agreement entered into in 2015, we entered into an agreement with Rouse pursuant to which we have the right to install our Mobi-Beacons to send information across the air space of the common areas of our Rouse mall network, which will include approximately 30 malls in select states in the United States. Our right to install our Mobi-Beacons to market and sell third party paid advertising in the interior common areas of these malls is exclusive. Under our agreement between us and Rouse, Rouse is entitled to an agreed upon revenue share over the four-year term of the agreement. In the event the net revenue share as defined in the agreement is not attained for any measurement period, also as defined in the agreement, either party may terminate the agreement upon 90 days prior written notice. Either party may also terminate the agreement due to a material breach which is not cured within 30 days of written notice. Also, Rouse upon at least 60 days written notice to us prior to the end of the second contract year, may terminate the agreement with respect to any participating property for any reason at the end of the second contract year. The agreement also provides for Rouse to adjust the number of malls subject to the agreement from time-to-time based upon changes in its beneficial ownership in the malls.

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

Our lease for approximately 2,000 square feet of space at an annual cost of approximately $30,100 (inclusive of taxes) at 1105 Portion Road, Farmingville, NY 11738 expired in November 2013. We currently lease this property on a month to month basis for approximately $2,500 per month beginning December 2014, with a 5% increase in rent each year.

In March 2013, we entered into a two-year lease for an approximately 1,200 square foot facility of office and warehouse space in Barcelona, Spain, at monthly cost of approximately $2,200. This lease on a month-to-month basis. We have closed this facility and consolidated our efforts moving our activities back to the United States.

In March of 2014, we entered into a month-to-month lease agreement for approximately 400 square feet of office space located in Manhattan, NY at a monthly cost of $3,700. In May of 2015 we moved to a larger location with the same landlord on a month to month basis for $6,000 each month.

In June of 2017, we entered into a month-to-month lease agreement for approximately 1,600 square feet of office space located in Uniondale New York at a monthly cost of $6,500.

Minimum future rentals under non-cancelable lease commitments are as follows:

YEARS ENDING DECEMBER 31,	
2017	0
2018	0
2019 and thereafter	0
	$0

Rent and real estate tax expense was approximately $571,084 and $1,055,900 for the three months ended June 30, 2017 and 2016, respectively. Rent and real estate tax expense was approximately $1,053,619 and $1,914,800 for the six months ended June 30, 2017 and 2016, respectively.

EMPLOYMENT CONTRACTS –

Michael D. Trepeta and Dean L. Julia

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

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

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

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

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

Separation Agreement

In April 2017, Michael Trepeta entered into a separation agreement with the Company pursuant to which he resigned as an executive officer and director. There is currently a vacancy in the Board of Directors of the Company. After his resignation, the Board changed Dean Julia's title from Co-Chief Executive Officer to Chief Executive Officer.

Pursuant to Michael Trepeta's separation agreement, Mr. Trepeta is entitled to the following benefits:

- Six months' coverage under the Company's existing director/officer insurance policy;
- Indemnification per existing employment agreement;
- Expense reimbursement through May 31, 2017;
- All options vested shall continue until their normal expiration date; and
- Mutual releases.

Thomas Arnost

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

Sean Trepeta

In December 2014, Mobiquity Networks entered into an employment agreement with Sean Trepeta, to serve as President of Mobiquity Networks as an employee at will. Mr. Trepeta, as a full-time employee, is to be paid a salary at the rate of $20,000 per month. Upon the execution of the agreement, he received 10-year options to purchase 1,500,000 shares of our common stock vesting quarterly over a period of three years. For calendar 2015, he will be entitled to a bonus of $125,000 upon revenues of Mobiquity Networks achieving a minimum of $6 million in revenues and a further bonus of $125,000 for a total of $250,000 at such time as Mobiquity Network's revenues achieve a minimum of $12 million, it being understood that any revenues which do not have a 30% margin shall not count toward these totals. All options granted to Mr. Trepeta will become immediately vested in the event of a change in control of our Company or sale of substantially all of our assets. In the event we terminate Mr. Trepeta without cause, after six months of continued employment under the employment agreement, Mr. Trepeta is entitled to receive three months' severance pay.

