KLEVER MARKETING INC
Form 10-Q/A
February 01, 2012

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

Amendment No. 1 to
FORM 10-Q

x QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED March 31, 2011

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

For the transition period from __________ to __________

Commission File Number: 0-18834

Klever Marketing, Inc.
(Exact name of small business issuer as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	36-3688583 (I.R.S. Employer Identification No.)

30251 Golden Lantern Suite E, PMB 411 Laguna Niguel, CA 92677-5993
(Address of principal executive offices)

(801) 847-6444
(Issuer’s Telephone Number)

Indicate by check mark whether the issuer (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act 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. x Yes No

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

Large accelerated filer		Accelerated filer
Non-accelerated filer	(Do not check if a smaller reporting company)	Smaller reporting company x

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

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practical date. As of May 10, 2011, there were 45,071,640 shares of the issuer's $.01 par value common stock issued and outstanding.

EXPLANATORY NOTE

This Amendment No. 1 to the Company's Form 10-Q for the quarter ended March 31, 2011 filed with the Securities and Exchange Commission on May 16, 2011 is being filed solely to correct check boxes on the cover. Also, as a result of this amendment, the page numbers have changed, however no other changes have been made since the original filing of this quarterly report.

KLEVER MARKETING, INC.

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PART I - FINANCIAL INFORMATION

KLEVER MARKETING, INC.
(A Development Stage Company)
Condensed Balance Sheets

ASSETS

	March 31, 2011 (Unaudited)	December 31, 2010
CURRENT ASSETS		
Cash	$ 1,221	$ 1,071
Prepaid expenses	18	35
Total Current Assets	1,239	1,106
FIXED ASSETS		
Capitalized software	72,500	72,500
Office equipment	-	-
Less accumulated depreciation	-	-
Total Fixed Assets	72,500	72,500
OTHER ASSETS		
Intangibles, net	550	550
Total Other Assets	550	550
TOTAL ASSETS	$ 74,289	$ 74,156
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES		
Accounts payable	$ 496,878	$ 502,884
Accrued liabilities	609,875	516,348
Preferred stock dividends	487,613	385,144
Related party notes payable	44,950	44,950
Notes payable	15,000	15,000
Stock deposits	11,000	11,000
Total Current Liabilities	1,665,316	1,475,326
Total Liabilities	1,665,316	1,475,326
STOCKHOLDERS' EQUITY (DEFICIT)		
Convertible preferred stock - Class A (par value $0.01; 150,000 shares authorized; 93,056 issued and outstanding in 2010 and 2009); aggregate liquidation preference of $2,419,456	931	931
	705	705

Convertible preferred stock - Class B (par value $0.01; 125,000 shares authorized; 70,529 issued and outstanding in 2010 and 2009); aggregate liquidation preference of $1,198,983				
Convertible preferred stock - Class C (par value $0.01; 150,000 shares authorized; 124,010 issued and outstanding in 2010 and 2009); aggregate liquidation preference of $818,466		1,240		1,240
Common stock (par value $0.01), 250,000,000 shares authorized, 45,071,640 and 45,921,640 shares issued and outstanding, respectively		450,716		459,216
Treasury stock, 100,000 shares at December 31, 2010 and 2009		(1,000)		(1,000)
Paid in capital in excess of par value		16,386,261		16,595,001
Retained deficit		(3,333,785)		(3,333,785)
Deficit accumulated during development stage		(15,096,095)		(15,123,478)
Total Stockholders' Equity (Deficit)		(1,591,027)		(1,401,170)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	$	74,289	$	74,156

The accompanying notes are an integral part of these financial statements.

KLEVER MARKETING, INC.
(A Development Stage Company)
Condensed Statements of Operations
(Unaudited)

	For the Three Months Ended March 31, 2011	For the Three Months Ended March 31, 2010	From Inception of Development Stage On July 5, 1996 Through March 31, 2011
REVENUES	$-	$-	$256,000
EXPENSES			
Sales and marketing	-	-	163,306
General and administrative	(40,588)	87,274	11,201,824
Research and development	3,917	-	4,746,947
Total Expenses	(36,671)	87,274	16,112,077
OTHER INCOME (EXPENSE)			
Other income	-	-	508,751
Interest income	-	-	18,902
Interest expense	(9,288)	(5,119)	(2,655,150)
Forgiveness of debt	-	-	399,387
Gain on sale of assets	-	-	26,947
Capital gain on sale of investments	-	-	191,492
Total Other Income (Expense)	(9,288)	(5,119)	(1,509,671)
NET INCOME (LOSS) BEFORE INCOME TAXES	27,383	(92,393)	(17,365,748)
INCOME TAXES	-	-	1,741
NET INCOME (LOSS) BEFORE EXTRAORDINARY ITEMS	27,383	(92,393)	(17,367,489)
EXTRAORDINARY ITEM - TROUBLED DEBT RESTRUCTURING	-	-	2,271,394
NET INCOME (LOSS)	$27,383	$(92,393)	$(15,096,095)
BASIC INCOME (LOSS) PER COMMON SHARE	$0.00	$(0.00)	

FULLY DILUTED INCOME (LOSS) PER COMMON SHARE	$0.00	$(0.00)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - BASIC	45,476,036	43,590,130
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - FULLY DILUTED	62,215,836	43,590,130

The accompanying notes are an integral part of these financial statements.

