KLEVER MARKETING INC
Form 10-Q/A
December 08, 2010

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, 2010**

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

2469 E Ft Union Blvd Suite 214, Cottonwood, UT 84121
(Address of principal executive offices)

Mailing address

P.O. Box 711308, Salt Lake City, UT 84171

(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 1, 2010, there were 43,590,130 shares of the issuer's $.01 par value common stock issued and outstanding.

EXPLANATORY NOTE

On November 10, 2010 Klever Marketing, Inc. received a letter from the Securities and Exchange Commission (the *"SEC"*) regarding our Form 10-Q for the quarter ended March 31, 2009. We have responded to the SEC's comments to our Form 10-Q in this Amendment. The purpose of the Amendment is to amend and restate Item 4, Controls and Procedures, in its entirety. We have also modified the certifications to comply with SEC requested text. Other than the modifications noted, the certifications and this Explanatory Note, no other modifications have been made to the previously filed 10-Q.

The disclosures in this Amendment continue to speak as of the date of the Original Report, and do not reflect events occurring after the filing of the Original Report, Accordingly, this Amendment should be read in conjunction with our other filings made with the Securities and Exchange Commission subsequent to the filing of the Original Report, including any amendments to those filings.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

KLEVER MARKETING, INC.

(A Development Stage Company)

Financial Statements - Unaudited

March 31, 2010 and

December 31, 2009

KLEVER MARKETING, INC.

(A Development Stage Company)

Balance Sheets

ASSETS

		March 31, 2010 (Unaudited)		December 31, 2009
CURRENT ASSETS				
Cash and cash equivalents	$	6,024	$	21,041
Total Current Assets		6,024		21,041
FIXED ASSETS				
Office equipment		92,964		92,964
Less accumulated depreciation		(92,964)		(92,964)
Total Fixed Assets		-		-
OTHER ASSETS				
Deferred stock offering costs		-		20,000
Patents, net		-		-
Total Other Assets		-		20,000
TOTAL ASSETS	$	6,024	$	41,041

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

CURRENT LIABILITIES				
Accounts payable	$	397,152	$	376,365
Accrued liabilities		691,971		674,252
Related party note payable		9,000		9,000
Notes payable		45,000		45,000
Stock deposits		11,000		11,000
Total Current Liabilities		1,154,123		1,115,617
Total Liabilities		1,154,123		1,115,617
STOCKHOLDERS' EQUITY (DEFICIT)				

Preferred stock (par value $0.01), 2,000,000 shares authorized,		
287,595 shares issued and outstanding	2,876	2,876
Common stock (par value $0.01), 250,000,000 shares authorized,		
43,590,130 shares issued and outstanding	435,901	435,901
Treasury stock, 100,000 shares	(1,000)	(1,000)
Paid in capital in excess of par value	16,570,779	16,551,909
Retained deficit	(3,333,785)	(3,333,785)
Deficit accumulated during development stage	(14,822,870)	(14,730,477)
Total Stockholders' Equity (Deficit)	(1,148,099)	(1,074,576)
TOTAL LIABILITIES AND STOCKHOLDERS'		
EQUITY (DEFICIT)	$ 6,024	$ 41,041

See accompanying notes and accountants report.

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

	For the Three Months Ended March 31, 2010	For the Three Months Ended March 31, 2009	From Inception of Development Stage On July 5, 1996 Through March 31, 2010
REVENUES	$ -	$ -	$ 256,000
EXPENSES			
Sales and marketing	-	-	163,306
General and administrative	87,274	100,349	10,950,541
Research and development	-	-	4,647,805
Total Expenses	87,274	100,349	15,761,652
NET LOSS FROM OPERATIONS	(87,274)	(100,349)	(15,505,652)
OTHER INCOME (EXPENSE)			
Other income	-	-	508,751
Interest income	-	-	18,902
Interest expense	(5,119)	(5,965)	(2,630,369)
Forgiveness of debt	-	-	296,965
Gain on sale of assets	-	-	26,947
Capital gain on sale of investments	-	-	191,492
Total Other Income (Expense)	(5,119)	(5,965)	(1,587,312)
NET LOSS BEFORE INCOME TAXES	(92,393)	(106,314)	(17,092,964)
INCOME TAXES	-	-	1,300

NET LOSS BEFORE EXTRAORDINARY ITEMS		(92,393)		(106,314)		(17,094,264)
EXTRAORDINARY ITEM - TROUBLED DEBT RESTRUCTURING		-		-		2,271,394
NET LOSS	$	(92,393)	$	(106,314)	$	(14,822,870)
BASIC AND FULLY DILUTED LOSS PER COMMON SHARE	$	(0.00)	$	(0.00)		
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - BASIC AND FULLY DILUTED		43,590,130		42,175,859		

See accompanying notes and accountants report.