Paul Bauersfeld

In December 2014, we entered into an employment agreement with Paul Bauersfeld, our Chief Technology Officer, who is an employee at will. Mr. Bauersfeld, as a full-time employee, is to be paid a salary at the rate of $25,000 per month. Upon the execution of the agreement, he received 10-year options to purchase 1,000,000 shares of our common stock vesting quarterly over a period of three years. For calendar 2015, he will be entitled to a bonus of $125,000 upon revenues of Mobiquity Networks achieving a minimum of $6 million in revenues and a further bonus of $125,000 for a total of $250,000 at such time as Mobiquity Network's revenues achieve a minimum of $12 million, it being understood that any revenues which do not have a 30% margin shall not count toward these totals. The foregoing compensatory arrangements with Mr. Bauersfeld is in addition to the non-statutory stock options to purchase 2,600,000 shares of our common stock previously granted to Mr. Bauersfeld. All options granted to Mr. Bauersfeld will become immediately vested in the event of a change of control of our company or sale of substantially all of our assets. In the event we terminate Mr. Bauersfeld without cause. Mr. Bauersfeld is entitled to receive six months' severance pay.

Sean McDonnell

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

TRANSACTIONS WITH MAJOR CUSTOMERS —

The Company sells its branded merchandise to a geographically diverse group of customers, performs ongoing credit evaluations of its customers and generally does not require collateral. During the three and six months ended June 30, 2017 a customer accounted for approximately 28.5% and 22.4%, respectively, of net revenues and for the three and six months ended June 30, 2016 a customer accounted for approximately 41% and 41%, respectively, of net revenues. The Company holds on hand certain items that are ordered on a regular basis.

NOTE 8: SEGMENT INFORMATION

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

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

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

Second Quarter of Fiscal 2016

	Quarter Ended June 30, 2016		
	Ace Marketing & Promotions, Inc.	Mobiquity Networks, Inc.	Total
Revenues, net	$584,740	11,750	$596,490
Operating (loss), before interest amortization, depreciation and taxes	(161,910)	(1,872,896)	(2,034,806)
Interest income	2	–	2
Interest (expense)	(1,575)	(790,903)	(792,478)
Depreciation and amortization	(5,678)	(41,357)	(47,035)
Net Loss	(169,161)	(2,705,156)	(2,874,317)
Assets at June 30, 2016	457,539	635,596	1,093,135

Six Months Ended June 30, 2016

	Six Months Ended June 30, 2016		
	Ace Marketing & Promotions, Inc.	Mobiquity Networks, Inc.	Total
Revenues, net	$1,042,790	70,932	$1,113,722
Operating (loss), before interest amortization, depreciation and taxes	(435,205)	(3,908,150)	(4,343,355)
Interest income	3	–	3
Interest (expense)	(1,575)	(1,420,930)	(1,422,505)
Depreciation and amortization	(10,619)	(74,194)	(84,813)
Net Loss	(447,396)	(5,403,274)	(5,850,670)
Assets at June 30, 2016	457,539	635,596	1,093,135

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

Second Quarter of Fiscal 2017

	Quarter Ended June 30, 2017		
	Ace Marketing & Promotions, Inc.	Mobiquity Networks, Inc.	Total
Revenues, net	$750,304	$100,204	$850,508
Operating (loss), before interest, amortization, depreciation and taxes	(65,220)	(731,673)	(796,893)
Interest income	1	–	1
Interest (expense)	(805)	(757,687)	(758,492)
Depreciation and amortization	(2,957)	(10,567)	(13,524)
Net Loss	(68,981)	(1,499,927)	(1,568,908)
Assets at June 30, 2017	411,751	397,571	809,322

Six Months ended June 30, 2017

	Six Months Ended June 30, 2017		
	Ace Marketing & Promotions, Inc.	Mobiquity Networks, Inc.	Total
Revenues, net	$1,102,636	$181,991	$1,284,627
Operating (loss), before interest, amortization, depreciation and taxes	(237,619)	(5,952,528)	(6,190,147)
Interest income	1	–	1
Interest (expense)	(1,190)	(1,891,235)	(1,892,425)
Depreciation and amortization	(5,489)	(15,467)	(20,956)
Net Loss	(244,297)	(7,859,230)	(8,103,527)
Assets at June 30, 2017	411,751	397,571	809,322

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

NOTE 9: SUBSEQUENT EVENTS

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

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

FORWARD-LOOKING STATEMENTS

The information contained in this Form 10-Q and documents incorporated herein by reference are intended to update the information contained in the Company's Form 10-K for its fiscal year ended December 31, 2016 which includes our audited financial statements for the year ended December 31, 2016 and such information presumes that readers have access to, and will have read, the "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Risk Factors" and other information contained in such Form 10-K and other Company filings with the Securities and Exchange Commission ("SEC").