KLEVER MARKETING, INC.
(A Development Stage Company)
Condensed Statements of Cash Flows
(Unaudited)

	For the Three Months Ended March 31, 2011	For the Three Months Ended March 31, 2010	From Inception of Development Stage On July 5, 1996 Through March 31, 2011
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	$27,383	$(92,393)	$(15,096,095)
Adjustments to reconcile net loss to net cash used by operating activities:			
Stock issued for general and administrative	(159,000)	-	1,082,570
Stock issued for research and development	-	-	62,850
Stock returned for services not rendered	-	-	(216,346)
Loss on sale/disposal of assets	-	-	486,536
Compensation expense from stock options and warrants	-	3,870	95,782
Stock issued for interest	-	-	135,226
Stock issued for accounts payable	-	-	243,458
Deferred income	-	-	(214,000)
Depreciation and amortization	-	-	1,912,883
Write-off bad debts	-	-	15,000
Debt forgiveness	-	-	(107,259)
Services contributed by officers	-	15,000	60,000
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivable	-	-	62,281
(Increase) decrease in other assets and prepaids	17	-	89,220
(Increase) in deferred stock offering costs	-	20,000	-
Increase (decrease) in accounts payable	723	20,787	434,623
Increase (decrease) in accrued liabilities	93,527	17,719	689,464
Net Cash Used by Operating Activities	(37,350)	(15,017)	(10,263,807)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisition/sale of equipment, net	-	-	(587,801)
Capitalized software development costs	-	-	(65,000)
Acquisition/sale of patents and other intangibles	-	-	24,539
Acquisition/sale of stock, net	-	-	12,375
Net Cash Used by Investing Activities	$-	$-	$(615,887)

The accompanying notes are an integral part of these financial statements.

KLEVER MARKETING, INC.
(A Development Stage Company)
Condensed Statements of Cash Flows (Continued)
(Unaudited)

	For the Year Ended March 31, 2011	For the Year Ended March 31, 2010	From Inception of Development Stage On July 5, 1996 Through March 31, 2011
CASH FLOWS FROM FINANCING ACTIVITIES:			
Stock deposit	$-	$-	$ 11,000
Stock subscription received	-	-	23,000
Proceeds from capital stock issued	37,500	-	7,612,701
Proceeds from loans	-	-	3,518,202
Change in line-of-credit	-	-	4,837
Loan receivables	-	-	(15,000)
Principal payments on lease obligations	-	-	(18,769)
Cash payments on note payable	-	-	(279,730)
Net Cash Provided by Financing Activities	37,500	-	10,856,241
NET INCREASE (DECREASE) IN CASH	150	(15,017)	(23,453)
CASH AT BEGINNING OF PERIOD	1,071	21,041	24,674
CASH AT END OF PERIOD	$1,221	$6,024	$ 1,221
SUPPLEMENTAL DISCLOSURES			
Cash Paid For:			
Interest	$-	$-	$ 3,326
Income taxes	$-	$-	$ 1,741
Non-Cash Transactions from Investing and Financing Activities:			
Common stock issued to pay accounts payable	$6,730	$-	
Accrual for preferred stock dividends payable with preferred shares	$102,469	$-	

The accompanying notes are an integral part of these financial statements.

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NOTE 1 - BASIS OF FINANCIAL STATEMENT PRESENTATION

The accompanying unaudited condensed financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted in accordance with such rules and regulations. The information furnished in the interim condensed financial statements include normal recurring adjustments and reflects all adjustments, which, in the opinion of management, are necessary for a fair presentation of such financial statements. Although management believes the disclosures and information presented are adequate to make the information not misleading, it is suggested that these interim condensed financial statements be read in conjunction with the Company's audited financial statements and notes thereto included in its December 31, 2010 Annual Report on Form 10-K. Operating results for the three months ended March 31, 2011 are not necessarily indicative of the results that may be expected for the year ending December 31, 2011.

The Company was organized under the laws of the State of Delaware in December 1989. The Company was in the development stage from 1989 to 1991. The Company was an operating company from 1992 to December 8, 1993 when it filed petitions for relief under Chapter 11 bankruptcy. The Company was inactive until July 5, 1996 when the Company merged with Klever Kart, Inc. in a reverse merger and changed its name to Klever Marketing, Inc. The Company has been in the development stage since the reverse merger occurred.

The Company was formed for the purpose of creating a vehicle to obtain capital, to file and acquire patents, to seek out, investigate, develop, manufacture, market and distribute an electronic shopping cart for in-store advertising, promotion and media content and retail shopper services, which have potential for profit.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Loss Per Common Share

In accordance with ASC 260, Earnings Per Share (“ASC 260”) (formerly SFAS No. 128), the computations of basic and fully diluted loss per share of common stock are based on the weighted average number of common shares outstanding during the period of the financial statements, plus the common stock equivalents which would arise from the exercise of stock options and warrants outstanding during the period, or the exercise of convertible preferred stock. Common stock equivalents have not been included in the computations for the period ended March 31, 2010 because they are anti-dilutive.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loss Per Share (Continued)

Following is a reconciliation of the loss per share for the three months ended March 31, 2011 and 2010, respectively:

	March 31, 2011		March 31, 2010	
Numerator:				
Income (loss) before extraordinary items	$	27,383	$	(92,393)
Income from extraordinary items, net of tax		-		-
Net income (loss)	$	27,383	$	(92,393)
Denominator:				
Weighted-average common shares outstanding				
Basic		45,476,036		43,590,130
Conversion of preferred rights		16,739,800		-
Diluted		62,215,836		43,590,130
Income (loss) per share				
Basic				
Income (loss) before extraordinary items	$	0.00	$	(0.00)
Income from extraordinary items, net of tax		-		-
Net income (loss)	$	0.00	$	(0.00)
Diluted				
Income (loss) before extraordinary items	$	0.00	$	(0.00)
Income from extraordinary items, net of tax		-		-
Net income (loss)	$	0.00	$	(0.00)

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. The Company achieved technological feasibility with regard to its mobile phone technology during the fourth quarter of 2010.