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

	For the Three Months Ended March 31, 2010	For the Three Months Ended March 31, 2009	From Inception of Development Stage On July 5, 1996 Through March 31, 2010
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	$ (92,393)	$ (106,314)	(14,822,870)
Adjustments to reconcile net loss to net cash used by operating activities:			
Stock issued for general and administrative	-	37,500	1,045,782
Stock issued for research and development	-	-	62,850
Stock returned for services not rendered	-	(15,556)	(216,346)
Loss on sale/disposal of assets	-	-	486,536
Compensation expense from stock options and stock 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	-	-	(4,837)
Services contributed by officers	15,000	-	15,000
Changes in operating assets and liabilities:			
Decrease in accounts receivable	-	-	62,281

Decrease in other assets and prepaids	-	-	89,238
Decrease in deferred stock offering costs	20,000	-	-
Increase in accounts payable	20,787	11,970	328,168
Increase in accrued liabilities	17,719	5,599	598,745
Net Cash Used by Operating Activities	(15,017)	(66,801)	(10,167,104)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisition/sale of equipment, net	-	-	(587,801)
Acquisition/sale of patents	-	-	25,089
Acquisition/sale of stock, net	-	-	12,375
Net Cash Used by Investing Activities	$ -	$ -	$ (550,337)

See accompanying notes and accountants report.

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

	For the Three Months Ended March 31, 2010	For the Three Months Ended March 31, 2009	From Inception of Development Stage On July 5, 1996 Through March 31, 2010
CASH FLOWS FROM FINANCING ACTIVITIES:			
Stock deposit	$ -	$ -	$ 11,000
Stock subscription received	-	-	23,000
Proceeds from capital stock issued	-	83,000	7,500,201
Proceeds from loans	-	-	3,473,252
Change in line-of-credit	-	(733)	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	-	82,267	10,698,791
NET INCREASE (DECREASE) IN CASH	(15,017)	15,466	(18,650)
CASH AT BEGINNING OF PERIOD	21,041	851	24,674
CASH AT END OF PERIOD	$ 6,024	$ 16,317	$ 6,024
SUPPLEMENTAL DISCLOSURES			
Cash Paid For:			
Interest	$ -	$ -	$ 3,326
Income taxes	$ -	$ -	$ 1,300

See accompanying notes and accountants report.

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, 2009 Annual Report on Form 10-K. Operating results for the three months ended March 31, 2010 are not necessarily indicative of the results that may be expected for the year ending December 31, 2010.

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 this time.

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 Share

In accordance with ASC 260, *Earnings Per Share* (ASC 260) (formerly SFAS No. 128), the computations of basic loss per share of common stock are based on the weighted average number of common shares outstanding during the period of the financial statements.

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 debentures. Common stock equivalents have not been included in the computations for the periods ended March 31, 2010 and 2009 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, 2010 and 2009, respectively:

	For the Three Months Ended March 31, 2010	2009
Net loss available to common shareholders	$(92,393)	$(106,314)
Weighted average shares	43,590,130	42,175,859
Basic and fully diluted loss per share (based on weighted average shares)	$(0.00)	$(0.00)

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. The Company maintains a valuation allowance with respect to 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 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, 2010. 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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

There are no tax positions included in the accompanying financial statements at March 31, 2010 or December 31, 2009 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 December 31, 2009, the Company had 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 $18,000,000 at December 31, 2009, and will expire in the years 2026 through 2029.

Research and Development

Research and development of the Klever-Kart System began with the sole purpose of reducing thefts of shopping carts. A voice-activated alarm system was envisioned. As time and technology progressed, the present embodiment of the Klever-Kart System evolved into a "product specific" point-of-purchase advertising system consisting of an easily readable electronic display that attaches to any shopping cart, a shelf mounted message sending unit that automatically sends featured products' ad-message to the display and a host computer using proprietary software.

During the three months ended March 31, 2010 and 2009, the Company expended $0 and $0, respectively, for research and development of the technology involved with its patents.

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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value of Financial Instruments (Continued)

The carrying amounts reported in the accompanying balance sheets as of March 31, 2010 and December 31, 2009 for the cash and cash equivalents, 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 their 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, 2010 and December 31, 2009.