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

Company Overview

Mobiquity Technologies, Inc., a New York corporation (the “Company”), is the parent company of two operating subsidiaries; Mobiquity Networks, Inc.(“Mobiquity Networks”) and Ace Marketing & Promotions, Inc. (“Ace Marketing”). The Company’s wholly-owned subsidiary, Mobiquity Networks has evolved and grown from a mobile advertising technology company focused on Driving Awareness and Foot-traffic throughout its indoor mall-based

beacon network, into a next generation mobile location data and marketing company. Mobiquity Networks provides precise unique, at-scale location-based data and insights on consumer's real world behavior and trends for use in marketing and research. With our combined data sets of shopping malls, premium outlets and cinemas beacon data, and first party location data via our advanced Software Development Kit ("SDK") utilizing multiple geo-location technologies, Mobiquity Networks provides one of the most accurate and scaled solution for mobile data collection and analysis. Mobiquity Networks is seeking to create several new revenue streams from the mobile data collection and analysis, including, but not limited to; Push Notification Campaigns, Mobile Audiences & Segments, real-time Data Provision, Attribution Reporting and Custom Research. The Company is also attempting to reduce expenses by renegotiating certain Mall Developer Agreements.

Ace Marketing is our legacy marketing and promotions business which provides integrated marketing services to our commercial customers. While Ace Marketing currently represents substantially all of our revenue, we anticipate that activity from Ace Marketing will represent a diminishing portion of corporate revenue as our attention is now principally focused on developing and executing on opportunities in our Mobiquity Networks business. We believe that our Mobiquity Networks business represents our greatest growth opportunity going forward and therefore may consider selling or discontinuing operations of Ace Marketing.

Critical Accounting Policies

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

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

Revenue Recognition – Mobiquity Networks. Revenue is recognized with the billing of an advertising contract or data sale. The customer signs a contract directly with us for an advertising campaign with mutually agreed upon term and is billed on the start date of the advertising campaign, which are normally in short duration periods. The second type of revenue is through the licensing of our data. Revenue from data can occur in two ways; the first is a direct feed, which is billed at the end of each month. The second way is through the purchasing of audience segments. When an audience segment is purchased, we bill the buyer upon delivery, which is usually 1-2 days for the order date.

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

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

Plan of Operation

Mobiquity Networks derives its revenue utilizing the revenue streams mentioned above. All of the products used to derive revenue for the Company are reliant on the collection of data. To achieve management's revenue goals moving forward, we have developed a strategy to increase the two main driving forces behind our data collection. One strategy is to increase the total number of users we see on a monthly basis ("MAU"), and the second strategy is to increase the total number of locations (Places) available to see our MAU's visit over the same time period. We are currently seeing

over 15,000,000 unique mobile devices (MAU) on a monthly basis and roughly 22,000,000 unique devices for 2017. The ability to see and collect the data required from these unique devices comes from the installation of our proprietary Software Development Kit (SDK) into third party mobile applications (Apps). To continue to grow the total number of unique devices we can see on a monthly basis, we need to have our SDK installed in more third party Apps. We believe our unique offering to potential App partners gives us a competitive advantage over others in the industry. The task of partnering with third party Apps for installation of our SDK is handled internally by our business development team.

As of March 31, 2017, we had approximately 200,000 Places in our proprietary Places database, and that number has increased to over 2,000,000 Places during the second quarter 2017, thus exponentially increasing the amount of data we collect. We have been able to steadily increase the number of locations available in our Places database through the use of both open source and proprietary technologies. The task of growing our Places database is handled by our internal technology team. The Company currently utilizes both internal and outsourced resources to market and sell its product offerings. Management intends to hire additional sales personnel in the last two quarters of 2017 as working capital permits.