Income Taxes

The Company accounts for income taxes pursuant to ASC 740, Income Taxes (“ASC 740”) (formerly SFAS No. 109). 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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

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 tax position to determine the amount to recognize in the financial statements. As a result of the implementation of ASC 740, the Company performed a review of its material tax positions in accordance with and measurement standards established by ASC 740. At the adoption date of January 1, 2007, the Company had no unrecognized tax benefit which would affect the effective tax rate if recognized. There has been no significant change in the unrecognized tax benefit through March 31, 2011. The Company also estimates that the unrecognized tax benefit will not change significantly within the next twelve months.

The Company establishes a valuation allowance based upon the potential likelihood of realizing the deferred tax asset and taking into consideration the Company's financial position and results of operations for the current period. Future realization of the deferred tax benefit depends on the existence of sufficient taxable income within the carryforward period under the Federal tax laws.

Changes in circumstances, such as the Company generating taxable income, could cause a change in judgment about the realizability of the related deferred tax asset. Any change in the valuation allowance will be included in income in the year of the change in estimate.

There are no tax positions included in the accompanying financial statements at March 31, 2011 or December 31, 2010 for which the ultimate deductibility is highly certain but for which there is uncertainty about the timing of such deductibility. Because of the impact of deferred tax accounting, other than interest and penalties, the disallowance of the shorter deductibility period would not affect the annual effective tax rate but would accelerate the payment of cash to the taxing authority to an earlier period.

As the Company has significant net operating loss carry forwards, even if certain of the Company's tax positions were disallowed, it is not foreseen that the Company would have to pay any taxes in the near future. Consequently, the Company does not calculate the impact of interest or penalties on amounts that might be disallowed.

The Company files income tax returns in the U.S. federal and Utah jurisdictions. Tax years 2008 to current remain open to examination by U.S. federal and state tax authorities.

From inception through March 31, 2011, the Company has incurred net losses and, therefore, had no tax liability. The net deferred tax asset generated by the loss carryforward has been fully reserved. The cumulative net operating loss carryforward is approximately $19.7 million as of March 31, 2011, and will expire in the years 2026 through 2030.

Research and Development

The Company continues to develop its 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 company 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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

During the three months ended March 31, 2011 and 2010, the Company expended $3,917 and $0, respectively, for research and development of the technology involved with developing its technologies.

Fair Value of Financial Instruments

The Company has adopted ASC 820-10-50, Fair Value Measurements. This guidance 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. Level 3 inputs to valuation methodology are unobservable and significant to the fair measurement.

The carrying amounts reported in the accompanying balance sheets as of March 31, 2011 and December 31, 2010 for cash and current liabilities each qualify as financial instruments and 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. The carrying value of notes payable approximates fair value because negotiated terms and conditions are consistent with current market rates as of March 31, 2011 and December 31, 2010.

NOTE 3 - GOING CONCERN

As shown in the accompanying financial statements, the Company had income of $27,383 during the three months ended March 31, 2011 primarily due to the Company cancelling agreements and receiving back $159,000 in common stock as well as $9,000 in cash from two companies that the Company had contracted with in connection with its capital raising efforts. The Company did not generate any revenue from product sales during the three months ended March 31, 2011 or March 31, 2010. As of March 31, 2011, the Company’s current and total liabilities exceeded its current assets by $1,664,077. 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 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 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.

As of March 31, 2011, the Company had $1,221 of cash available on hand. The Company will require additional funding during the next twelve months to finance the growth of its current operations and achieve its strategic objectives. Management is actively pursuing additional sources of financing sufficient to generate enough cash flow to fund its operations through 2011. However, management cannot make any assurances that such financing will be secured.

NOTE 4 - 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 for all classes. As of March 31, 2011 and December 31, 2010, there were 287,595 preferred shares issued and outstanding. As of March 31, 2011, all of the Company's outstanding preferred shares are owned by a Company that is controlled by the Company's CEO.

In March, 2011, management realized that the preferred stock dividend that was paid in 2008 had resulted in the Company issuing more shares of Class A and Class B shares than were authorized pursuant to the Board resolution that was passed in June 2002. On April 14, 2011 the board of directors approved an increase to the authorized number of shares of preferred stock as described below.

Preferred Stock Dividends

As of March 31, 2011, the Company had accrued and unpaid preferred stock dividends totaling $487,613 relating to dividends for the year ended December 31, 2010 and for the quarter ended March 31, 2011.

Class A Voting Preferred Stock

On February 7, 2000, the Board of Directors authorized and established "Class A Voting Preferred Stock" ("Class A Shares") as a class of its $.01 par value, 2,000,000 shares authorized, preferred stock. Class A Shares consisted of 125,000 shares designated as Series 1 shares. On May 20, 2002, the Board of Directors amended the number of authorized shares of Class A voting preferred stock to 55,000 shares. On April 14, 2011, the Board of Directors increased the number of authorized Class A Voting Preferred shares to 150,000.

