

SECURITIES & EXCHANGE COMMISSION EDGAR FILING

DarkPulse, Inc.

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2016

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number: 0-18834

Klever Marketing, Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware

(State of other jurisdiction of incorporation or organization)

36-3688583

(I.R.S. Employer Identification No.)

**1100 East 6600 South
Suite 305
Salt Lake City, UT**

(Address of Principal Executive Offices)

84121

(Zip Code)

(801) 847 6444

(Registrant's Telephone Number, including Area Code)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT: **None**

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: **Common Stock, par value \$.01 per share**

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a smaller reporting company. See definition of "accelerated filer" and "large accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (check one)

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer

Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company, as defined in Rule 12b-2 of the Exchange Act. Yes No

The aggregate market value of the registrant's common stock owned by non-affiliates, based on the closing price of \$0.0495 as quoted on the OTCBB, on June 30, 2016, is \$2,125,004. For purposes of this computation all officers, directors and 5% beneficial owners of the registrant are deemed to be affiliates. Such determination should not be deemed an admission that such officers, directors and beneficial owners are, in fact, affiliates of the registrant. The number of common shares held by non-affiliates of the Registrant totaled 42,929,371.

As of March 24, 2017, there were 60,021,567 common shares issued and outstanding.

Transitional Small Business Disclosure Format (Check one): Yes No

Check whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

TABLE OF CONTENTS

<u>Item Number and Caption</u>	<u>Page</u>
<u>PART I</u>	
Item 1. <u>Business</u>	1
Item 1A. <u>Risk Factors</u>	2
Item 1B. <u>Unresolved Staff Comments</u>	4
Item 2. <u>Properties</u>	4
Item 3. <u>Legal Proceedings</u>	4
Item 4. <u>Mine Safety Disclosures</u>	4
<u>PART II</u>	
Item 5. <u>Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	5
Item 6. <u>Selected Financial Data</u>	6
Item 7. <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	6
Item 7A. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	8
Item 8. <u>Financial Statements and Supplementary Data</u>	8
Item 9. <u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	8
Item 9A. <u>Controls and Procedures</u>	9
Item 9B. <u>Other Information</u>	10
<u>PART III</u>	
Item 10. <u>Directors, Executive Officers and Corporate Governance</u>	11
Item 11. <u>Executive Compensation</u>	12
Item 12. <u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	13
Item 13. <u>Certain Relationships and Related Transactions, and Director Independence</u>	14
Item 14. <u>Principal Accountant Fees and Services</u>	14
Item 15. <u>Exhibits and Financial Statement Schedules</u>	16
<u>Signatures</u>	17

FORWARD-LOOKING STATEMENTS

This annual report on Form 10-K for Klever Marketing, Inc. (“Klever” or the “Company”) and the exhibits attached hereto contain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward looking statements concern the Company’s anticipated results and developments in the Company’s operations in future periods, planned development of the Company’s technology, plans related to its business and other matters that may occur in the future. These statements relate to analyses and other information that are based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management. Such forward-looking statements include, among others, those statements including the words “expects”, “anticipates”, “intends”, “believes” and similar language. Our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause or contribute to such differences include, but are not limited to, those discussed in the section “Risk Factors.” We undertake no obligation to publicly release any revisions to the forward-looking statements or reflect events or circumstances after the date of this report.

Although we believe that the expectations reflected in these forward-looking statements are based on reasonable assumptions, there are a number of risks and uncertainties that could cause actual results to differ materially from such forward-looking statements. These factors include among others:

- Our ability to raise sufficient capital to fund the development of our technology and continue to fund operating expenses;
- Our ability to get our technology to work in accordance with our technical specifications;
- Our ability to attract customers to our products once they are developed;
- Our ability to generate sales of our products once they are developed;
- Our ability to attract and retain the necessary personnel with the expertise needed to ensure that we can operate the Company effectively;
- Actions or inactions of third-party contractors and vendors;
- Our ability to successfully patent and protect our intellectual property;
- The potential that our competitors will get their products to market ahead of us;
- General economic conditions.

This list is not exhaustive of the factors that may affect our forward-looking statements. Some of the important risks and uncertainties that could affect forward-looking statements are described further under the sections titled “Description of the Business”, “Risk Factors and Uncertainties”, and “Management’s Discussion and Analysis”. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, believed, estimated or expected. We caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made. We disclaim any obligation subsequently to revise any forward-looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events.

We qualify all the forward-looking statements contained in this annual report on Form 10-K by the foregoing cautionary statements.

PART I

ITEM 1. BUSINESS

General

Klever Marketing, Inc. is engaged in obtaining capital to file and acquire patents, to seek out and to investigate, develop, manufacture and market electronic in-store advertising, directory, loyalty coupon and services which have potential for profit. The Company successfully conducted two in-store demonstrations of its shopping cart technology – the latest being in 2009 with the release of the Giving Cart and its Retailer Chime-Time Awards Programs. Subsequently, in 2010, the Company shifted its business model to mobile technology and has aggressively developed new applications using this technology.

Product Base

Following a decade of development of its shopping cart-based electronic advertising technology, which was successful in demonstrating the advantages of electronic distribution and redemption of electronic coupons and promotions, the Company realized that mobile technology, primarily cell phones, had advanced to the level where Klever's product base could be applied and considerably expanded into an entirely new product line. Accordingly, in 2010, the Company made a dramatic shift into mobile technology. Since that time the Company has made substantial progress on its mobile application development and implementation. The software programming of the consumer KleverShop® 1.0 application was completed and successfully tested in our demonstration store. The retailer and supplier KleverDash® application completed its database and backend programming, complete with a revised graphical user interface, and successfully tested in our demonstration store.

Since the initial rollout of KleverShop® 1.0, Klever has expended its applications to include KleverBank®, our online repository for the deposit and redemption of product coupons, and KleverKloud®, which is our cloud-based data repository and promotions hosting environment. Additionally, we introduced the Chime-Time Award Program®, which provides random store merchandise awards to shoppers in the store with notification to all shoppers using KleverShop®. These 'gamification' features have been shown to increase smartphone usage while shopping. All of these features are designed to work together.

In 2015, the Company's business efforts were concentrated on two areas: 1) modifying the software to meet retailers' refined business requirements while introducing some of our phase 2 features, and 2) expanding our contacts within the retail grocery industry. We had completed our second Wholesome Choice Market demonstration test in 2014, and the feedback led us to conclude that to best serve our clients we needed to 1) add a loyalty program with points and 2) develop store branding and license our KleverShop software, allowing markets to brand the application as their own. Following further discussions with our investors, we also decided that now was the time to upgrade our software to an entirely new development platform that would be much more efficient and effective in addressing the desired enhancements and provide for the needed scalability.

2016 Software Application Development and Implementation

All of these goals were accomplished, and in mid-2016 Klever rolled out its new upgraded software, known as KleverShop 2.0. This new platform is highly efficient, and the new features deliver what our retailers have been asking for. Our coupon options have been expanded. Our user interface provides for complete client branding in order to serve individual retailer needs. We have built our loyalty program designated KleverPoints, which gives retailers the opportunity to award points for various shopping functions that lead to greater basket uplift. Points are awarded for checking in and for redeeming coupons as well as total basket size.

Also during 2016, we upgraded our KleverDash® platform. We developed a number of ways to make this tool even more useful to suppliers and retailers, with easier coupon generation, more types of coupons and expanded graphics analytics. Analytics offer the key to expanded use of this module and is a key to retailers gaining increasing market share and basket uplift. Our future work will focus on the consumer engagement uses of our software tools.

Our new software platform not only has far better built-in documentation but also allowed us to embed hundreds of software tests that greatly reduce the debugging process. In addition, we purchased a Retailix POS test center to further enable us to eliminate any post-development bugs.

We continued to pursue marketing on 3 fronts: 1) Marketing to retail grocers in Southern California to establish a retailer base with established regional grocers, 2) Marketing through retail grocery associations who supply support services and tools to a broad range of retail grocers, and 3) Marketing through software companies who support the Retailix ISS45 POS software throughout the grocery industry.

Towards the end of the year we recognized that customer engagement tools could greatly help us to transition consumers to a digital couponing world. Retail grocers, with their customers making 2-3 trips to the store each week offer a wonderful opportunity to engage their customers with multiple messages responding to their shopping actions or inactions. Klever wants each customer to feel that their local grocery store is "their personal store." We do this by sending personal messages to them, recognizing them when they are at the store, and most of all offering them promotions and coupons that respond to their particular food interests. And we don't bother them with products they are not interested in. We also reward them with loyalty points for responding to our promotions and are able to give them special promotions. The Klever Shopping Platform combined with customer engagement tools offer a very powerful resource to retailers and manufacturers, while meeting the needs of consumers.

The Company has also conducted a number of system failure tests to be sure we were prepared for network or power failures, overloading of data and a number of possible user errors in operating KleverShop. We also made further enhancements to KleverDash by including a supplier dashboard similar to the retailer dashboard. All of these features we are able to test on our in house POS laboratory.

Anticipated Business Development in the Next 12 Months

In 2017, the Company's goals are clear. We recognize that all retailers, not just grocery, are ultimately looking to improve their customer loyalty leading to increased sales. And Klever's products operate together to increase loyalty. We also recognize that retailers are not receiving adequate returns for their investment in loyalty cards. The data is going nowhere and increased sales are minimal. Klever is now moving to provide better mining of customer purchasing data to enhance the loyalty and engagement processes. One feature of KleverShop® that has become increasingly interesting to retailers is our shopping lists, which have been a part of our software since its inception. With today's analytics and engagement tools, this shopping list data can be leveraged in a number of ways to enhance the retailer's and supplier's promotional opportunities.