RESULTS OF OPERATIONS

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

	Three Months Ended June 30	
	2017	2016
Revenue	$850,508	$596,490
Cost of Revenues	$879,785	$394,065
Gross Profit	$(29,277)	$202,425
Selling, General and Administrative Expenses	$1,606,184	$2,255,983
(Loss) from Operations	$(1,635,461)	$(2,053,558)

We generated revenues of $850,508 in the second quarter of 2017 compared to $596,490 in the same period of the prior year. Revenues from our Mobiquity Networks devices consisted of $100,204 of our consolidated revenues, a 413% increase over the same period in 2016. In future reporting periods, we anticipate our revenues increasing in our Mobiquity Networks subsidiary due to the data that can be derived therefrom and the expectation that advertisers will begin to utilize our data. See “Plan of Operation.”

Cost of revenues was $879,785 in the second quarter of 2017 compared to $394,065 or 66.1% of revenues in the same fiscal period of the prior year. Cost of revenues includes purchases and freight costs associated with the shipping of merchandise to our customers. The increase in cost of revenues of $485,720 in 2017 is related to volume and product mix of the merchandise our customers purchased along with the establishment of our Mobiquity technology inhancement activities.

Gross profit (loss) was $(29,277) for the second quarter of 2017 compared to $202,425 in the same fiscal period of the prior year. Gross profits will vary period-to-period depending upon a number of factors including the mix of items sold and the volume of product sold. Also, it is our practice to pass freight costs on to our customers with low to no profit margin. As revenue from Mobiquity Networks increases, it is expected that our margins will increase significantly.

Selling, general, and administrative expenses were $1,606,184 for the second quarter of 2017 compared to $2,255,983 in the comparable period of the prior year, a decrease of approximately $649,799. Reduction in such operating costs include payroll, and related expenses, non-cash stock based compensation costs and professional fees.

The net operating loss for the second quarter of 2017 was $(1,635,461) as compared to $(2,053,558) for the comparable period of the prior year. The decrease in operating loss is attributable to the increase in Mobiquity Networks revenue, reduction in payroll, professional fees and rents.

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

Six Months Ended June 30, 2017 versus Six Months Ended 2016

	Six Months Ended June 30	
	2017	2016
Revenue	$1,284,627	$1,113,722
Cost of Revenues	$1,310,353	$862,190
Gross Profit	$(25,726)	$251,532
Selling, General and Administrative Expenses	$3,466,379	$4,870,755
(Loss) from Operations	$(3,492,105)	$(4,619,223)

We generated revenues of $1,284,627 in the first six months of 2017 compared to $1,113,722 in the same period of the prior year. As our data sales are now being expanded, at the current time, revenues from the use of Mobiquity data consisted of $181,991 of our consolidated revenues, a 190% increase over the same period in 2016. In future reporting periods, we anticipate our revenues increasing in our Mobiquity Networks subsidiary due to the data that can be derived therefrom and the expectation that advertisers will begin to utilize our data. See “Plan of Operation.”

Cost of revenues was $1,310,353 or 102% of revenues in the first six months of 2017 compared to $862,190 or 77.4% of revenues in the same fiscal period of the prior year. Cost of revenues includes purchases and freight costs associated with the shipping of merchandise to our customers. The decrease in cost of revenues of $448,163 in 2017 is related to volume and product mix of the products our customers purchased along with the establishment of our Mobiquity technology enhancements.

Gross profit (loss) was $(25,726) for the first six months of 2017 or 2% of net revenues compared to $251,532 in the same fiscal period of the prior year or 22.6% of revenues. Gross profits will vary period-to-period depending upon a number of factors including the mix of items sold and the volume of product sold. Also, it is our practice to pass freight costs on to our customers with low to no profit margin. As advertising revenue from the use of our Mobiquity devices increases, it is expected that our margins will increase significantly. As our mall network has only recently been expanded, at the current time, revenues from the use of our Mobiquity devices are not a material portion of our consolidated revenues.

Selling, general, and administrative expenses were $3,466,379 for the first six months of 2017 compared to $4,870,755 in the comparable period of the prior year, a decrease of approximately $1,404,376. Such operating cost reductions include payroll and related expenses, professional fees and rents.

The net operating loss for the first six months of 2017 was $(3,492,105) as compared to $(4,619,223) for the comparable period of the prior year. The decrease in operating loss is attributable to the focused effort in creating and streamlining the infrastructure required to move forward with the mall network, to provide information technology support.