Deferred Stock Offering Costs

During 2009, the Company paid a non-refundable investment banking fee of $20,000 to an investment banking firm to assist the Company in raising $2,500,000 in additional capital to support its growth and working capital requirements. The amount was intended to be offset against the proceeds received once the funds were raised. During the three months ended March 31, 2010, the Company terminated the agreement with the investment banking firm and has elected to try and raise funds through a different source. Accordingly, the $20,000 deferred cost amount was expensed during the three months ended March 31, 2010.

NOTE 3 - GOING CONCERN

As shown in the accompanying financial statements, the Company incurred a net loss of $92,393 during the three months ended March 31, 2010 and, as of that date, the Company s current and total liabilities exceeded its current and total assets by $1,148,099. 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 public and/or private placement offerings, targeting strategic partners in an effort to increase revenues, and expanding revenues through strategic acquisitions. 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, 2010, the Company had cash and cash equivalents of $6,024. 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 2010. However management cannot make any assurances that such financing will be secured.

NOTE 4 - 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 1,000,000, 125,000 shares thereof were 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. Class A Shares are convertible into Common Stock at an initial conversion price of $2.60 (subject to adjustment).

Holders of Class A Shares shall be entitled to receive when and as declared by the Board of Directors of the Company out of any funds at the time legally available therefore dividends at the rate of $2.20 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 dividend shall be 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 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. If there is a split or dividend on the Common Stock, then the Class A Share dividends shall be adjusted as if a similar split or dividend had occurred with respect to the Class A Shares.

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.

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.

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 250,000, 125,000 shares thereof were 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.

Class B Shares are convertible into Common Stock at an initial conversion price of $1.70 (subject to adjustment).

NOTE 4 - PREFERRED STOCK (Continued)

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.

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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.

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.

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 500,000, 125,000 shares thereof were 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.

Class C Shares are convertible into Common Stock at an initial conversion price of $0.66 (subject to adjustment).

NOTE 4 - PREFERRED STOCK (Continued)

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.

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.

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 4 - PREFERRED STOCK (Continued)

Holders of Class D 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 D Shares for each outstanding Class D 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 D 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 D 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 D 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 D 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 D Share dividends shall be adjusted as if a similar split or dividend had occurred with respect to the Class D Shares.

Class D Shareholders shall be entitled to one vote for each share of Common Stock into which such Class D 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 D Shares shall vote with the holders of shares of Common Stock and not as a separate class.

Class D Shares shall carry a liquidation preference of $10.50 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.

The Class D 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 May 14, 2007. The redemption price shall be $10.50 per share together with accrued but unpaid dividends on such shares, if any.

NOTE 5 LITIGATION

During 2006, Arthur Portugal, a former officer of the Company, filed a formal claim against the Company for approximately $125,000 for past due executive compensation including stock options. Mr. Portugal previously filed a formal administrative wage claim in California which is inactive and no longer pending. As of March 31, 2010 and December 31, 2009, the Company has accrued compensation of $96,700 for Mr. Portugal as part of his employment agreement through June 30, 2006. The Company also has accrued notes payable as of March 31, 2010 and December 31, 2009 of $9,000 and $9,000 and accrued interest of $3,437 and $3,227, respectively, due to Mr. Portugal.

NOTE 5 LITIGATION (Continued)

In addition to the claim for Arthur Portugal, there are other claims for unpaid salary and benefits due to former officers and employees that exist on the balance sheet as accrued liabilities as of March 31, 2010 and December 31, 2009. Management is in the process of negotiating with a number of these claimants in order to conclude agreements that would allow these liabilities to be settled in the form of payment by cash, 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.

Effective December 29, 2009, the Company s Board of Directors granted certain employees options to purchase a total of 50,000 shares of common stock, exercisable at $0.25 per share, which expire on December 29, 2010. As previously discussed, the Company estimates the fair value of each stock award at the grant date by using the Black-Scholes option pricing model pursuant to ASC 718, which model requires the use of exercise behavior data and the use of a number of assumptions including volatility of the Company s stock price, the weighted average risk-free interest rate, and the weighted average expected life of the warrants. Because the Company does not pay dividends, the dividend rate variable in the Black-Scholes model is zero.