Our goals in 2017 are to:

1. Focus on the eLoyalty aspects of our products.
2. Obtain additional demonstration stores for our products, leading to revenue operations.
3. Continue to work with cloud-based companies to enhance our access to consumer engagement actions.
4. Expand beyond the grocery industry.

We will attempt to use this retailer base to promote our relationships with product suppliers to bring them into the fold of Klever product users. With these suppliers we will promote our KleverBank® system for coupon management and consumer redemption, which when successful, is expected to place our Company in a very attractive position. We continue to differentiate ourselves as being a full service digital marketing provider to consumers, retailers and suppliers with platforms to meet all of their promotional needs. Notable progress is being made, and the Company is moving forward. However, we must caution the reader that Klever Marketing currently has no signed revenue contracts. No assurance or warranty can be given that the Company will be successful in implementing the efforts described in this report.

ITEM 1A. RISK FACTORS

Readers should carefully consider the risks and uncertainties described below.

Our failure to successfully address the risks and uncertainties described below would have a material adverse effect on our business, financial condition and/or results of operations, and the trading price of our common stock may decline and investors may lose all or part of their investment. We cannot assure you that we will successfully address these risks or other unknown risks that may affect our business.

As an enterprise engaged in the development of new technology, our business is inherently risky. Our common shares are considered speculative during the development of our new business operations. Prospective investors should consider carefully the risk factors set out below.

We need to continue as a going concern if our business is to succeed.

Our independent registered public accounting firm's report on our audited financial statements for the years ended December 31, 2016 and 2015, indicate that there are a number of factors that raise substantial risks about our ability to continue as a going concern. Such factors identified in the report are our accumulated deficit since inception, no sales recorded to date, our failure to attain profitable operations, the excess of liabilities over assets, and our dependence upon obtaining adequate additional financing to pay our liabilities. If we are not able to continue as a going concern, investors could lose their investments.

Because of the unique difficulties and uncertainties inherent in technology development, we face a risk of business failure.

Potential investors should be aware of the difficulties normally encountered by companies developing new technology and the high rate of failure of such enterprises. The likelihood of success must be considered in light of the problems, expenses, difficulties, complications and delays encountered in connection with the development of new technology with limited personnel and financial means. These potential problems include, but are not limited to, unanticipated technical problems that extend the time and cost of product development, or unanticipated problems with the operation of our technology or that with which we are licensing that also extend the time and cost of product development.

If we do not obtain additional financing or sufficient revenues, our business will fail.

Our current operating funds are less than necessary to complete the full development and marketing of our mobile products, and we will need to obtain additional financing in order to complete our business plan. We currently have minimal operations and we are not currently generating revenue or net income.

Our business plan calls for significant expenses in connection with developing our mobile phone technology and paying our current obligations. The Company currently does not have sufficient funds to pay its obligations. As a result, the Company will require additional financing to execute its business plan through raising additional capital and/or beginning to generate revenue.

We do not currently have any firm arrangements for financing, and we can provide no assurance to investors that we will be able to find such additional financing if required. Obtaining additional financing is subject to a number of factors, including investor acceptance of our technology and current financial condition as well as general market conditions. These factors affect the timing, amount, terms or conditions of additional financing unavailable to us. And if additional financing is not arranged, the company faces the risk of going out of business. The Company's management is currently engaged in actively pursuing multiple financing options in order to obtain the capital necessary to execute the Company's business plan.

The most likely source of future funds presently available to us is through the additional sale of private equity capital or through a convertible debt instrument. Any sale of share capital or conversion of convertible debt will most likely result in dilution to existing shareholders.

There is no history upon which to base any assumption as to the likelihood we will prove successful, and we can provide investors with no assurance that we will generate any operating revenues or achieve profitable operations. If we are unsuccessful in addressing these risks, our business will most likely fail.

Because the SEC imposes additional sales practice requirements on brokers who deal in our shares that are penny stocks, some brokers may be unwilling to trade them. This means that investors may have difficulty reselling their shares and may cause the price of the shares to decline.

Our shares qualify as penny stocks and are covered by Section 15(g) of the Securities Exchange Act of 1934, which imposes additional sales practice requirements on broker/dealers who sell our securities in this offering or in the aftermarket. In particular, prior to selling a penny stock, broker/dealers must give the prospective customer a risk disclosure document that: contains a description of the nature and level of risk in the market for penny stocks in both public offerings and secondary trading; contains a description of the broker/dealers' duties to the customer and of the rights and remedies available to the customer with respect to violations of such duties or other requirements of Federal securities laws; contains a brief, clear, narrative description of a dealer market, including "bid" and "ask" prices for penny stocks and the significance of the spread between the bid and ask prices; contains the toll free telephone number for inquiries on disciplinary actions established pursuant to section 15(A)(i); defines significant terms used in the disclosure document or in the conduct of trading in penny stocks; and contains such other information, and is in such form (including language, type size, and format), as the SEC requires by rule or regulation. Further, for sales of our securities, the broker/dealer must make a special suitability determination and receive from you a written agreement before making a sale to you. Because of the imposition of the foregoing additional sales practices, it is possible that brokers will not want to make a market in our shares. This could prevent reselling of shares and may cause the price of the shares to decline.

Technology companies face intense competition. We will have to compete with our competitors for financing and for qualified managerial and technical employees.

The technology industry is intensely competitive in all of its phases. Competition includes large established technology companies with substantial capabilities and with greater financial and technical resources than we have. As a result of this competition, we may be unable to become a leader in our industry and attract and retain qualified managerial and technical employees. If we are unable to successfully compete for financing or for qualified employees, our technology development and commercialization efforts may be slowed down or suspended.

We do not expect to declare or pay any dividends.

We have not declared or paid any dividends on our common stock since our inception, and we do not anticipate paying any such dividends for the foreseeable future.

Volatility of Stock Price.

Our common shares are currently publicly traded on the OTC BB exchange under the symbol KLMK. In the future, the trading price of our common shares may be subject to wide fluctuations. Trading prices of the common shares may fluctuate in response to a number of factors, many of which will be beyond our control. In addition, the stock market in general, and the market for software technology companies in particular, has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of such companies. Market and industry factors may adversely affect the market price of the common shares, regardless of our operating performance. Readers should carefully consider the risks and uncertainties described below before deciding whether to invest in shares of our common stock.

Our failure to successfully address the risks and uncertainties described below would have a material adverse effect on our business, financial condition and/or results of operations, and the trading price of our common stock may decline and investors may lose all or part of their investment. We cannot assure you that we will successfully address these risks or other unknown risks that may affect our business.

As an enterprise engaged in the development of new technology, our business is inherently risky. Our common shares are considered speculative during the development of our new business operations. Prospective investors should consider carefully the risk factors set out below. As reported in **Item 5. Market For Common Equity and Related Stockholder Matters**, the market price of our common stock has fluctuated significantly.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

None.

ITEM 3. LEGAL PROCEEDINGS

The Company has no current legal proceedings.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

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

Our common stock is traded on the OTC BB exchange under the trading symbol KLMK. The Company has 250 million authorized common shares. The following table sets forth the high and low bid of the Company's Common Stock for each quarter within the past two years. The information below was provided from <http://www.nasdaq.com/> and reflects the highest and lowest closing prices during each quarter.

2016:	High	Low
First Quarter	\$ 0.0395	\$ 0.01
Second Quarter	\$ 0.0495	\$ 0.03
Third Quarter	\$ 0.054	\$ 0.036
Fourth Quarter	\$ 0.058	\$ 0.035
2015:	High	Low
First Quarter	\$ 0.10	\$ 0.03
Second Quarter	\$ 0.09	\$ 0.04
Third Quarter	\$ 0.07	\$ 0.02
Fourth Quarter	\$ 0.08	\$ 0.03

The number of shareholders of record of the Company's common stock as of March 2, 2017 was approximately 915.

The Company has not paid any cash dividends to date and does not anticipate paying cash dividends in the foreseeable future. It is the present intention of management to utilize any available funds for the development of the Company's business.

Recent Sales of Unregistered Securities.

On October 14, 2016, the Company issued 1,020,203 shares of restricted common stock at \$0.035 per share to a related party in payment of preferred stock dividends of \$35,707.

On October 26, 2016, the Company issued 50,000 shares of restricted common stock at \$0.05 per share to an investor for cash proceeds to the Company of \$2,500.

On November 30, 2016, the Company issued 145,000 shares of restricted common stock at \$0.035 per share to an investor for cash proceeds to the Company of \$5,000.

Compliance with Section 16(a) of the Securities Exchange Act of 1934

Section 16(a) of the Exchange Act requires the Company's directors, executive officers, and persons who own more than 10% of a registered class of the Company's equity securities, to file with the Commission reports regarding initial ownership and changes in ownership. Directors, executive officers, and greater than 10% stockholders are required by the Commission to furnish the Company with copies of all Section 16(a) forms they file.

The Company is aware of the following common stock transactions during the year ended December 31, 2016 for which neither Forms 4 nor Forms 5 were filed.