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

Liquidity and Capital Resources

The Company had cash and cash equivalents of $306,259 at June 30, 2017. Cash used in operating activities for the six months ended June 30, 2017 was $2,518,559. This resulted primarily from a net loss of $8,103,527 offset by stock based compensation of $425,358 depreciation and amortization of $20,956, increase in accounts receivable of $84,676 and a decrease in Inventory of $13,149 and an initial derivative expense of $1,284,707 and a change in derivatives of $1,284,031, gain on settlement of debt $2,706,197, decrease in prepaid expenses and other assets of $48,461 and an increase of accounts payable and accrued expenses of $198,476. Cash flow from financing activities of $2,598,587 resulted from the proceeds from the issuance of notes of $1,735,000 and the issuance of the Company’s common stock for $311,250 and the exercise of warrants and the collection of stock subscription receivable of $456,503.

The Company had cash and cash equivalents of $219,926 at June 30, 2016. Cash used in operating activities for the six months ended June 30, 2016 was $3,610,632. This resulted primarily from a net loss of $5,850,670 offset by stock based compensation of $349,409, depreciation and amortization of $84,813, decrease in accounts receivable of $93,729 and a decrease in Inventory of $19,807 and an initial derivative expense of $565,780 and a change in derivatives of $756,835, decrease in prepaid expenses and other assets of $388,890 and an increase of accounts payable and accrued expenses of $180,786. The Company had an increase in investing activities of $173,940 with the purchase of equipment and expansion to the network platform in new and existing mall and other locations. Cash flow from financing activities of $1,980,626 resulted from the proceeds from the issuance of the Company's preferred stock and use of the letter of credit and securing two year promissory notes totaling $1,025,000.

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

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

Recent Financings

In 2015, 2016, and 2017 we have completed the various financing summarized below.

Date	Dollar Amount	# of Securities Sold
January 2015	$500,000	Issued two-year promissory note in the principal amount of $500,000
February 2015	$850,000	Issued two-year promissory note in the principal amount of $850,000
March 2015	$500,000	Issued 1,666,667 common shares and a like number of warrants
April 2015	$1,710,000	Issued 5,700,000 common shares and a like number of warrants
May 2015	$510,000	Issued 1,700,000 common shares and a like number of warrants
August/October 2015	$3,675,000	Issued promissory notes in the principal amount of $3,675,000 and 3,675,000 shares of restricted common stock and warrants to purchase an additional 3,675,000 shares of restricted common stock
December 2015-March 2016	$2,400,000	Issued 240,000 shares of preferred stock convertible into 12,000,000 shares of common stock with anti-dilution protection for 2016
April – May 2016	$1,025,000	Issued convertible promissory notes in the principal amount of $1,025,000, convertible at $.20 per share with 100% warrant coverage.
Third Quarter 2016	$700,000	Issued short term convertible promissory notes in the principal amount oif $700,000 and prepaid interest of 4,900,000 common shares.
Fourth Quarter 2016	$595,417	Exercise of outstanding warrants/options at $.05 per share and issuance of approximately 11,908,335 shares of common stock.
First Quarter 2017	$1,100,000	Issued six-month promissory notes in principal amount of $1,100,000.
Second Quarter 2017	$500,000	Issued six-month promissory note in principal amount of $500,000

First Six Months 2017 Loan Agreements and Certain Transactions

Prior to the February 28, 2017 sale of secured debt, the Company’s holders of all of its Series AA preferred stock and substantially all of its outstanding debt both secured and unsecured (approximately $14.5 million) have been converted into equity securities of the Company as outlined below. It should be noted that the capital transactions below were based on a premium to the average closing sale price of $0.045 per share during the 60 day period prior to February 08, 2017.

On February 28, 2017, the Company entered into an agreement with a two non-affiliated persons to provide $1.6 million of short term secured debt financing in three monthly tranches, with the first monthly tranche in the amount of $600,000. The Company will issue in connection with each tranche, six-month secured convertible promissory note(s). Each note is initially convertible at $.05 per share. Any prepayment of the note requires the payment of a 25% premium and guaranteed interest for the entire six-month note. In the case of default, the amount owed by the Company will become 130% of the outstanding principal and accrued interest thereon. The Conversion Price will rest in the event that the note is unpaid and in default on the sixth month anniversary date of the issuance of the note. In connection with this transaction, the Company agreed to issue an origination fee of 1,600,000 shares of restricted common stock. Alexander Capital L.P. acted as Placement Agent and Advisor for this transaction.