Class A Shares are convertible into Common Stock at an initial conversion price of $2.60 (subject to adjustment). 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. In addition, each holder of Class A Shares is entitled to receive, when and as declared, a dividend equal to each dividend declared and paid on the shares of Common Stock, on a share for share basis.

Class A Shareholders shall be entitled to one vote for each share of Common Stock into which such Class A Shares could then be converted, and shall have voting rights and powers equal to that of a holder of Common Stock. The Holders of Class A Shares shall vote with the holders of Common Stock and not as a separate class.

Class A Shares carry a liquidation preference of $26 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.

NOTE 4 - PREFERRED STOCK (Continued)

The Class A Shares shall be redeemable by the Company, in whole or in part, at the option of the Board of Directors of the Company, at any time and from time to time on or after July 1, 2002. The redemption price shall be $26 per share together with accrued but unpaid dividends on such shares, if any.

Class B Voting Preferred Stock

On September 24, 2000, the Board of Directors authorized and established "Class B Voting Preferred Stock" ("Class B Shares") as a class of its $.01 par value, 2,000,000 shares authorized, preferred stock. Class B Shares consisted of 125,000 shares designated as Series 1 shares. On May 20, 2002, the Board of Directors amended the number of authorized shares of Class B voting preferred stock to 42,000 shares. On April 14, 2011, the Board of Directors increased the number of authorized Class B Voting Preferred shares to 125,000.

Class B Shares are convertible into Common Stock at an initial conversion price of $1.70 (subject to adjustment). Holders of Class B Shares shall be entitled to receive when and as declared by the Board of Directors of the Corporation out of any funds at the time legally available therefore dividends at the rate of the Original Issue Price divided by 11.8181818 per share per annum, payable semi-annually on the first day of January and July of each year. Such dividends shall accrue on each such share from the date of its original issuance and shall accrue from day to day, whether or not earned or declared. Such dividends shall be cumulative and may be paid in cash or in kind through the distribution of .0425 Class B Shares, of the same Series for which the dividend is accrued, for each outstanding Class B Share, on each dividend payment date; provided, that if such dividends in respect of any period shall not have been paid or declared and set apart for payment for all outstanding Class B Shares by each payment date, then until all unpaid dividends thereon shall be paid or set apart for payment to the holders of such shares, the Corporation may not pay, declare or set apart any dividend or other distribution on its shares of Common Stock or other shares junior to the Class B Shares, nor may any other distributions, redemptions or other payments be made with respect to the shares of Common Stock or other junior shares. In addition to the foregoing, each holder of a Class B Share shall be entitled to receive, when and as declared, a dividend equal to each dividend declared and paid on the shares of Common Stock, on a share for share basis, so the holders of the Class B Shares shall be entitled to participate equally on a share for share basis with the holders of the shares of Common Stock. If there is a share split or dividend on the Common Stock, then the Class B Share dividends shall be adjusted as if a similar split or dividend had occurred with respect to the Class B Shares.

Class B Shareholders shall be entitled to one vote for each share of Common Stock into which such Class B Shares could then be converted and shall have voting rights and powers equal to the voting rights and powers of a holder of shares of Common Stock. The holders of Class B Shares shall vote with the holders of shares of Common Stock and not as a separate class.

Class B Shares shall carry a liquidation preference of $17 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.

NOTE 4 - PREFERRED STOCK (Continued)

The Class B Shares shall be redeemable by the Company, in whole or in part, at the option of the Board of Directors of the Company, at any time and from time to time on or after March 24, 2004 for Series 1, and such date as determined by the Board of Directors for each additional Series. The redemption price shall be $17.00 per share together with accrued but unpaid dividends on such shares, if any.

Class C Voting Preferred Stock

On January 2, 2001, the Board of Directors authorized and established “Class C Voting Preferred Stock” (“Class C Shares”) as a class of its $.01 par value, 2,000,000 shares authorized, preferred stock. Class C Shares consisted of 125,000 shares designated as Series 1 shares and 125,000 shares thereof were designated as Series 2 shares. On May 20, 2002, the Board of Directors amended the number of authorized shares of Class C voting preferred stock to 150,000 shares. On April 14, 2011, the Board of Directors increased the number of authorized Class C Voting Preferred shares to 200,000.

Class C Shares are convertible into Common Stock at an initial conversion price of $0.66 (subject to adjustment). Holders of Class C Shares shall be entitled to receive when and as declared by the Board of Directors of the Corporation out of any funds at the time legally available therefore dividends at the rate of the Original Issue Price divided by 11.8181818 per share per annum, payable semi-annually on the first day of January and July of each year. Such dividends shall accrue on each such share from the date of its original issuance and shall accrue from day to day, whether or not earned or declared. Such dividends shall be cumulative and may be paid in cash or in kind through the distribution of .0425 Class C Shares, of the same Series for which the dividend is accrued, for each outstanding Class C Share, on each dividend payment date; provided, that if such dividends in respect of any period shall not have been paid or declared and set apart for payment for all outstanding Class C Shares by each payment date, then until all unpaid dividends thereon shall be paid or set apart for payment to the holders of such shares, the Corporation may not pay, declare or set apart any dividend or other distribution on its shares of Common Stock or other shares junior to the Class C Shares, nor may any other distributions, redemptions or other payments be made with respect to the shares of Common Stock or other junior shares. In addition to the foregoing, each holder of a Class C Share shall be entitled to receive, when and as declared, a dividend equal to each dividend declared and paid on the shares of Common Stock, on a share for share basis, so the holders of the Class C Shares shall be entitled to participate equally on a share for share basis with the holders of the shares of Common Stock. If there is a share split or dividend on the Common Stock, then the Class C Share dividends shall be adjusted as if a similar split or dividend had occurred with respect to the Class C Shares.