Name	Officer or Board Member	Number of Shares	Price per Share	Issue Date
PSF Inc. (a)	Yes	25,918	\$ 0.051	7/18/16
PSF Inc. (a)	Yes	1,020,203	\$ 0.035	10/14/16

(a) A corporation controlled by Paul G. Begum, CEO. Common shares were issued in payment of preferred stock dividends.

Equity Compensation Plan Information

The following table shows information with respect to each equity compensation plan under which our common stock is authorized for issuance through December 31, 2016.

EQUITY COMPENSATION PLAN INFORMATION

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	2,800,000	\$ 0.05	17,200,000
Total	2,800,000	\$ 0.05	17,200,000

(1) Consists of options to purchase a total of 2,800,000 common shares issued to officers and directors in 2015.

Issuer Purchases of Equity Securities

None.

ITEM 6. SELECTED FINANCIAL DATA

Not required for smaller reporting companies.

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

Background

Klever Marketing, Inc. (the "Company") was created to develop, market and distribute an electronic shopping cart device for in-store advertising, promotion and media content and retail shopper services and has not commenced its planned principal operations. The Company's activities since inception have consisted principally of developing various applications of its electronic shopping cart concept including its mobile application for smart phones which the Company is currently testing in retail supermarkets, obtaining patents and trademarks related to its technology, and raising capital. The Company's activities are subject to significant risks and uncertainties including failing to secure additional funding needed to finalize development of the Company's technology and to commercialize its product in a profitable manner.

Going Concern Uncertainty

As shown in the accompanying financial statements, the Company generated a net loss of \$268,951 during the year ended December 31, 2016. Through December 31, 2016, the Company has not generated any operating revenues. As of December 31, 2016, the Company's current and total liabilities exceeded its current assets by \$931,617. As of December 31, 2016, the Company had \$4,934 of cash.

The Company will require additional funding during the next twelve months to finance the growth of its current operations and achieve its strategic objectives. These factors, as well as the uncertain conditions that the Company faces relative to capital raising activities, create substantial doubt as to the Company's ability to continue as a going concern. The Company is seeking to raise additional capital principally through private placement offerings and is targeting strategic partners in an effort to finalize the development of its products and begin generating revenues. The ability of the Company to continue as a going concern is dependent upon the success of future capital offerings or alternative financing arrangements and expansion of its operations. The accompanying financial statements do not include any adjustments that might be necessary should the Company be unable to continue as a going concern. Management is actively pursuing additional sources of financing sufficient to generate enough cash flow to fund its operations through calendar year 2016. However, management cannot make any assurances that such financing will be secured.

Results of Operations

Revenues

To date, the Company has not generated any operating revenues.

Operating Expenses

General and administrative expenses for the year ended December 31, 2016 decreased by \$216,396 to \$264,764 from \$481,160 for the year ended December 31, 2015. The primary reason for the overall decrease in general and administrative expenses in the current year is a decrease in stock-based compensation, legal and professional fees, and outside services. There were no stock options granted in 2016. In addition, annual compensation accrued to the CEO was reduced to \$60,000 from \$162,000, effective October 1, 2016.

Research and development expenses are currently not material to our operations and totaled \$1,343 and \$2,840 for the years ended December 31, 2016 and 2015, respectively.

Other Expense

Other expense consists of interest expense to related parties. Interest expense was \$1,549 and \$14,123 for the years ended December 31, 2016 and 2015, respectively. The decrease in interest expense in the current year resulted from a reduction in a related party note payable and the amortization of debt discount included in the 2015 amount.

Provision for Income Taxes

The provision for income taxes was comparable for the years ended December 31, 2016 and 2015, amounting to \$1,295 and \$1,270, respectively. The biggest component of income tax expense in both years is the interest and penalties accrued associated with the Company's uncertain tax positions.

Net Loss

As a result, net loss for the year ended December 31, 2016 decreased by \$230,442 to \$268,951 from \$499,393 for the year ended December 31, 2015.

Liquidity and Capital Resources

The Company requires working capital to fund its proposed product development and operating expenses, for which the Company has relied primarily on short-term borrowings from related parties and the issuance of restricted common stock. During the year ended December 31, 2016, the Company sold 1,445,000 shares of its restricted common stock for total proceeds of \$70,000. In addition, funding of \$6,000 was provided by a short-term note payable to a related party.

As of December 31, 2016, we had cash of \$4,934, compared to \$31,782 as of December 31, 2015. The Company currently does not have sufficient cash to fund its operations for the next 12 months, and will require working capital to complete development, testing and marketing of its new mobile products and to pay for ongoing operating expenses. The Company anticipates adding consultants for technology development and the corresponding operations of the Company, but this will not occur prior to obtaining additional capital. Management is currently in the process of looking for additional investors. Currently, loans from banks or other lending sources for lines of credit or similar short-term borrowings are not available to the Company. The Company has been able to raise working capital to fund operations from short-term borrowings from principal shareholders or officers and directors, or obtained through the issuance of the Company's restricted common stock.

As of December 31, 2016, our current liabilities and total liabilities of \$936,551 exceeded our current assets of \$4,934 by \$931,617.

Cash Flows From Operating Activities

During the year ended December 31, 2016, net cash used by operating activities was \$59,305, resulting from our net loss of \$268,951, partially offset by non-cash expenses of \$29,359 and increases in accounts payable of \$36,215 and accrued liabilities of \$144,072.

By comparison, during the year ended December 31, 2015, net cash used by operating activities was \$100,145, resulting from our net loss of \$499,393, partially offset by non-cash expenses totaling \$199,387 and increases in accounts payable of \$31,123 and accrued liabilities of \$168,738.

Cash Flows From Investing Activities

During the year ended December 31, 2016, net cash used by investing activities was \$43,543, comprised of capitalized software development costs of \$17,480 and capitalized patents and trademarks costs of \$26,063. During the year ended December 31, 2015, net cash used by investing activities was \$120,767, comprised of capitalized software development costs of \$83,317 and capitalized patents and trademarks costs of \$37,450.

Cash Flows From Financing Activities

During the year ended December 31, 2016, net cash provided by financing activities was \$76,000, comprised of proceeds from issuance of common stock of \$70,000 and proceeds from related party notes payable of \$6,000. During the year ended December 31, 2015, net cash provided by financing activities was \$229,500, comprised of proceeds from issuance of common stock of \$207,500 and proceeds from related party notes payable of \$30,000, partially offset by repayments of related party notes payable of \$8,000.

Factors That May Affect Future Results - Management's Discussion and Analysis contains information based on management's beliefs and forward-looking statements that involve a number of risks, uncertainties, and assumptions. There can be no assurance that actual results will not differ materially from the forward-looking statements as a result of various factors, including but not limited to the following:

- The Company may not obtain the equity funding or short-term borrowings necessary to market and launch its mobile applications.
- The product development and launch may take longer to implement than planned or may not be successful.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements of the Company are included beginning on page F-1 immediately following the signature page to this report.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company's Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining disclosure controls and procedures for the Company, and have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) were not effective as of the end of the period covered by this report, based on their evaluation of these controls and procedures required by paragraph (b) of Rules 13a-15(f) and 15d-15(f), due to certain material weaknesses in our internal control over financial reporting as discussed below.

Internal Control Over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal controls over financial reporting for the Company. Due to limited resources, Management conducted an evaluation of internal controls based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). The results of this evaluation determined that our internal control over financial reporting was ineffective as of December 31, 2016, due to material weaknesses. A material weakness in internal control over financial reporting is defined as a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those responsible for oversight of our financial reporting.

Management's assessment identified the following material weaknesses in internal control over financial reporting:

- The small size of our Company limits our ability to achieve the desired level of separation of duties to achieve effective internal controls over financial reporting. We do have a separate CEO and CFO, to review and oversee the financial policies and procedures of the Company, which does achieve a degree of separation. However, until such time as the Company is able to hire a Controller, we do not believe we meet the full requirement for separation.
- We do not have a functional audit committee.
- We have not achieved the desired level of documentation of our internal controls and procedures. When the Company obtains sufficient funding, this documentation will be strengthened through utilizing a third party consulting firm to assist management with its internal control documentation and further help to limit the possibility of any lapse in controls occurring.
- We have not achieved the desired level of corporate governance to ensure that our accounting for all of our contractual and other agreements is in accordance with all of the relevant terms and conditions. Because of our limited capital resources, we sometimes formalize our agreements with certain contractors after the work is performed when additional resources become available to pay for the services.

As a result of the material weaknesses in internal control over financial reporting described above, the Company's management has concluded that, as of December 31, 2016, the Company's internal control over financial reporting was not effective based on the criteria in Internal Control - Integrated Framework issued by the COSO.

To date, the Company has not been able to add any additional members to its Audit Committee due its limited financial resources. When the Company obtains sufficient funding, Management intends to add additional members to the Audit Committee and charge them with assisting the Company in addressing the material weaknesses noted above. The Company's lack of current financial resources makes it impossible for the Company to hire the appropriate personnel needed to overcome these weaknesses and ensure that appropriate controls and separation of responsibilities of a larger organization exist. We also will continue to follow the standards for the Public Company Accounting Oversight Board (United States) for internal control over financial reporting to include procedures that:

- Pertain to the maintenance of records in reasonable detail accurately that fairly reflect the transactions and dispositions of the Company's assets;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of management and the Board of Directors; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Despite the material weaknesses in financial reporting noted above, we believe that our financial statements included in this report fairly present our financial position, results of operations and cash flows as of and for the years presented in all material respects.