As of June 30, 2017, the Company has outstanding 192,421,390 shares of common stock, 1,117,588 shares of newly designated Series AAA preferred stock and $1,850,000 of convertible notes. The convertible notes consist of $1,700,000 of secured notes and $150,000 of unsecured notes. Of the 1,117,588 shares of Series AAA preferred stock outstanding, 240,000 Series AA preferred stock with an original cost basis of $2.4 million were converted into Series AAA preferred stock. The remaining 877,588 shares of Series AAA preferred stock were issued in exchange for the conversion of principal and accrued interest of approximately $11,854,038 of unsecured debt. The terms of the Series AAA preferred stock can be summarized as follows:

The price of each preferred share may be convertible into common stock with an equivalent purchase price of $.10 per common share. If the preferred shares are converted, the subscriber will then receive 100% warrant coverage, with each warrant exercisable at $.05 per share with a cash payment to the Company through the close of business on December 31, 2019. The preferred shares have no voting or other preferences except as required by law other than the right of conversion described above and a liquidation preference equal to $.01 per share.

Thomas Arnost, our Executive Vice Chairman, and another principal stockholder agreed to convert letters of credit in the principal amount of $2,700,000 and $322,000 of secured debt into shares of common stock at the then marketing price of $.05 per share. Accrued interest on these obligations were either previously converted into our common stock or were upon conversion of the principal, converted into common stock at the fair market value of our common stock at each interest accrual date.

The Company also raised an additional $407,084 from the exercise of outstanding warrants and new subscriptions. For these transactions, the Company issued 8,141,667 shares of common stock.

Transactions with Thomas Arnost, Executive Chairman

In December 2013, Thomas Arnost, a director of Mobiquity, purchased from TCA Global Credit Master Fund, the Company's outstanding convertible promissory note in the amount of $350,000. Subsequently Mr. Arnost and the Company agreed to fix the conversion price of the note at $.30 per share, extend the due date of the Note to June 12, 2014, which was subsequently extended to December 22, 2014 and again extended to December 31, 2015, subject to Mr. Arnost's right to call the note at any time in his sole discretion, and increase the interest rate to 15% per annum. In December 2015, Mr. Arnost extended the due date of the note to December 31, 2016 and the Company agreed to lower the conversion price to $.20 per share.

Our agreement with Simon Properties requires us to maintain letters of credit for each calendar year under the agreement represented by the minimum amount of fees due for such calendar year. For 2015 and 2016, the minimum fees of $2.7 million has been secured through two bank letters of credit, one of which was issued in the amount of $1,350,000 utilizing the funds and the second letter of credit was obtained in the same amount through the funds of Thomas Arnost, our Executive Chairman. In the event Simon draws down upon either letter of credit, we have until the next minimum payment date (about 90 days) after the draw down to obtain replacement letters of credit. Each person who secured our letters of credit has the opportunity to notify us that they wish to turn the cash funds securing the letters of credit over to us and to convert such funds into our common stock. In February 2017, Thomas Arnost agreed to convert his $322,000 of secured debt and both Mr. Arnost and SNW JR Properties agreed to convert their letters of credit and any accrued interest at a conversion price of $.05 per share as to the principal amount and at market price for interest accrued at each respective interest accrual date. A total of 36,541,960 shares were issued to Mr. Arnost and 27,738,260 shares were issued to SNW JB Properties.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

ITEM 4. CONTROLS AND PROCEDURES

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

Under the supervision and with the participation of our management, including our CEO and CFO, an evaluation was performed on the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this quarterly report. Based on that evaluation, our management, including our CEO and CFO, concluded that our disclosure controls and procedures were not effective as of the end of the period covered by this report.

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

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

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

ITEM 1A. RISK FACTORS

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

ITEM 2. CHANGES IN SECURITIES.