Class C Shareholders shall be entitled to one vote for each share of Common Stock into which such Class C Shares could then be converted and shall have voting rights and powers equal to the voting rights and powers of a holder of shares of Common Stock. The holders of Class C Shares shall vote with the holders of shares of Common Stock and not as a separate class.

Class C Shares shall 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.

NOTE 4 - PREFERRED STOCK (Continued)

The Class C Shares shall be redeemable by the Company, in whole or in part, at the option of the Board of Directors of the Company, at any time and from time to time on or after July 2, 2004 for Series 1, and such date as determined by the Board of Directors for each additional Series. The redemption price shall be $6.60 per share together with accrued but unpaid dividends on such shares, if any.

Class D Voting Preferred Stock

On May 20, 2002, the Board of Directors authorized and established “Class D Voting Preferred Stock” (“Class D Shares”) as a class of its $.01 par value, 2,000,000 shares authorized, preferred stock. Class D Shares consist of 500,000 shares thereof are designated as “Class D Voting Preferred Stock” (the “Class D Shares”).

Class D Shares are convertible into Common Stock at an initial conversion price of $1.05 (subject to adjustment).

NOTE 5 - LITIGATION AND CONTINGENT LIABILITIES

The Company has certain claims against it for unpaid salary and benefits due to former officers and employees that exist on the balance sheet as accrued liabilities as of March 31, 2011 and December 31, 2010. Management is in the process of negotiating with a number of these claimants in order to reach agreements that would allow these liabilities to be settled through agreed upon cash payments as well as issuance of stock and stock options.

NOTE 6 - STOCK OPTIONS AND WARRANTS

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 and certain employees and consultants of the Company or its subsidiaries. The Plan permits the award of both qualified and non-qualified incentive stock options. On August 18, 2003, the Company registered its “Amended Stock Incentive Plan of Klever Marketing, Inc.” on Form S-8. The Company did not grant any options or warrants during he three months ended March 31, 2011. As of March 31, 2011, the Company had 100,000 warrants outstanding with an exercise price of $0.30 and a remaining contractual life of 10 months.

NOTE 7 – COMMON STOCK

During the three months ended March 31, 2011, the Company sold 250,000 shares of restricted common stock at $0.15 per share to an individual for $37,500.

During the three months ended March 31, 2011, the Company received back 1,000,000 shares of restricted common stock from an investment banking firm and $2,500 in cash as a result of cancelling their agreement with the Company. The investment bank firm had been engaged to assist the Company with finding financing sources. The Company recorded a credit to operations of $152,500 in connection with the cancellation and retirement of the shares.

NOTE 7 – COMMON STOCK (Continued)

During the quarter ended March 31, 2011, the Company issued 50,000 shares to a third party to settle outstanding accounts payable obligations for services provided.

During the quarter ended March 31, 2011, the Company cancelled its agreement with a private investor. Pursuant to the terms of the cancellation, the Company received back 150,000 shares of common stock and $6,500 in cash. The Company recorded a credit to operations of $15,500 in connection with the cancellation and retired the shares.

NOTE 8 – RELATED PARTY TRANSACTIONS

The Company periodically receives funding from its CEO and CFO to fund operating costs of the Company. As of March 31, 2011, $44,950 had been advanced to the Company from these individuals or companies they control. The $44,950 is reported in the Company's Condensed Balance Sheets under the heading "Related Party Notes Payable".

The Company's CEO, CFO and the bookkeeper who is the wife of the CEO did not take any compensation for services provided to the Company during 2009 and 2010. During the first quarter of 2011, the Company accrued $84,240 in wages and payroll taxes as compensation for the services provided by these individuals to the Company. The Company expects to pay these wages once the Company begins generating revenue and cash flows from operations.

NOTE 9 - SUBSEQUENT EVENTS

The Company has evaluated subsequent events through the date that the financial statements were available to be issued and found no significant subsequent events that required additional disclosure except as follows:

In May 2011, the Company entered into an agreement to sell the rights to certain IP addresses that are noncore to the Company's business. The Company expects the sale to close in the second quarter of 2011 and anticipates net sales proceeds from the sale to be approximately $250,000. Management plans to use the proceeds to fund development costs associated with its mobile technology and to cover ongoing operating expenses.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This following information specifies certain forward-looking statements of management of the company. Forward-looking statements are statements that estimate the happening of future events and are not based on historical fact. Forward-looking statements may be identified by the use of forward-looking terminology, such as "may", "shall", "could", "expect", "estimate", "anticipate", "predict", "probable", "possible", "should", "continue", or similar terms, variations terms or the negative of those terms. The forward-looking statements specified in the following information have been compiled by our management on the basis of assumptions made by management and considered by management to be reasonable. Our future operating results, however, are impossible to predict and no representation, guaranty, or warranty is to be inferred from those forward-looking statements.