Changes in Internal Controls

There were no changes in our internal control over financial reporting that occurred during the fiscal quarter covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

The Company has taken limited steps to meet its Sarbanes-Oxley (SOX) Section 404 compliance requirements and implement procedures to assure financial reports are prepared in accordance with generally accepted accounting principles (GAAP) and therefore fairly represent the results and condition of the Company. We are not materially compliant with the Section 404 requirements due to economic constraints.

ITEM 9B. OTHER INFORMATION

None.

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**Executive Officers and Directors**

The following table sets forth the name, age, and position of each executive officer and director of the Company:

Director's Name	Age	Office	Term Expires
Paul G. Begum	76	Chairman/CEO	Future shareholder meeting
Robert A. Campbell	73	COO and CFO	Future shareholder meeting
Jerry P. Wright	64	Director	Future shareholder meeting

Paul G. Begum, Founder, age 76, returned to the Board of Directors in February, 2007. Paul currently serves as Chairman and CEO. Paul has substantial entrepreneurial experience managing and owning controlling interest in HelpUSolve, LLC which operates a number of divisions with products ranging from filtered breathing masks (EnviroAir), food service industry cup liners, script writing, screen plays and theatrical productions. Paul also brings substantial and diverse fundraising abilities and negotiating skills to the Board.

Robert A. Campbell, age 73, retired from Parsons Corporation, a large engineering and program management Company, where he served as senior manager and director of program operations for projects and operations around the world. He has been responsible for the design and implementation of major software developments and installations. He has been responsible for finance and controls on multi-billion programs in the United States, Middle East and Asia. He has broad experience in both managing day-to-day project operations and a portfolio of programs. Mr. Campbell's last formal level of education was at the Anderson School of Business at the University of California at Los Angeles where he received his M.B.A. degree in finance.

Jerry P. Wright, age 64, is the CEO and President of United Potato Growers of America with a broad experience in the food production, packaged goods manufacturing and retail sales industries. Jerry has been very successful in adding sales growth and profitability to Company's he has worked with. Jerry has demonstrated strong leadership skills along with his successful turnarounds of a number of companies and organizations. His knowledge of packaged goods manufacturing and retail sales operations bring valuable skills to Klever Marketing. Jerry has an MBA from Brigham Young University.

Changes to Executive Officers and Directors

None

Audit Committee

As of December 31, 2016, the Company did not have a functioning Audit and Compliance Committee. The Company's management is currently reviewing the Company's SEC filings and relying on outside experts to assist with this process.

Audit Committee Financial Expert

The Company's board of directors needs to have an "audit committee financial expert," within the meaning of such phrase under applicable regulations of the Securities and Exchange Commission, serving on its audit committee. The individual needs to be capable of (i) understanding generally accepted accounting principles ("GAAP") and financial statements, (ii) assessing the general application of GAAP principles in connection with our accounting for estimates, accruals and reserves, (iii) analyzing and evaluating our financial statements, (iv) understanding our internal controls and procedures for financial reporting; and (v) understanding audit committee functions, all of which are attributes of an audit committee financial expert and meet the experience requirements specified in the SEC's definition of "audit committee financial expert." Further, like many small companies, it is difficult for the Company to attract and retain board members who qualify as "audit committee financial experts," and competition for these individuals is significant.

ITEM 11. EXECUTIVE COMPENSATION

Summary Compensation

The following table shows the executive compensation paid to our executive officers and directors for the years ended December 31, 2016 and 2015.

(a) Name and Principal Position	(b) Year Ended Dec 31,	(c) Salary ⁽¹⁾	(d) Bonus	(e) Option Awards ⁽²⁾	(i) All Other Compensation	Total
Paul G. Begum Chairman/CEO and Director*	2016	\$ 136,500	\$ 0	\$ 0	\$ 0	\$ 136,500
	2015	\$ 162,000	\$ 0	\$ 87,274	\$ 0	\$ 249,274
Robert Campbell COO and CFO and Director	2016	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
	2015	\$ 0	\$ 0	\$ 68,819	\$ 0	\$ 68,819
Jerry Wright, Director	2016	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
	2015	\$ 0	\$ 0	\$ 5,818	\$ 0	\$ 5,818

*Services provided through PSF Inc., a company owned by Mr. Begum.

⁽¹⁾ The Company accrued \$136,500 and \$162,000 for compensation for Mr. Begum during the years ended December 31, 2016 and 2015, respectively, of which \$9,000 and \$4,375 were paid, respectively. Effective October 1, 2016, annual compensation was reduced from \$162,000 to \$60,000. Accrued, unpaid compensation to Mr. Begum totaled \$445,625 and \$318,125 as of December 31, 2016 and 2015, respectively.

⁽²⁾ The amounts in column (e) reflect the aggregate grant date fair value with respect to stock options granted during the respective years in accordance with ASC Topic 718. The stock options awarded in 2015 vested 100% upon grant and expire January 31, 2018.

Aggregate Option/SAR Exercises in the Last Fiscal Year and Year End Option/SAR Values

During the year ended December 31, 2016, the Company did not grant any stock options or SARs to the chief executive officer, chief financial officer and directors of the Company.

During the year ended December 31, 2016, no stock options were exercised by the chief executive officer, chief financial officer and directors of the Company.

The following table sets forth information with respect to outstanding stock options granted to our chief executive officer, chief financial officer and directors of the Company at December 31, 2016.

Outstanding Equity Awards at Fiscal Year-End

Name	Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Unexercised Options Unexercisable	Equity Incentive Plan Awards:		Option Exercise Price	Option Expiration Date
			Number of Securities Underlying Unexercised Options Unearned	Options		
Paul G. Begum	1,500,000	—	—	—	\$ 0.05	1/31/2018
Robert A. Campbell	1,200,000	—	—	—	\$ 0.05	1/31/2018
Jerry P. Wright	100,000	—	—	—	\$ 0.05	1/31/2018

Executive Compensation and Benefits

The Company provides no health insurance to any full or part-time employees.

The Company has adopted a stock incentive plan for its employees, executive officers, directors, and consultants.

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

Principal Shareholders

The table below sets forth information as to our Directors and Executive Officers and each person owning of record or was known by the Company to own beneficially shares of stock greater than 5% of the 87,300,340 (59,731,567 common plus 27,568,773 preferred) votes as of December 31, 2016. The table includes preferred stock that is convertible into common stock as well as options to acquire stock of the Company that are currently exercisable or will be within the next 60 days, and information as to the ownership of the Company's Stock by each of its directors and executive officers and by the directors and executive officers as a group. Except as otherwise indicated, all shares are owned directly, and the persons named in the table have sole voting and investment power with respect to shares shown as beneficially owned by them.

<u>Name and Address of Beneficial Owners</u>	<u>Nature of Ownership</u>	<u>Shares Owned</u>	<u>Percent of Common</u>
Directors, Executive Officers and >5% Stock Owners			
Paul G. Begum (through PSF Inc. and Tree of Stars, Inc.) 30251 Golden Lantern Suite E, PMB 411 Laguna Niguel, CA 92677	Direct	11,688,196	
	Preferred	27,568,773	
	Options/Warrants	1,500,000	
	Total	<u>40,756,969</u>	46.69%
Robert A. Campbell 991 Rippey Street El Cajon, CA 92020	Direct	4,669,000	
	Preferred	—	
	Options/Warrants	1,200,000	
	Total	<u>5,869,000</u>	6.72%
Jerry P. Wright 991 Rippey Street El Cajon, CA 92020	Direct	—	
	Preferred	—	
	Options/Warrants	100,000	
	Total	<u>100,000</u>	*%
Total		<u>46,725,969</u>	<u>53.52%</u>

* Less than 1%

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Related Party Notes Payable

The Company periodically receives funding from its CEO, CFO and directors to fund operating costs of the Company. Jerry Wright, a director, loaned the Company \$30,000 during the year ended December 31, 2015, which bears interest at the rate of 6% per annum. The related party note payable had a principal balance of \$25,500 as of December 31, 2016 and 2015, and accrued interest payable of \$1,216 and \$953 as of December 31, 2016 and 2015, respectively. The loan was to have been paid by June 30, 2016, and is currently in default.

PSF Inc., a company controlled by Paul Begum, the Company's CEO, loaned the Company \$6,000 during the year ended December 31, 2016, which bears interest at the rate of 4% per annum and matures in June 2017. The related party note payable had a principal balance of \$6,000 and accrued interest payable of \$15 as of December 31, 2016.

Paul G. Begum, the Company's CEO, provides consulting services to the Company through PSF Inc. The Company accrued \$136,500 and \$162,000 for compensation for the CEO during the years ended December 31, 2016 and 2015, of which \$9,000 and \$4,375 were paid, respectively. Accrued compensation to the CEO totaled \$445,625 and \$318,125 as of December 31, 2016 and 2015, respectively. Annual compensation accrued to the CEO was reduced to \$60,000 from \$162,000, effective October 1, 2016.

The Company's bookkeeper, who is the wife of Mr. Begum, earned \$18,000 during the years ended December 31, 2016 and 2015 for services provided to the Company of which \$3,000 and \$9,000 were paid, respectively. Accrued compensation to the bookkeeper totaled \$27,000 and \$12,000 as of December 31, 2016 and 2015, respectively.