(a) The Company filed a Form 8-K – date of earliest event February 28, 2017 to report various sales of unregistered securities. The aforementioned form 8-K filed with the SEC on March 1, 2017 is incorporated by reference. It should be noted that the number of Series AAA preferred shares reported in the Form 8-K of 1,142,538 should be corrected to 1,122,588 shares which agrees with the information provided in Note 3 of this Form 10-Q. From January 1, 2017 through March 31, 2017, we had no sales or issuances of unregistered capital stock, except as referenced above and in the table below:

Date of Sale	Title of Security	Number Sold	Consideration Received and Description of Underwriting or Other Discounts to Market Price or Convertible Security, Afforded to Purchasers	Exemption from Registration Claimed	If Option, Warrant or Convertible Security, terms of exercise or conversion
Jan. – March 2017	Common Stock and Warrants to Purchase	3,800,000 shares and 1,000,000 warrants	Services rendered; no commissions paid	Section 4(2)	Each warrant is exercisable at $.10 per share through March 6, 2022

	Common Stock				
March 2017	Common Stock Purchase Warrants	2,200,000 shares	These warrants were issued to a FINRA licensed broker/dealer as compensation in connection with raising $1.6 million from the issuance of secured debt securities described in the aforementioned Form 8-K.	Section 4(2)	Each warrant is exercisable at $.06 per share through March 1, 2022

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

(c) In the three months ended June 30, 2017, there were no repurchases by the Company of its Common Stock.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

ITEM 5. OTHER INFORMATION.

Not applicable.

ITEM 6. EXHIBITS.

Exhibit Number	Exhibit Title
3.1	Certificate of Incorporation filed March 26, 1998 (1)
3.2	Amendment to Certificate of Incorporation filed June 10, 1999 (1)
3.3	Amendment to Certificate of Incorporation approved by stockholders in 2005 (1)
3.4	Amendment to Certificate of Incorporation dated September 11, 2008 (11)
3.5	Amendment to Certificate of Incorporation dated October 7, 2009 (11)
3.6	Amendment to Certificate of Incorporation dated May 18, 2012 (11)
3.7	Amendment to Certificate of Incorporation dated September 10, 2013 (17)
3.8	Amended By-Laws (1)
3.9	2014 Amendment to By-Laws(19)
3.10	Amendment to Certificate of Incorporation filed December 22, 2015 (23)
3.11	Amendment to Certificate of Incorporation dated March 24, 2016 (21)
3.12	Amendment to Certificate of Incorporation (22)
4.1	Registration Rights Agreement (18)
10.1	Employment Agreement - Michael Trepeta (2)
10.2	Employment Agreement - Dean Julia (2)
10.3	Amendments to Employment Agreement - Michael Trepeta (5) (7)
10.4	Amendments to Employment Agreement - Dean L. Julia (5) (7)
10.5	Joint Venture Agreement with Atrium Enterprises Ltd. (6)
10.6	Agreement with Aon Consulting (6)
10.7	Amendment to Exhibits 10.3 and 10.4 dated April 7, 2010 (10)
10.8	Office Lease for Garden City, NY (11)
10.9	Amendment to Employment Agreement – Dean L. Julia (11)
10.10	Amendment to Employment Agreement – Michael D. Trepeta (11)
10.11	Convertible Promissory Note (12)
10.12	Registration Rights Agreement dated June 12, 2012 by and between the company and TCA (13)

10.13	Equity Agreement dated June 12, 2012 by and between the company and TCA (13)
10.14	Amendment to Dean L. Julia's Employment Agreement (16)
10.15	Amendment to Michael D. Trepeta's Employment Agreement (16)
10.16	Common Stock Purchase Agreement with Aspire Capital (18)
10.17	Termination of TCA Registration Rights Agreement and Equity Agreement (18)
10.18	Employment Agreement – Sean Trepeta (19)
10.19	Employment Agreement – Paul Bauersfeld (19)
10.20	Employment Agreement – Thomas Arnost (20)