On January 13, 2010, the Company entered into an investor relations agreement for a term of five (5) months commencing on January 15, 2010 and ending on June 15, 2010. In consideration for such services, the Company will pay the investor relations firm $5,000 per month. In addition, the Company is to issue a total of 200,000 warrants to purchase shares of common stock at $0.30 per share, with an expiration date of two (2) years from the date of issuance. 100,000 of the warrants vested on February 1, 2010. The remaining 100,000 warrants will be issued upon renewal of the agreement, if completed, on June 15, 2010, and vest on June 30, 2010. The warrants shall include a Cashless Exercise Provision , as well as Piggyback Registration Rights . The Company recorded an expense of $3,870 during the three months ended March 31, 2010 based upon the valuation of the first 100,000 warrants that vested on February 1, 2010. An additional $3,870 will be expensed in the future once the remaining 100,000 warrants become vested. After the second month and payment of $10,000, this agreement was cancelled, by mutual consent, as being too premature to continue at the present time, although the Company may consider a new agreement with this investor relations firm during late 2010.

NOTE 6 - STOCK OPTIONS AND WARRANTS (Continued)

During 2010, the Company estimated the fair value of the stock options based on the following weighted average assumptions:

Risk-free interest rate	0.97%
Expected life	2 years
Expected volatility	352.41%
Dividend yield	0.0%

The following table sets forth the options and warrants outstanding as of March 31, 2010 and December 31, 2009.

	Option / Warrants Shares	Weighted Average Exercise Price	Weighted Average Fair Value
Options & warrants outstanding,			
December 31, 2009	773,800	$ 0.70	$ 0.03
Granted	100,000	0.30	0.04
Expired	(723,800)	0.70	0.03
Options & warrants outstanding			
March 31, 2010	150,000	$ 0.28	$ 0.04

Exercise Price Range	Shares / Warrants Outstanding	Weighted-Average Exercise Price	Shares/ Warrants Currently Exercisable	Weighted-Average Exercise Price Currently Exercisable	Weighted-Average Contractual Remaining Life (months)
$0.30	100,000	$0.30	100,000	$0.30	22
$0.25	50,000	$0.25	50,000	$0.25	9
	150,000		150,000		

NOTE 7 - 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.

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, va 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, 2010, 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 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.

Plan of Operation

During the 1st quarter of 2010 the Company consolidated the results of the successful demonstration store program for the updated Giving Cart system in the Park City, Utah store, prepared the marketing approach for phase 2 rollout of the Giving Cart system, presented the results and the expansion plans to perspective partners and investment groups and explored the expansion of the Giving Cart system into mobile phone technology.

The Park City demonstration store validated a number of important milestones for the company. Through feedback from customers and store operating results, the viability of the Giving Cart system in today s market was confirmed. In addition, the importance of interacting with customers during their in-store shopping experience became ever more apparent. And the value to both the consumer and retailer of providing product information, discounts and rewards to assist customers with their shopping decisions was demonstrated. This Point-of-Selection electronic access to the customer can be highly influential to making purchasing decisions and remains a core strength of the Company s product offering. The Company continues to believe this access provides the highest potential future advertising revenue income available.

The demonstration store also validated the importance and need to provide services to the customer that speed up the shopping experience. Providing electronic prescription refills, deli ordering, flower ordering etc., along with electronic check-out, are viable future markets for the company s products. All of these services, combined with access to the POS and loyalty card data are to be provided in the Phase 2 rollout of the Company s technology. in addition to providing additional information on the products purchased.

Through discussions with grocers and potential investors during this 1st quarter period, it became clearer that in-store electronic shopping assistance technology is in a transition between a retailer-provided shopping cart device and a mobile smart-phone device owned by the shopper. This transition will take an estimated 3-5 years since smart phones are still in their infant, early adapter state, and a number of consolidations need to occur before wide-scale adoption is made. However, the potential for use of a device that stays with the customer at all times is immense. The Company is developing plans to adopt this technology to assure the Company remains in a leadership position in electronic digital media regardless of the device and to smoothly guide its customers through use of either product. To expedite the development process, the Company is seeking an acquisition in smartphone technology and are in discussions with groups in California and Utah to support our mobile smart phone applications development.

During this quarter the Company completed its first phase of work with CCG, Inc. to improve our financial media materials with potential customers and investors.

The Company continues to explore opportunities in Southern California, Utah and Texas for expansion into the Phase 2 store operations with a goal of developing both POS and Frequent Shopper Loyalty Card capability into the Giving Cart and kiosk system.

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

During the 1Q, 2010, no new shares of the Company were issued, and 50,000 shares were returned to the treasury.

Anticipated Business Development in the Next 12 Months

During the next twelve months, the plan of the Company is to expand into Phase 2 store operations with a goal of developing both POS and Frequent Shopper Loyalty Card capability into the Giving Cart and kiosk system. The Company is considering several retailer opportunities in Southern California, Utah and Texas for a showcase store demonstrating the expanded product capabilities. The Company requires additional capital to achieve these goals and will be working with investors and other financial investment outlets to secure this financing. Interim financing will also be sought while major financing is being obtained.