Director Independence

A Director is considered independent if the Board affirmatively determines that the director (or an immediate family member) does not have any direct or indirect material relationship with us or our affiliates or any member of our senior management or his or her affiliates. The term "affiliate" means any corporation or other entity that controls, is controlled by, or under common control with us, evidenced by the power to elect a majority of the Board of Directors or comparable governing body of such entity. The term "immediate family member" means spouse, parents, children, siblings, mothers- and fathers-in-law, sons- and daughters-in law, brothers- and sisters-in-laws and anyone (other than domestic employees) sharing the director's home.

In accordance with these guidelines, the Board has determined that current Board member Jerry P. Wright is an independent director.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Audit Fees. Consists of fees billed for professional services rendered for the audits of our financial statements, reviews of our interim financial statements included in quarterly reports, services performed in connection with filings with the Securities & Exchange Commission, and related other services that were provided by HJ & Associates, LLC ("HJ") and Haynie & Company ("Haynie") in connection with statutory and regulatory filings or engagements.

The following is a summary of the fees incurred by the Company to Haynie for professional services rendered for the years ended December 31, 2016 and 2015, respectively.

Service	2016	2015
Audit Fees	\$ 24,090	\$ 13,950
Audit-Related Fees	—	—
Total	\$ 24,090	\$ 13,950

The following is a summary of the fees incurred by the Company to HJ for professional services rendered for the year ended December 31, 2015.

Service	2015
Audit Fees	\$ 10,050
Audit-Related Fees	-
Total	\$ 10,050

Tax Fees. Consists of fees billed for professional services for tax compliance, tax advice and tax planning. These services include assistance regarding federal, state and local tax compliance and consultation in connection with various transactions.

The following is a summary of the fees paid by the Company to Robison, Hill & Company for professional services rendered for the years ended December 31, 2016 and 2015.

Service	2016	2015
Tax Fees	\$ -	\$ 1,855
	\$ -	\$ 1,855

Board of Directors Pre-Approval of Audit and Permissible Non-Audit Services of Independent Auditors

The Board of Directors may pre-approve all audit and non-audit services provided by the independent auditors. These services may include audit services, audit-related services, tax services and other services as allowed by law or regulation. Pre-approval is generally provided for up to one year and any pre-approval is detailed as to the particular service or category of services and is generally subject to a specifically approved amount. The independent auditors and management are required to periodically evaluate the extent of services provided by the independent auditors in accordance with this pre-approval and the fees incurred to date. The Board of Directors may also pre-approve particular services on a case-by-case basis.

The Board of Directors pre-approved 100% of the Company's 2016 and 2015 audit fees, audit-related fees, tax fees, and all other fees.

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

3. Exhibits

The following exhibits are included as part of this report:

<u>Exhibit Number</u>	<u>Title of Document</u>
3.01	Restated Certificate of Incorporation of Klever Marketing, Inc. a Delaware corporation (1)
3.02	Certificate of Designation of Rights, Privileges and Preferences: Rights of A Class Voting Preferred Stock, Series 1, of Klever Marketing, Inc., dated February 7, 2000 (2)
3.03	Bylaws, as amended (2)
4.01	Amended Certificate of Designation of Rights, Privileges and Preferences: Rights of A Class of Voting Preferred Stock, Series 1, of Klever Marketing, Inc., Dated February 7, 2000 (3)
4.02	Certificate of Designation of Rights, Privileges and Preferences of Class B Voting Preferred Stock, of Klever Marketing, Inc., dated September 24, 2000 (3)
4.03	Certificate of Designation of Rights, Privileges and Preferences of Class C Voting Preferred Stock, of Klever Marketing, Inc., dated January 2, 2001 (3)
4.04	Certificate of Designation of Rights, Privileges and Preferences of Class D Voting Preferred Stock, of Klever Marketing, Inc., dated June 14, 2002 (4)
4.05	Amendment to the Certificates of Designation of Rights, Privileges and Preferences of Class A, B, and C Voting Preferred Stock, of Klever Marketing, Inc., dated June 12, 2002 (4)
10.01	Stock Incentive Plan, effective June 1, 1998 (2)
10.02	Asset purchase agreement dated August 27, 2004 (5)
10.03	Software Development Works Agreement between Klever Marketing, Inc. and Qualzoom Inc. dated August 15, 2010 (6)
10.04	Software Development Agreement between Klever Marketing, Inc. and Briabe Media Inc. September 22, 2010 (6)
31.1	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Schema Document
101.CAL	XBRL Calculation Linkbase Document
101.DEF	XBRL Definition Linkbase Document
101.LAB	XBRL Label Linkbase Document
101.PRE	XBRL Presentation Linkbase Document

(1) Incorporated herein by reference from Registrant's Form 10KSB, dated June 20, 1997.

(2) Incorporated herein by reference from Registrant's Form 10KSB, dated March 29, 2001

(3) Incorporated herein by reference from Registrant's Form 10QSB, dated May 15, 2001.

(4) Incorporated herein by reference from Registrant's Form 10QSB, dated August 19, 2002.

(5) Incorporated herein by reference from Registrant's Form 10QSB, dated November 19, 2004.

(6) Incorporated herein by reference from Registrant's Form 8-K, dated November 19, 2010.

SIGNATURES

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

KLEVER MARKETING, INC.

Dated: March 24, 2017

By: /s/ Paul G. Begum
Paul G. Begum
Chairman and CEO

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on this 24th day of March 2017.

Signature	Title	
<u>/s/ Paul G. Begum</u> Paul G. Begum	Chairman and CEO	March 24, 2017
<u>/s/ Robert A. Campbell</u> Robert A. Campbell	COO and CFO	March 24, 2017
<u>/s/ Jerry P. Wright</u> Jerry P. Wright	Director	March 24, 2017

KLEVER MARKETING, INC.

Index to Financial Statements

**As of December 31, 2016 and 2015
and for the Years Ended December 31, 2016 and 2015**

Report of Independent Registered Public Accounting Firm	F-2
Balance Sheets	F-3
Statements of Operations	F-4
Statements of Stockholders' Deficit	F-5
Statements of Cash Flows	F-6
Notes to the Financial Statements	F-7

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
Klever Marketing, Inc.

We have audited the accompanying balance sheets of Klever Marketing, Inc. as of December 31, 2016 and 2015, and the related statements of operations, stockholders' deficit, and cash flows for each of the years in the two-year period ended 2016 and 2015. Klever Marketing, Inc.'s management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Klever Marketing, Inc. as of December 31, 2016, and 2015, and the results of its operations and its cash flows for each of the years in the two-year period ended 2016 and 2015, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 3 to the financial statements, the Company has negative cash flows from operations, negative working capital, and does not currently have revenue generating operations. This raises substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 3 to the financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Haynie & Company
Salt Lake City, Utah
March 24, 2017

KLEVER MARKETING, INC.
Balance Sheets

	December 31,	
	2016	2015
<u>ASSETS</u>		
Current assets:		
Cash	\$ 4,934	\$ 31,782
Total current assets	4,934	31,782
Property and equipment, net	–	96
Other assets – intangible assets, net	628,878	614,598
Total assets	\$ 633,812	\$ 646,476
<u>LIABILITIES AND STOCKHOLDERS' DEFICIT</u>		
Current liabilities:		
Accounts payable	\$ 382,518	\$ 346,303
Accrued liabilities	514,624	370,552
Preferred stock dividends	7,909	72,399
Related party notes payable	31,500	25,500
Total current liabilities	936,551	814,754
Total liabilities	936,551	814,754
Commitments and contingencies		
Stockholders' deficit:		
Convertible preferred stock - Class A (par value \$0.01; 150,000 shares authorized; 150,000 and 138,217 issued and outstanding at December 31, 2016 and December 31, 2015, respectively); aggregate liquidation preference of \$3,904,262	1,500	1,382
Convertible preferred stock - Class B (par value \$0.01; 125,000 shares authorized; 118,688 and 104,757 issued and outstanding at December 31, 2016 and December 31, 2015, respectively); aggregate liquidation preference of \$2,019,901	1,187	1,048
Convertible preferred stock - Class C (par value \$0.01; 200,000 shares authorized; 200,000 and 184,194 issued and outstanding at December 31, 2016 and December 31, 2015, respectively); aggregate liquidation preference of \$1,321,442	2,000	1,842
Common stock (par value \$0.01), 250,000,000 shares authorized, 59,731,567 and 57,240,446 shares issued and outstanding at December 31, 2016 and December 31, 2015, respectively	597,316	572,404
Treasury stock, 100,000 shares at December 31, 2016 and December 31, 2015	(1,000)	(1,000)
Paid in capital in excess of par value	18,349,816	18,240,653
Accumulated deficit	(19,253,558)	(18,984,607)
Total stockholders' deficit	(302,739)	(168,278)
Total liabilities and stockholders' deficit	\$ 633,812	\$ 646,476

See accompanying notes to financial statements.

KLEVER MARKETING, INC.
Statements of Operations

	For the Year Ended December 31,	
	2016	2015
Revenues	\$ <u> –</u>	\$ <u> –</u>
Operating expenses:		
General and administrative	264,764	481,160
Research and development	1,343	2,840
Total operating expenses	<u>266,107</u>	<u>484,000</u>
Loss from operations	(266,107)	(484,000)
Other expense – interest expense	<u>(1,549)</u>	<u>(14,123)</u>
Loss before income taxes	(267,656)	(498,123)
Income taxes	<u>(1,295)</u>	<u>(1,270)</u>
Net loss	<u>\$ (268,951)</u>	<u>\$ (499,393)</u>
Loss per common share – basic and diluted	<u>\$ (0.00)</u>	<u>\$ (0.01)</u>
Weighted average number of common shares outstanding – basic and diluted	58,377,906	55,452,431

See accompanying notes to financial statements.