10.21	December 2013 Agreement with Thomas Arnost modifying secured debt purchased by Arnost from TCA (19)
10.22	Letter Agreement dated December 9, 2014 with Thomas Arnost to extend expiration date of secured note to December 31, 2015 (19)
10.23	Letter Agreement dated July 8, 2013 with Thomas Arnost to provide letter of credit for $1,350,000 (19)
10.24	Letter Agreement dated July 8, 2013 with SNW Properties to provide letter of credit for $1,350,000 (19)
10.25	Letter Agreement dated December 15, 2014 with Carl E. Berg (19)
10.26	Separation Agreement with Michael D. Trepeta (24)
10.27	Form of convertible promissory note. (22)
11.1	Statement re: Computation of per share earnings. See Statement of Operations and Notes to Financial Statements
14.1	Code of Ethics/Code of Conduct (Incorporated by reference to Form 10-K for the year ended December 31, 2014
21.1	Subsidiaries of the Issuer (15)
31.1	Rule 13a-14(a) Certification in accordance with Section 302 of the Sarbanes-Oxley Act of 2002 (*)
31.2	Rule 13a-14(a) Certification in accordance with Section 302 of the Sarbanes-Oxley Act of 2002 (*)
32.1	Certification pursuant to 18. U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (*)
32.2	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (*)
99.1	2005 Employee Benefit and Consulting Services Compensation Plan(2)
99.2	Form of Class A Warrant (2)
99.3	Form of Class B Warrant (2)
99.4	Amendment to 2005 Plan (4)
99.5	Form of Class C Warrant (8)
99.6	2009 Employee Benefit and Consulting Services Compensation Plan(3)
99.7	Form of Class D Warrant (3)
99.8	Form of Class E Warrant (9)
99.9	Form of Class F Warrant (9)
99.10	Form of Class G Warrant (9)
99.11	Form of Class H Warrant (9)
99.12	Form of Class AA Warrant (11)
99.13	Form of Class BB Warrant (11)
99.14	Form of Class CC Warrant (19)
101.INS	XBRL Instance Document (*)
101.SCH	Document, XBRL Taxonomy Extension (*)
101.CAL	Calculation Linkbase, XBRL Taxonomy Extension Definition (*)
101.DEF	Linkbase, XBRL Taxonomy Extension Labels (*)
101.LAB	Linkbase, XBRL Taxonomy Extension (*)
101.PRE	Presentation Linkbase (*)

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* Filed herewith.

(1)

Incorporated by reference to Registrant's Registration Statement on Form 10-SB as filed with the Commission on February 10, 2005.

(2) Incorporated by reference to Registrant’s Registration Statement on Form 10-SB/A filed with the Commission March 18, 2005.

(3) Incorporated by reference to Form 10-K filed for the fiscal year ended December 31, 2009.

(4) Incorporated by reference to the Registrant's Form 10-QSB/A filed with the Commission on August 18, 2005.

(5) Incorporated by reference to the Registrant's Form 10-KSB for its fiscal year ended December 31, 2005.

(6) Incorporated by reference to the Registrant's Form 10-KSB for its fiscal year ended December 31, 2006.

(7) Incorporated by reference to the Registrant's Form 8-K dated September 21, 2007.

(8) Incorporated by reference to the Registrant's Form 10-QSB for its quarter ended September 30, 2006.

(9) Incorporated by reference to the Registrant's Form 10-K for its fiscal year ended December 31, 2010.

(10) Incorporated by reference to the Registrant’s Form 10-Q for the quarter ended June 30, 2011.

(11) Incorporated by reference to the Registrant's Form 10-K for its fiscal year ended December 31, 2012.
(12) Incorporated by reference to the Registrant’s Form 8-K dated June 14, 2012.
(13) Incorporated by reference to the Registrant’s Form 8-K dated June 15, 2012.
(14) Incorporated by reference to the Registrant’s Form 8-K dated June 6, 2013.
(15) Incorporated by reference to the Registrant's Form 10-K for its fiscal year ended December 31, 2013.
(16) Incorporated by reference to Form 8-K filed June 6, 2013.
(17) Incorporated by reference to Form 8-K filed September 11, 2013.
(18) Incorporated by reference to Form 8-K filed April 1, 2014.
(19) Incorporated by reference to Form 8-K filed with the SEC on December 19, 2014.
(20) Incorporated by reference to Form 8-K dated December 2, 2014.
(21) Incorporated by reference to Form 8-K dated March 24, 2016.
(22) Incorporated by reference to Form 8-K dated February 28, 2017.
(23) Incorporated by reference to Form 10-K for the fiscal year ended December 31, 2015.
(24) Incorporated by reference to Form 10-K for the fiscal year ended December 31, 2016.

SIGNATURES

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

MOBIQUITY
TECHNOLOGIES, INC.

Date: August 14, 2017 By: /s/ Dean L. Julia
Dean L. Julia,
Principal Executive Officer

Date: August 14, 2017 By: /s/ Sean McDonnell
Sean McDonnell,
Principal Financial Officer