The assumptions used for purposes of the forward-looking statements specified in the following information represent estimates of future events and are subject to uncertainty as to possible changes in economic, legislative, industry, and other circumstances. As a result, the identification and interpretation of data and other information and their use in developing and selecting assumptions from and among reasonable alternatives require the exercise of judgment. To the extent that the assumed events do not occur, the outcome may vary substantially from anticipated or projected results, and, accordingly, no opinion is expressed on the achievability of those forward-looking statements. We cannot guaranty that any of the assumptions relating to the forward-looking statements specified in the following information are accurate, and we assume no obligation to update any such forward-looking statements.

We advise anyone relying upon this report that any statement of earnings by the company for the quarter ending March 31, 2011, have been obtained solely through the reduction, adjustment or termination of various debt obligations and does not in any way reflect revenues to the company. The Company continues as a development stage company without revenues and with continuing substantial expenses, yielding a net loss from operations if considered apart from reduction of debt. The Company continues to search for merger or acquisition candidates or possible entities to whom it may sell or license its patent interest, but makes no warranty or assurance that it will be successful in any of these endeavors. Further, there is no assurance that the Company can continue to operate without cash flows or revenues and during the past year has relied exclusively upon interim capital financing for its continuation.

History

The Company, which began as a part of Information Resources, Inc. ("IRI") in 1987, was incorporated as a subsidiary of IRI under the laws of the State of Delaware on December 8, 1989, and was fully distributed to stockholders of IRI in a spinoff on October 31, 1990. At the time of the spinoff a portion of the business and assets of the Company included a software operation in Australia, which was sold in March, 1993. The Company (VideOCart, Inc.) filed petitions for relief under Chapter 11 bankruptcy in December 1993. The Company was inactive until July 5, 1996 when the Company merged with Klever Kart, Inc. in a reverse merger and changed its name to Klever Marketing, Inc. During the period from July 5, 1996 to December 31, 2003, the Company was in a development stage, except for an approximate 2-month period in 2000 when the Company generated revenue from installations of their Klever-Kart system in stores.

In August 2004, the Company signed a partnership contract with Fujitsu Transaction Solutions ("Fujuitsu" or FTXS). Under this contract, Fujitsu committed to manufacture and develop the hardware for a cart-based, advertising and promotional device offering (the U-Scan Shopping Cart), to develop relevant and required software and applications to support the device, to act as sales lead for the solution and hardware sell-in process and to provide for technical installations, IT implementation, and support for all retail locations. The Company and Fujitsu agreed to jointly share responsibility for marketing into Fujitsu's current retail client base for the initial nationwide sales effort. The Company likewise agreed to act as sales lead for the participant sell-in of advertising and promotion space to both retailers and manufacturers.

In 2007, the Company was informed by Fujitsu (FTXS) that they were restructuring their US management team and had reprioritized their go-to-market model, which would no longer include pursuing the joint deployment of U-Scan Shopping Carts in the US marketplace, as this was no longer part of their US business strategy. As a result, Fujitsu amicably disengaged from collaborative deployment discussions with the Company. Fujitsu paid the Company $25,000 related to the sale of its international Patents and Patent work done by the Company on Fujitsu's behalf. Importantly post-Fujitsu through 2008, the Company pursued alternative deployment approaches; continued efforts to protect its Patents against potential infringement; and explored opportunities to deploy its product with interested retailers.

During 2009, The Company made a number of significant structural changes, followed by a successful rollout and demonstration of an updated product – all accompanied by continued strengthening of its patent portfolio. The prior board of directors resigned at the end of 2008 and a new, revitalized board of directors was installed in January, 2009 with plans to develop a technically improved, significantly lower cost wireless shopping cart unit for installation with a major retailer chain. This upgraded unit was designated the Giving Cart™ with its Retailer Chime Time ™ Rewards Program. The Company founder, Paul G. Begum, was reinstated on the Board and is the current operating CEO. Under the returning chairman's guidance, the Company was able to focus its resources on technology developments. Financing was obtained for an updated wireless portable shopping cart unit taking advantage of improved technologies available since the last product release. This unit was produced at a significantly lower cost with significant software improvements that allow for rapid and efficient data updates to improve the effectiveness of advertising.

The Company achieved a rapid 6-month product development, and a pilot store was installed in August, 2009 followed by a successful 3-month product demonstration at The Market in Park City, Utah.

To continue to protect the Company's patent rights, our patent attorneys filed and obtained additional trademarks, including comprehensive new "wrap around" patents.

2010 Shift to Mobile Phone Development

During 2010, the Company embarked on a major restructuring of its product line. After years of successful development of electronic shopping cart mounted devices, the Company recognized that mobile technology was advancing so rapidly that Klever could now shift its product to this more efficient platform and take advantage of its expanded capabilities. Accordingly, the Company embarked on a rapid transition plan.

The first step was to conduct rigorous due diligence to determine how Klever could expand its product offering to take advantage of mobile technology and social networking communications. The Company wanted to not only develop an advanced application but also secure a position in the mobile service industry to grocers that would place it above competition from other applications. The Company called upon the services of a highly regarded corporate planner/strategist from Innovus to work with the Company in a series of workshops to help define the market niche and assure the approach was correct. Innovus helped to refine and expand the horizon to define a very attractive combination of products and services that are expected to deliver a highly differentiated solution. They are continuing to work with Klever as an integral part of our team to ensure the rapid adoption of the Company's products and services by Consumer Packaged Goods ("CPG') companies and grocery retailers.