KLEVER MARKETING, INC.
Statements of Stockholders' Deficit
For the Years Ended December 31, 2016 and 2015

	Preferred Stock		Common Stock		Treasury Stock	Paid in Capital in Excess of Par Value	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount				
Balance, December 31, 2014	409,753	\$ 4,098	53,691,043	\$ 536,910	\$ (1,000)	\$ 17,935,076	\$ (18,485,214)	\$ (10,130)
Common Stock issued for cash at \$0.05 per share	–	–	2,000,000	20,000	–	80,000	–	100,000
Common Stock issued for cash at \$0.06 per share	–	–	208,333	2,084	–	10,416	–	12,500
Common Stock issued for cash at \$0.07 per share	–	–	1,178,570	11,785	–	70,715	–	82,500
Common Stock issued for cash at \$0.075 per share	–	–	100,000	1,000	–	6,500	–	7,500
Common Stock issued for cash at \$0.08 per share	–	–	62,500	625	–	4,375	–	5,000
Preferred stock issued as dividends	17,415	174	–	–	–	71,677	–	71,851
Accrual for preferred stock dividend	–	–	–	–	–	(114,187)	–	(114,187)
Stock-based compensation	–	–	–	–	–	162,911	–	162,911
Stock options issued for related party debt discount	–	–	–	–	–	13,170	–	13,170
Net loss	–	–	–	–	–	–	(499,393)	(499,393)
Balance, December 31, 2015	427,168	4,272	57,240,446	572,404	(1,000)	18,240,653	(18,984,607)	(168,278)
Common Stock issued for cash at \$0.05 per share	–	–	500,000	5,000	–	20,000	–	25,000
Common Stock issued for cash at \$0.05 per share	–	–	500,000	5,000	–	20,000	–	25,000
Common Stock issued for cash at \$0.05 per share	–	–	250,000	2,500	–	10,000	–	12,500
Common Stock issued for cash at \$0.05 per share	–	–	50,000	500	–	2,000	–	2,500
Common Stock issued for cash at \$0.035 per share	–	–	145,000	1,450	–	3,550	–	5,000
Common stock issued as dividends	–	–	1,046,121	10,462	–	26,567	–	37,029
Preferred stock issued as dividends	41,520	415	–	–	–	112,851	–	113,266
Accrual for preferred stock dividend	–	–	–	–	–	(85,805)	–	(85,805)
Net loss	–	–	–	–	–	–	(268,951)	(268,951)
Balance, December 31, 2016	468,688	\$ 4,687	59,731,567	\$ 597,316	\$ (1,000)	\$ 18,349,816	\$ (19,253,558)	\$ (302,739)

See accompanying notes to financial statements.

KLEVER MARKETING, INC.
Statements of Cash Flows

	For the Year Ended December 31,	
	2016	2015
Cash flows from operating activities:		
Net loss	\$ (268,951)	\$ (499,393)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation and amortization	29,359	23,306
Stock-based compensation	–	162,911
Amortization of debt discount	–	13,170
Changes in operating assets and liabilities:		
Increase in accounts payable	36,215	31,123
Increase in accrued liabilities	144,072	168,738
Net cash used by operating activities	<u>(59,305)</u>	<u>(100,145)</u>
Cash flows from investing activities:		
Capitalized software development costs	(17,480)	(83,317)
Capitalized patents and trademarks costs	(26,063)	(37,450)
Net cash used by investing activities	<u>(43,543)</u>	<u>(120,767)</u>
Cash flows from financing activities:		
Proceeds from issuance of common stock	70,000	207,500
Proceeds from related party notes payable	6,000	30,000
Repayments of related party notes payable	–	(8,000)
Net cash provided by financing activities	<u>76,000</u>	<u>229,500</u>
Net increase (decrease) in cash	(26,848)	(8,588)
Cash at beginning of period	31,782	23,194
Cash at end of period	<u>\$ 4,934</u>	<u>\$ 31,782</u>
Supplemental disclosures:		
Cash Paid For:		
Interest	\$ 1,271	\$ –
Income taxes	\$ –	\$ 110
Non-Cash Investing and Financing Activities:		
Accrual for preferred stock dividends payable with shares	\$ 85,805	\$ 114,187
Common stock issued to pay dividends	\$ 37,029	\$ –
Preferred stock issued to pay dividends	\$ 113,266	\$ 71,851
Stock options issued for related party debt discount	\$ –	\$ 13,170

See accompanying notes to financial statements.

KLEVER MARKETING, INC.
Notes to the Financial Statements

NOTE 1 – BASIS OF FINANCIAL STATEMENT PRESENTATION

Klever Marketing, Inc. (the “Company”) was created to develop, market and distribute an electronic shopping cart device for in-store advertising, promotion and media content and retail shopper services and has not commenced its planned principal operations. The Company’s activities since inception have consisted principally of developing various applications of its electronic shopping cart concept including its mobile application for smart phones which the Company is currently testing in retail supermarkets, obtaining patents and trademarks related to its technology, and raising capital. The Company’s activities are subject to significant risks and uncertainties including failing to secure additional funding needed to finalize development of the Company’s technology and to commercialize its product in a profitable manner.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements are as follows:

Accounting Method

The Company’s financial statements are prepared in accordance with accounting principles generally accepted in the United States (“US GAAP”) and reflect all adjustments (all of which are normal and recurring in nature) that, in the opinion of management, are necessary for fair presentation of the financial statements.

Use of Estimates

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

Cash and Cash Equivalents

The Company considers all highly liquid investments with maturities of three months or less to be cash equivalents. The Company did not have any cash equivalents as of and for the years ended December 31, 2016 and 2015.

Valuation of Long-Lived Assets

Long-lived assets such as capitalized software development and licenses, office equipment and intangible assets with definite useful lives are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable or in the period in which the held for sale criteria are met. For assets held and used, this analysis consists of comparing the asset’s carrying value to the expected future cash flows to be generated from the asset on an undiscounted basis. If the carrying amount of the asset is determined not to be recoverable, a write-down to fair value is recorded. Fair values are determined based on quoted market values, discounted cash flows, or external appraisals, as applicable. Long-lived assets are reviewed for impairment at the individual asset or the asset group level for which the lowest level of independent cash flows can be identified. The Company did record an impairment loss for the years ended December 31, 2016 and 2015.

Property and Equipment

Property and equipment consisted of office equipment with a cost of \$3,350 and with accumulated depreciation of \$3,350 and \$3,254 as of December 31, 2016 and 2015, respectively. Depreciation of office equipment is computed using the straight-line method over an estimated economic useful life of 3 years. Depreciation expense was \$96 and \$732 for the years ended December 31, 2016 and 2015, respectively.

Upon sale or other disposition of property and equipment, the cost and related accumulated depreciation or amortization are removed from the accounts and any gain or loss is included in the determination of income or loss.

Expenditures for maintenance and repairs are charged to expense as incurred. Major overhauls and betterments are capitalized and depreciated over their estimated economic useful lives.

Intangible Assets

Intangible assets consist of capitalized software development costs and patents and trademarks.

Capitalized Software Development

The Company capitalizes software development costs incurred from the time technological feasibility has been obtained until the product is generally released to customers. Amortization of capitalized software development costs begins when the products are available to customers and is computed using the straight-line method over the remaining estimated economic life of the product. Currently, the Company anticipates amortization of software development costs to commence in fiscal year 2017. The Company achieved technological feasibility with regard to its mobile phone technology during the fourth quarter of 2010. As of December 31, 2016 and 2015, the Company had capitalized software development costs of \$552,503 and \$535,023, respectively. No amortization expense was recorded for the years ended December 31, 2016 and 2015.

Patents and Trademarks

The Company capitalizes the cost of patents and trademarks and amortizes the capitalized costs on a straight-line basis over 5 years from the date the patent or trademark is issued. At December 31, 2016, patents and trademarks have a cost of \$159,664, accumulated amortization of \$83,289, and had a net book value of \$76,375. At December 31, 2015, patents and trademarks have a cost of \$133,601, accumulated amortization of \$54,026, and had a net book value of \$79,575. Amortization expense was \$29,263 and \$22,574 for the years ended December 31, 2016 and 2015, respectively. Future amortization expense of the Company's existing patents and trademarks over their remaining lives will be \$29,843 for 2017, \$20,142 for 2018, \$13,807 for 2019, \$9,361 for 2020 and \$2,672 for 2021.

Intangible assets with indefinite lives are tested for impairment on an annual basis or when the facts and circumstances suggest that the carrying amount of the assets may not be recovered.

Revenue Recognition

The Company currently has no revenues from its operations. We anticipate that revenues from product sales, net of estimated returns and allowances, will be recognized when evidence of an arrangement is in place, related prices are fixed and determinable, contractual obligations have been satisfied, title and risk of loss have been transferred to the customer and collection of the resulting receivable is reasonably assured.

Concentration of Credit Risk

The Company has no significant concentrations of credit risk.

Income (Loss) Per Common Share

Basic net income (loss) per share of common stock is computed by dividing net income (loss) by the weighted average number of common shares outstanding during the period. Diluted net income (loss) per share of common stock is computed by dividing net income (loss) by the sum of the weighted average number of common shares outstanding and the dilutive potential common share equivalents then outstanding. Potential dilutive common share equivalents consist of shares issuable upon exercise of outstanding stock options and the exercise of convertible preferred stock.