At the same time the Company is seeking to expand its patent protection with new patents that further protect our technology. The Company is at what is known as third base with these patents and expects to wrap them up by the 3Q of 2010. These patents will wrap around existing patents.

The Company believes the demand for its product and technology remains strong. There is a high demand for advertisements while the customer is shopping in the store, and the Company is seeking to become the industry leader in Targeted Digital Media at the Point of Selection. Major retailers and grocers are looking for ways to remain competitive with large discount retailers by providing additional services, cost savings and technologies, and the Giving Cart system is attractive in all these areas. The services provided will expand with the introduction of Phase 2 and its POS and loyalty program interface along with the ability to order deli products, renew prescriptions and other services while the customer is shopping. The Company also intends to transfer this technology to mobile smart phone applications as the technology advances.

No assurance or warranty can be given that the Company will be successful in these endeavors.

Results of Operations - For the three months ending March 31, 2010, the Company had a net loss of $92,393, versus a loss of $106,314 for the comparable period in 2009. The reduced loss was due to lower expenditures on the phase 2 development than were experienced in the similar period in 2009 when the upgraded Giving Cart product was under development.

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 shareholder or other related entities to obtain working capital through the issuance of restricted common stock to fund operations and fund its revised business plan.

Cash flows. Operating and development activities used cash of approximately $15,017 and $66,801 for the three months ended March 31, 2010 and 2009, respectively. The lower cash flow was due to reduced development activities.

Investing activities have used cash of approximately $0 and $0 for the three months ended March 31, 2010 and 2009, respectively.

Financing activities provided cash of approximately $0 and $82,267 for the three months ended March 31, 2010 and 2009, respectively. Financing activities represent sales of the Company s restricted stock, and earlier borrowings.

At the present time the Company has no bank line of credit or other assured sources of capital, but has entered the best efforts funding commitments described above. The Company continues to explore merger, acquisition or other related business development activities with various parties.

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

1. The demonstration store may not yield the results anticipated

2. The company may not be able to obtain the rights to place the technology in additional stores as presently anticipated,

3. The company may not be able to obtain anticipated financing from investors.

The foregoing statements are based upon management s current assumptions.

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

Evaluation of Disclosure Controls and Procedures

During the fiscal period covered in this report, management has conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rules 13(a) 15(e) and 15(d) 15(e) under the Exchange Act, Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures remain ineffective as of March 31, 2010 due to material weaknesses.

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 segregation of duties within our 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 helps us achieve some segregation of duties. However, until such time as the Company is able to hire additional financial personnel, we do not meet the optimum segregation of duties desired. In the interim, we will continue to strengthen the role of our Audit Committee and their review of our internal control procedures.

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.

In light of the material weaknesses described above, 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 remediate 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, management, with the help of outside consultants, will review the Company s financial information 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.

The Company plans to engage an outside consulting firm to assist them with implementing a SOX compliance program. In addition, we intend to engage a CFO at a future date who will help with our segregation of duties and internal control issues going forward.

Since the recited remedial actions will require that we hire or engage additional personnel, these material weaknesses may not be overcome in the near term due to our limited financial resources. Until such remedial actions can be realized, we will continue to rely on the advice of outside Professionals and Consultants.

Changes in Internal Controls over Financial Reporting

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.

PART II OTHER INFORMATION

Item 1. Legal Proceedings.

During 2006, Arthur Portugal, a former officer of the Company, filed a formal claim asserted for approximately $125,000 for past due executive compensation including stock options. Mr. Portugal previously filed a formal administrative wage claim in California which is inactive and no longer pending. As of March 31, 2010, the Company has accrued compensation of $96,700 update for Mr. Portugal as part of his employment agreement. The Company also has accrued notes payable of $12,437 due to Mr. Portugal.

Item 1A. Risk Factors.

Not applicable.

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

None

Item 3. Defaults Upon Senior Securities

None.

Item 4. Submission of Matters to Vote of Security Holders

The Company mailed a shareholder letter dated October 8, 2009 advising shareholders of recent activities. A shareholder meeting is anticipated in 2010 at a date not yet scheduled.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit Number Title of Document. All documents listed below have been previously filed unless indicated by an asteric * :

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)
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.

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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: December 7, 2010

By: /s/ Paul G Begum

Paul G. Begum

Chairman

(Principal Executive Officer)

By: /s/ Robert Campbell

Robert Campbell

(Principal Financial Officer)