The Company subsequently teamed with a highly qualified mobile phone technology company from Venice, California, Briabe Media, Inc., who helped expand the creative vision. They prepared the requirements documents along with assistance in developing a marketing plan for this new medium. With the concept, market segments and requirements completed, Klever then took the next important step of hiring a highly qualified development team from San Diego, Qualzoom, Inc., who developed the application, now called KleverShop and the important backend database now called KleverNet. With this technology the Company intends to implement an advanced recommendation engine and unique coupon recommendation engine that will help consumers buy the products they want and allow retailers and CPG manufacturers to reach consumers with new and complimentary products they will want to purchase with the available discounts and redemptions.

The new product line combines the best features of our previous shopping cart technology with the new mobile, cloud computing and database technologies that could lead to fundamental changes in how impressions are made that entice customers to buy products. The Klever shopping experience begins with the creation of the shopping list. Whether they are items scanned in the home or items identified using an electronic shopping list template or through a downloaded recipe, the consumer can easily build a shopping list. The Company believes that the Klever system will make building a shopping list efficient and fun for the consumer while simultaneously creating the first touch point for learning their preferences and needs. With the initial shopping list complete, consumers will no longer need to wade through an ocean of coupons looking for the few they want. Instead, the coupons they want and need will come to them automatically. Additionally, CPG companies and retailers will have the opportunity to up sell their products and make a direct and targeted impression on the consumer which should significantly contribute to basket up lift. This business model not only will save the consumer valuable time, but the simplicity of this process which is a key differentiator for Klever Marketing, is expected to save the CPG companies and retailers time and money.

Using GPS capabilities, consumers can identify, select and check into the grocery store of their choice. Once in the grocery store, the consumer’s mobile device will become an indispensable shopping tool. Key features that consumers will benefit from with the Klever system include receiving personalized messages and special offers, taking advantage of in-store services such as placing deli and pharmaceutical orders, and redeeming coupons at checkout. With a simple scan or on-line retrieval, the consumer will be able to receive important information about a product while being empowered to make informed buying decisions. All of these features will help make the consumer more efficient and effective during his shopping experience.

Beyond the initial product release, plans are already being made to incorporate additional features and capabilities that promise to keep Klever Marketing in the vanguard of the shopping experience. Some of these include an intuitive and intelligent shopping list that learns what a consumer wants from their historic buying habits. Tell-a-Friend options that, through blogs and social networks such as Facebook, allows a consumer to share and receive recommendations and experiences. This form of viral marketing should prove to be an extremely valuable tool for CPG companies and grocery retailers to strengthen consumer loyalty and increase store sales.

Also, integrating redemption and loyalty programs at checkout promises even more convenience for consumers in addition to generating tremendous savings.

In order to focus on this new mobile phone transition, the Company moved its headquarters from Salt Lake City, Utah to Orange County, California, and Company officers now reside in Southern California.

To continue to protect the Company's patent rights, our patent attorneys have filed for additional trademarks.

Anticipated Business Development in the Next 12 Months

The Company is continuing its active operations. The KleverShop and KleverNet mobile applications programming has completed its initial phase and are now in the systems and integration testing phase, to be followed by several months of software completion prior to a beta product. During the next twelve months, the Company plans to work diligently to implement its KleverShop mobile phone application and API portals along with its supporting KleverNet database in an effort to increase shareholder value. The Company will also be implementing its comprehensive marketing plan to bring this new opportunity to the attention of consumers, CPGs and retailers through a number of medias – some traditional and many on the new wave of market penetration in the mobile era. We plan to conduct demonstration tests with retailers and develop close ties with several leading CPG companies. During the launch period, the Company plans to add staff to transition to full operations in preparation for Phase 2 development. Additional financing is also being sought to fully implement the new business model and technology. No assurance or warranty can be given that the Company will be successful with these efforts.

Results of Operations - For the three months ending March 31, 2011, the Company had net income of $27,383 as compared to a loss of ($92,393) for the three months ending March 31, 2010. The increase in net income was primarily due to the Company cancelling agreements with an investment banking firm and an investment firm. In connection with the cancellations, the Company received back $159,000 of common stock and $9,000 of cash that had previously been paid to these firms. Excluding the impact on net income from the contract cancellations, the Company incurred general and administrative expenses of $127,412 for the three months ending March 31, 2011 compared to $87,274 for the quarter ended March 31, 2010. General and administrative expenses increased as a result of salary accruals for management of $84,240 as more fully described in Note 8 and increased costs for legal expenses partially offset by reduced costs for third party consulting expenses.

The Company incurred $3,917 of research and development expenses during the quarter ended March 31, 2011 as compared to $0 for the quarter ended March 31, 2010.

During the quarter ended March 31, 2011, interest expense increased $4,169 to $9,288 as compared to interest expense of $5,119 for the quarter ended March 31, 2010 as a result of increased debt.

Liquidity and Capital Resources - The Company requires working capital principally to fund its proposed research and development and operating expenses for which the Company has relied primarily on short-term borrowings and the issuance of restricted common stock. There are no formal commitments from banks or other lending sources for lines of credit or similar short-term borrowings, but the Company has been able to raise minimal additional working capital that has been required to prevent the assets from wasting away. From time to time in the past, required short-term borrowings have been obtained from a principal shareholders or other related entities or working capital has been obtained through the issuance of restricted common stock to fund operations in accordance with the Company's revised business plan.