For the years ended December 31, 2016 and 2015, the Company incurred net losses; therefore, common stock equivalents related to the conversion of stock options and convertible preferred stock have not been included in the calculation of diluted loss per common shares because they are anti-dilutive. Therefore, basic loss per common share is the same as diluted loss per common share for both years. For the years ended December 31, 2016 and 2015, the Company has excluded a total of 30,368,773 and 27,902,393 common shares, respectively, for exercisable options and potential conversion of convertible preferred stock.

Income Taxes

The Company accounts for income taxes pursuant to ASC 740, *Income Taxes* ("ASC 740"). Under this accounting standard, deferred tax assets and liabilities are determined based on temporary differences between the bases of certain assets and liabilities for income tax and financial reporting purposes. The deferred tax assets and liabilities are classified according to the financial statement classification of the assets and liabilities generating the differences. Given the Company's history of losses, the Company maintains a full valuation allowance with respect to any deferred tax assets.

ASC 740 requires a company to determine whether it is more likely than not that a tax position will be sustained upon examination based upon the technical merits of the position. If the more-likely-than-not threshold is met, a company must measure the uncertain tax position to determine the amount to recognize in the financial statements. Our uncertain tax positions relate to certain state tax issues for which we have recorded an estimated current liability for in the accompanying financial statements at December 31, 2016 and December 31, 2015. There has been no significant change in the unrecognized tax benefit through December 31, 2016.

The Company includes interest and penalties arising from the underpayment of income taxes in the statements of operations in the provision for income taxes. As of December 31, 2016 and 2015, the Company had \$9,868 and \$8,673 of accrued interest and penalties related to uncertain tax positions.

Research and Development

The Company continues to develop additional technology which facilitates the use of in-store advertising and coupon services through various technologies. As time and technology have progressed, the system being developed by the Company comprises mobile and other state of the art technology that facilitates retailers and package good companies providing "product specific" point-of-purchase advertising to its customers using proprietary software. The Company is currently developing mobile smart phone technology that will provide similar functionality to the Klever-Kart System.

For the years ended December 31, 2016 and 2015, the Company incurred research and development expenses of \$1,343 and \$2,840 respectively.

Fair Value of Financial Instruments

The FASB provides the framework for measuring fair value. ASC 820-10-50, *Fair Value Measurements*, provides guidance that defines fair value, establishes a three-level valuation hierarchy for disclosures of fair value measurement and enhances disclosure requirements for fair value measures. The three levels are defined as follows: Level 1 inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets; Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument; and Level 3 inputs to valuation methodology are unobservable and significant to the fair measurement.

In determining fair value, the Company utilizes observable market data when available, or models that incorporate observable market data. In addition to market information, the Company incorporates transaction-specific details that, in management's judgment, market participants would take into account in measuring fair value.

In arriving at fair-value estimates, the Company utilizes the most observable inputs available for the valuation technique employed. If a fair-value measurement reflects inputs at multiple levels within the hierarchy, the fair-value measurement is characterized based upon the lowest level of input that is significant to the fair-value measurement.

The carrying amounts reported in the accompanying balance sheets as of December 31, 2016 and 2015 for cash and current liabilities each qualify as financial instruments, which management believes are a reasonable estimate of fair value because of the short period of time between the origination of such instruments and expected realization and their current market rate of interest.

Recently Issued Accounting Pronouncements

In January 2017, the FASB issued Accounting Standards Update (“ASU”) No. 2017-4, “Intangibles – Goodwill and Other (Topic 350): “Simplifying the Test for Goodwill Impairment.” This update simplifies how an entity is required to test goodwill for impairment by eliminating Step 2 from the goodwill impairment test. Step 2 measures a goodwill impairment loss by comparing the implied fair value of a reporting unit’s goodwill with the carrying amount of that goodwill. Instead, under the amendments in this update, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit’s fair value. An entity should apply the amendments in this update on a prospective basis. An entity is required to disclose the nature of and reason for the change in accounting principle upon transition. That disclosure should be provided in the first annual period and in the interim period within the first annual period when the entity initially adopts the amendments in this update. A public business entity that is an SEC filer should adopt the amendments in this Update for its annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019. The Company is currently unable to determine the impact on its financial statements of the adoption of this new accounting pronouncement.

In January 2017, the FASB issued ASU No. 2017-1, “Business Combinations (Topic 805): Clarifying the Definition of a Business.” The amendments in this update clarify the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The definition of a business affects many areas of accounting including acquisitions, disposals, goodwill, and consolidation. The amendments of this ASU are effective for public business entities for annual periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. The amendments in this Update are to be applied prospectively on or after the effective date. The Company is currently unable to determine the impact on its financial statements of the adoption of this new accounting pronouncement.

In August 2016, the FASB issued ASU No. 2016-15, “Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments.” This ASU addresses eight specific cash flow issues with the objective of reducing the existing diversity in practice. The amendments in this ASU are effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted. The Company is currently unable to determine the impact on its financial statements of the adoption of this new accounting pronouncement.

Although there are several other new accounting pronouncements issued or proposed by the FASB, which the Company has adopted or will adopt, as applicable, the Company does not believe any of these accounting pronouncements has had or will have a material impact on its financial position or results of operations.

NOTE 3 – GOING CONCERN

As shown in the accompanying financial statements, the Company generated a net loss of \$268,951 during the year ended December 31, 2016. The Company did not generate any revenue from product sales during the years ended December 31, 2016 or December 31, 2015. As of December 31, 2016, the Company’s current and total liabilities exceeded its current assets by \$931,617. As of December 31, 2016, the Company had \$4,934 of cash.

The Company will require additional funding during the next twelve months to finance the growth of its current operations and achieve its strategic objectives. These factors, as well as the uncertain conditions that the Company faces relative to capital raising activities, create substantial doubt as to the Company’s ability to continue as a going concern. The Company is seeking to raise additional capital principally through private placement offerings and is targeting strategic partners in an effort to finalize the development of its products and begin generating revenues. The ability of the Company to continue as a going concern is dependent upon the success of future capital offerings or alternative financing arrangements and expansion of its operations. The accompanying financial statements do not include any adjustments that might be necessary should the Company be unable to continue as a going concern. Management is actively pursuing additional sources of financing sufficient to generate enough cash flow to fund its operations through calendar year 2017. However, management cannot make any assurances that such financing will be secured.

NOTE 4 – ACCRUED LIABILITIES

Accrued liabilities consist of the following as of December 31:

	2016	2015
Compensation - officers and bookkeeper	\$ 472,625	\$ 330,125
Taxes	40,769	39,474
Accrued interest – related party	1,230	953
	<u>\$ 514,624</u>	<u>\$ 370,552</u>

NOTE 5 – INCOME TAXES

The components of income tax expense are as follows for the years ended December 31:

	2016	2015
Current	\$ 1,295	\$ 1,270
Deferred	–	–
Total	<u>\$ 1,295</u>	<u>\$ 1,270</u>

Deferred tax assets are calculated using a combined statutory tax rate of 39%. The Company's deferred income tax asset and the related valuation allowance are as follows at December 31:

	2016	2015
Deferred tax assets - current:		
Accrued compensation	\$ 184,324	\$ 128,749
Accrued interest – related party	480	372
	<u>184,804</u>	<u>129,121</u>
Deferred tax assets - long-term:		
Net operating loss carryforwards	5,774,160	5,733,902
Amortization	20,914	16,851
Total deferred income tax assets	<u>5,979,878</u>	<u>5,879,874</u>
Valuation allowance	<u>(5,979,878)</u>	<u>(5,879,874)</u>
Total	<u>\$ –</u>	<u>\$ –</u>

A reconciliation of provision (benefit) for income taxes provided at the federal statutory rate to actual provision for income taxes is as follows for the years ended December 31:

	2016	2015
Benefit (provision) for income taxes computed at federal statutory rate	\$ 104,386	\$ 194,720
State income taxes, net of federal benefit	39	43
Other	(64,128)	(143,559)
Valuation allowance	(39,002)	(49,934)
Provision for Income taxes	<u>\$ 1,295</u>	<u>\$ 1,270</u>
Effective tax rate	<u>-0.48%</u>	<u>-0.25%</u>

As of December 31, 2016, the Company had net operating loss carry-forwards for federal income tax reporting purposes of approximately \$14.8 million that may be offset against future taxable income through 2036. The Company has state net operating loss carry-forwards of \$5.1 million that may be offset against future taxable income through 2029. Current tax laws limit the amount of loss available to be offset against future taxable income when a substantial change in ownership occurs. Therefore, the amount available to offset future taxable income may be limited. No tax benefit has been reported in the financial statements because the Company believes there is a 50% or greater chance that the carry-forwards will expire unused. Accordingly, the potential tax benefits of the loss carry-forwards are offset by a valuation allowance of the same amount.

The Company files income tax returns in the U.S. federal and Utah jurisdictions. Tax years 2012 to current remain open to examination by U.S. federal and state tax authorities.

NOTE 6 – PREFERRED STOCK

Authorized Shares

In accordance with the Company's bylaws, the Company has authorized a total of 2,000,000 shares of preferred stock, par value \$0.01 per share, for all classes. As of December 31, 2016 and December 31, 2015, there were 468,688 and 427,168 total preferred shares issued and outstanding for all classes, respectively. As of December 31, 2016, all of the Company's outstanding preferred shares are owned by a Company that is controlled by the Company's CEO.