Cash flows used in operating activities were $37,350 and $15,017 for the three months ended March 31, 2011 and 2010, respectively. The increase in cash flows used in operating activities is primarily due to an increase in net income of $119,776 coupled with a $75,808 increase in the change in accrued liabilities as a result of the salary accruals described in Note 8 offset by a decrease in stock issued for general and administrative expenses of $159,000, a decrease in deferred stock offering costs of $20,000, and a smaller increase in accounts payable of $20,064.

Cash flows generated from financing activities totaled $37,500 for the quarter ended March 31, 2011 as opposed to $0 for the quarter ended March 31, 2010. During the quarter ended March 31, 2011, the Company sold 250,000 restricted shares of common stock to an individual for $37,500.

At the present time, the Company has no bank line of credit or other assured sources of capital. As described in Note 9, the Company has entered into an agreement to sell certain non-core IP addresses. The sale is expected to close during the second quarter of 2011 and provide net proceeds of approximately $250,000 to the Company.

Off-Balance Sheet Arrangements. We have no off-balance sheet arrangements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Not applicable.

Item 4. Controls and Procedures

Disclosure Controls and Procedures. We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our filings under the Exchange Act is recorded, processed, summarized and reported within the periods specified in the rules and forms of the SEC. This information is accumulated and communicated to our Chief Executive Officer to allow timely decisions regarding required disclosure. Our Chief Executive Officer evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) of the Exchange Act) as of the end of the period covered by this report. Based on that evaluation and the requirements of the Exchange Act, our Chief Executive Officer concluded that, as of March 31, 2011, our disclosure controls and procedures needed to be declared as ineffective. The small size of our company does not provide for the desired segregation of duty control functions, and we do not have the required level of documentation of our monitoring and control procedures. We also did not have an appropriate level of corporate governance with regard to monitoring and ensuring compliance with regard to our authorized shares of preferred stock and ensuring that stock certificates ae issued to subscribers in a timely manner. The remedies for this situation are described below.

Management’s Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). Management conducted an evaluation of the effectiveness of our internal control over financial reporting and determined that our internal control over financial reporting was ineffective as of March 31, 2011 due to material weaknesses. A material weakness in internal control over financial reporting is defined by the Public Company Accounting Oversight Board’s Audit Standard No. 5 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 internal controls and financial reporting. We do have a separate CEO and CFO, plus an Audit Committee 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 meet the full requirement for separation.

- We have not achieved the desired level of documentation of our internal controls and procedures. This documentation will be strengthened to limit the possibility of any lapse in controls occurring.

- We have not achieved the desired level of corporate governance with regard to our monitoring and ensuring compliance with regard to our authorized shares for preferred stock and in ensuring that stock certificates are issued to subscribers in a timely manner.

In light of the material weaknesses described above for the 2011 first quarter, we performed additional analysis and other post-closing procedures to ensure our financial statements were prepared in accordance with generally accepted accounting principles. Accordingly, we believe that the financial statements included in this report fairly present, in all material respects, our financial condition, results of operations and cash flows for the periods presented.

Management intends to further mitigate the risk of the material weaknesses going forward by utilizing external financial consulting services, in a more effective manner, prior to the review by our principal independent accounting firm to ensure that all information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported accurately and within the time periods specified in the Commission’s rule and forms.

Our management determined that there were no other changes made in our internal controls over financial reporting during the first quarter of 2011 that have materially affected, or are reasonably likely to materially affect our internal control over financial reporting.

Controls and Procedures.

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 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.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings.

None

Item 1A. Risk Factors and Uncertainties.

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.

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

Our independent accountant's report to our audited consolidated financial statements for the year ended December 31, 2010, indicates 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, our failure to attain profitable operations 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, 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 no 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 complete the development of its technology and to pay its obligations. As a result, the Company will require additional financing to execute its business plan.

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 most likely source of future funds presently available to us is through the additional sale of equity capital or through a convertible debt instrument. Any sale of share capital will 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 KLMKE. 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.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

During the quarter ended March 31, 2011, the Company sold 250,000 unregistered shares of common stock for $37,500. The Company used the proceeds to fund its ongoing technology development and administrative expenses.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Submission of Matters to Vote of Security Holders

None

Item 5. Other Information

None.

Item 6. Exhibits

The following exhibits are included as part of this report:

Exhibit Number	Title of Document
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 (5)
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 (5)
10.01	Separation Agreement between Paul G. Begum and the Registrant, dated January 8, 2001 (2)
10.02	Stock Incentive Plan, effective June 1, 1998 (2)
10.03	Amended and Restated Promissory Note (Secured) of the Registrant payable to Presidio Investments, LLC, dated June 27, 2000, with Financing Statement and Exhibit “A” (2)
10.04	Intercreditor Agreement between Seabury Investors III, Limited Partnership, The Olson Foundation, Presidio Investments, LLC, and the Registrant dated August 27, 2001 (4)
10.05	Asset purchase agreement dated August 27, 2004 (6)
10.06	Software Development Works Agreement between Klever Marketing, Inc. and Qualzoom Inc. dated August 15, 2010 (7)
10.07	Software Development Agreement between Klever Marketing, Inc. and Briabe Media Inc. September 22, 2010 (7)
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.

(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 May 15, 2002.
(5) Incorporated herein by reference from Registrant's Form 10QSB, dated August 19, 2002.
(6) Incorporated herein by reference from Registrant's Form 10QSB, dated November 19, 2004.
(7) Incorporated herein by reference from Registrant's Form 8-K, dated November 19, 2010.

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Klever Marketing, Inc.
(Registrant)

DATE: January 31, 2012

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

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