Preferred Stock Dividends

As of December 31, 2016, the Company had accrued and unpaid preferred stock dividends totaling \$7,909 relating to dividends for the three months ended December 31, 2016. As of December 31, 2015, the Company had accrued and unpaid preferred stock dividends totaling \$72,399 relating to dividends for the three months ended December 31, 2015. Historically, all accrued dividends for preferred stock have been authorized for payment through the issuance of preferred stock based on the ratios for each class of preferred stock described below. However, the Board of Directors of the Company has authorized payment of preferred stock dividends through the issuance of common shares where no authorized shares of preferred stock are available for issuance in a class.

Class A Voting Preferred Stock

The Company has 150,000 shares of "Class A Voting Preferred Stock" ("Class A Shares") authorized. As of December 31, 2016 and December 31, 2015, there were 150,000 and 138,217 Class A Shares outstanding, respectively. The Class A Shares are convertible into 99.035 shares of common stock. Holders of Class A Shares are entitled to receive dividends at the rate of \$2.20 per share per annum, payable semi-annually. Dividends are cumulative and may be paid in cash or in kind through the distribution of .0425 Class A Shares, Series 1, for each outstanding Class A Share, on each dividend payment date. Class A Shares carry a liquidation preference of \$26.00 per share plus any accrued but unpaid dividends on such shares, if any, and adjusted for combinations, splits, dividends or distributions of shares of stock with respect to such shares. Class A shares are redeemable by the Company, in whole or in part, at the option of the Board of Directors of the Company, at any time.

Class B Voting Preferred Stock

The Company has 125,000 shares of "Class B Voting Preferred Stock" ("Class B Shares") authorized. As of December 31, 2016 and December 31, 2015, there were 118,688 and 104,757 Class B Shares outstanding, respectively. The Class B Shares are convertible into 64.754 shares of common stock. Holders of Class B Shares are entitled to receive dividends at the rate of \$1.70 per share per annum, payable semi-annually. Dividends are cumulative and may be paid in cash or in kind through the distribution of .0425 Class B Shares for each outstanding Class B Share, on each dividend payment date. Class B Shares carry a liquidation preference of \$17.00 per share plus any accrued but unpaid dividends on such shares, if any, and adjusted for combinations, splits, dividends or distributions of shares of stock with respect to such shares. Class B shares are redeemable by the Company, in whole or in part, at the option of the Board of Directors of the Company, at any time.

Class C Voting Preferred Stock

The Company has 200,000 shares of "Class C Voting Preferred Stock" ("Class C Shares") authorized. As of December 31, 2016 and December 31, 2015, there were 200,000 and 184,194 Class C Shares outstanding, respectively. The Class C Shares are convertible into 25.140 shares of common stock. Holders of Class C Shares are entitled to receive dividends at the rate of \$0.66 per share per annum, payable semi-annually. Dividends are cumulative and may be paid in cash or in kind through the distribution of .0425 Class C Shares for each outstanding Class C Share, on each dividend payment date. Class C Shares carry a liquidation preference of \$6.60 per share plus any accrued but unpaid dividends on such shares, if any, and adjusted for combinations, splits, dividends or distributions of shares of stock with respect to such shares. Class C shares are redeemable by the Company, in whole or in part, at the option of the Board of Directors of the Company, at any time.

NOTE 7 – COMMON STOCK

In accordance with the Company's bylaws, the Company has authorized a total of 250,000,000 shares of common stock, par value \$0.01 per share. As of December 31, 2016 and December 31, 2015, there were 59,731,567 and 57,240,446 common shares issued and outstanding.

During the year ended December 31, 2016, the Company issued 1,445,000 shares of common stock to investors for \$70,000 cash and 1,046,121 shares of common stock valued at \$37,029 to a related party in payment of accrued preferred stock dividends.

During the year ended December 31, 2015, the Company issued 3,549,403 shares of common stock to investors for \$207,500 cash.

NOTE 8 – STOCK OPTIONS

The shareholders approved, by a majority vote, the adoption of the 1998 Stock Incentive Plan (the "Plan"). As amended on August 11, 2003, the Plan reserves 20,000,000 shares of common stock for issuance upon the exercise of options which may be granted from time-to-time to officers, directors, certain employees and consultants of the Company or its subsidiaries by the Board of Directors. The Plan permits the award of both qualified and non-qualified incentive stock options.

During the year ended December 31, 2015, the Company issued 100,000 options to an investor who simultaneously purchased common shares of the Company, 2,800,000 options to officers and directors for services, and 500,000 options to a director in connection with a loan made to the Company. Stock-based compensation expense included in general and administrative expenses was \$162,911, and \$13,170 was recorded to debt discount.

A summary of the Company's stock option awards as of December 31, 2016, and changes during the year then ended is as follows:

	<u>Shares</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Contract Term (Years)</u>	<u>Aggregate Intrinsic Value</u>
Outstanding at December 31, 2014	–	\$ –		
Granted	3,400,000	0.051		
Exercised	–	–		
Forfeited or expired	<u>(600,000)</u>	0.054		
Outstanding at December 31, 2015	2,800,000	0.050	2.09	\$ –
Granted	–	–		
Exercised	–	–		
Forfeited or expired	<u>–</u>	–		
Outstanding and exercisable at December 31, 2016	<u>2,800,000</u>	\$ 0.050	1.08	\$ –

The aggregate intrinsic value in the preceding table represents the total pretax intrinsic value, based on our closing stock price of \$0.0135 as of December 31, 2016, which would have been received by the holders of in-the-money options had the option holders exercised their options as of that date.

NOTE 9 - LITIGATION AND CONTINGENT LIABILITIES

Various creditors of the Company have potential claims against the Company for unpaid invoices relating to services provided to the Company. The amount of unpaid bills over 90 days old that exist within accounts payable on the balance sheet is \$314,184 and \$266,368 as of December 31, 2016 and 2015, respectively.

NOTE 10 – RELATED PARTY TRANSACTIONS

The Company periodically receives funding from its CEO, CFO and directors to fund operating costs of the Company. Jerry Wright, a director, loaned the Company \$30,000 during the year ended December 31, 2015, which bears interest at the rate of 6% per annum. The related party note payable had a principal balance of \$25,500 as of December 31, 2016 and 2015, and accrued interest payable of \$1,216 and \$953 as of December 31, 2016 and 2015, respectively. The loan was to have been paid by June 30, 2016, and is currently in default.

PSF Inc., a company controlled by the Company's CEO, loaned the Company \$6,000 during the year ended December 31, 2016, which bears interest at the rate of 4% per annum and matures in June 2017. The related party note payable had a principal balance of \$6,000 and accrued interest payable of \$15 as of December 31, 2016.

The Company's CEO and the bookkeeper who is the wife of the CEO provide consulting services to the Company through companies controlled by the individuals. The Company accrued \$136,500 and \$162,000 for compensation for the CEO during the years ended December 31, 2016 and 2015, of which \$9,000 and \$4,375 were paid, respectively. Accrued compensation to the CEO totaled \$445,625 and \$318,125 as of December 31, 2016 and 2015, respectively.

The bookkeeper earned \$18,000 during the years ended December 31, 2016 and 2015 for services provided to the Company of which \$3,000 and \$9,000 were paid, respectively. Accrued compensation to the bookkeeper totaled \$27,000 and \$12,000 as of December 31, 2016 and 2015, respectively.

NOTE 11 – SUBSEQUENT EVENTS

On February 6, 2017, the Company sold 290,000 common shares to an investor for \$10,150.

The Company has evaluated events subsequent to period end pursuant to the requirements of ASC 855 and has determined that there are no additional events to disclose.

Section 302 Certifications

I, Paul G. Begum, certify that:

1. I have reviewed this annual report on Form 10-K of Klever Marketing, Inc.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the small business issuer as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in the Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in the Exchange Act Rules 13a – 15(f) and 15d – 15(f) for the Registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer is made known to us by others, particularly during the period in which this report is being prepared;
 - b. Designed such disclosure control over financial reporting, or caused such internal control over financial reporting got be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's issuer's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's issuer's internal control over financial reporting.

Date: March 24, 2017

By: /s/ Paul G Begum
Paul G. Begum
(Principal Executive Officer)

Section 302 Certifications

I, Robert Campbell, certify that:

1. I have reviewed this annual report on Form 10-K of Klever Marketing, Inc.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the small business issuer as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in the Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in the Exchange Act Rules 13a-15(f) and 15d-15(f) for the Registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer is made known to us by others, particularly during the period in which this report is being prepared;
 - b. Designed such disclosure control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's issuer's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's issuer's internal control over financial reporting.

Date: March 24, 2017

By: /s/ Robert Campbell
Paul G. Begum
(Principal Financial Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Klever Marketing, Inc. (the "Company") on Form 10-K for the year ending December 31, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Paul G. Begum, Chairman and Principal Executive Officer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

By: /s/ Paul G Begum
Paul G. Begum
(Principal Executive Officer)

March 24, 2017

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Klever Marketing, Inc. (the "Company") on Form 10-K for the year ending December 31, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert Campbell, Principal Financial Officer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

By: /s/ Robert Campbell
Robert Campbell
(Principal Financial Officer)

March 24, 2017