KLEVER MARKETING INC
Form 10QSB
November 14, 2007

[As adopted in Release No. 34-32231, April 28, 1993, 58 F.R. 26509]

U.S. Securities and Exchange Commission

Washington, D.C. 20549

Form 10-QSB

(Mark One)

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: September 30, 2007

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

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)	(IRS Employer Identification No.)

3785 S 700 E Salt Lake City, UT 84106
(Address of principal executive offices)

(801) 263-0404
Issuer's telephone number

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

Check whether the issuer (1) 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. Yes x No o

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

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY
PROCEEDING DURING THE PRECEDING FIVE YEARS

Check whether the registrant filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court. Yes x No o

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: September 30, 2007 48,714,967

Transitional Small Business Disclosure Format (check one). Yes o; No x

PART I

Item 1. Financial Statements

KLEVER MARKETING, INC.
(a Development Stage Company)
BALANCE SHEETS

	(Unaudited) September 30, 2007	December 31, 2006
ASSETS		
Current Assets		
Cash	$ 22,496	$ 3,172
Prepaid Expense	726	3,850
Other Receivable	25,865	25,865
Total Current Assets	49,087	32,887
Fixed Assets		
Office Equipment	92,964	92,964
Less Accumulated Depreciation	(92,964)	(92,964)
Net Fixed Assets	-	-
Other Assets		
Patents	775,045	775,045
Less Accumulated Amortization	(775,045)	(775,045)
Net Other Assets	-	-
Total Assets	$ 49,087	$ 32,887
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts Payable, Trade	$ 259,013	$ 379,491
Accrued Liabilities	706,210	2,608,007
Line of Credit	23,473	-
Related Party Payables	58,393	2,128,648
Notes Payable	45,000	45,000
Total Current Liabilities	1,092,089	5,161,146
Stockholders' Equity		
Preferred stock (par value $.01), 2,000,000 shares authorized 168,434 issued and outstanding September 30, 2007 and December 31, 2006	1,684	1,684
Common Stock (Par Value $.01), 50,000,000 shares authorized 48,714,967 shares issued and outstanding at September 30, 2007 and 39,183,864 and December 31, 2006	487,150	391,839
Common Stock to be issued, 469,752 shares at		

September 30, 2007 and December 31, 2006		4,698		4,698
Treasury Stock, 1,000 shares at September 30, 2007				
and December 31, 2006		(1,000)		(1,000)
Paid in Capital in Excess of Par Value		15,900,651		13,643,186
Retained Deficit		(3,333,785)		(3,333,785)
Deficit Accumulated During Development Stage		(14,102,400)		(15,834,881)
Total Stockholders' Equity		(1,043,002)		(5,128,259)
Total Liabilities and Stockholders' Equity	$	49,087	$	32,887

The accompanying notes are an integral part of these financial statements

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KLEVER MARKETING, INC.
(A Development Stage Company)
STATEMENTS OF OPERATIONS

	(Unaudited) For the Three Months Ended September 30, 2007	(Unaudited) For the Three Months Ended September 30, 2006	(Unaudited) For the Nine Months Ended September 30, 2007	(Unaudited) For the Nine Months Ended September 30, 2006	Cumulative From 5-Jul-96 Inception of Development Stage
Revenue	$ -	$ -	$ -	$ -	$ 256,000
Expenses					
Sales and Marketing	-	185	-	7,571	163,306
General and Administrative	226,317	56,989	385,263	177,370	10,186,790
Research and Development	-	-	-	-	4,529,656
Total Expenses	226,317	57,174	385,263	184,941	14,879,752
Other Income (Expense)					
Other Income	25,000	-	25,000	-	453,717
Interest Income	-	-	126	-	19,028
Interest Expense	(81,574)	(81,484)	(305,913)	(249,630)	(2,567,263)
Forgiveness of debt	46,689	-	127,137	-	127,137
Gain (Loss) on sale of assets	-	-	-	-	26,947
Capital gain on sale of investments	-	-	-	-	191,492
Total Other Income (Expense)	(9,885)	(81,484)	(153,650)	(249,630)	(1,748,942)
Loss Before Taxes	(236,202)	(138,658)	(538,913)	(434,571)	(16,372,694)
Income Taxes	-	-	-	-	1,100
Net Loss before extraordinary items	(236,202)	(138,658)	(538,913)	(434,571)	(16,373,794)
Extraordinary item - troubled debt restructuring	2,271,394	-	2,271,394	-	2,271,394
Net Income (loss)	$ 2,035,192	$ (138,658)	$ 1,732,481	$ (434,571)	$ (14,102,400)
Loss per Common Share					
Income (loss) before extraordinary item	$ (0.01)	$ -	$ (0.01)	$ (0.01)	
Extraordinary item	0.06	-	0.05	-	
Loss per share	$ 0.05	$ -	$ 0.04	$ (0.01)	
Weighted Average Shares Outstanding	40,067,068	38,699,435	39,662,696	38,623,431	

The accompanying notes are an integral part of these financial statements

KLEVER MARKETING, INC.
(A Development Stage Company)
STATEMENT OF CASH FLOWS

	(Unaudited) For the Nine Months Ended September 30, 2007	2006	Cumulative From 5-Jul-96 Inception of Development Stage
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Loss	$ 1,732,481	$ (434,571)	$ (14,102,400)
Adjustments used to reconcile net loss to net cash provided by (used in) operating activities:			
Stock issued for general and administrative	7,500	-	994,982
Stock issued for research and development	-	-	62,850
Stock returned for services not rendered	-	-	(200,790)
(Gain) loss on sale/disposal of assets	-	-	486,536
Compensation expense from stock options	-	-	69,900
Stock issued for interest	15,525	-	135,226
Stock issued for accounts payable	16,996	-	243,458
Deferred income	-	-	(214,000)
Depreciation and amortization	-	3,186	1,912,883
Write-off bad debts	-	-	15,000
(Increase) decrease in accounts receivable	-	-	(413)
(Increase) decrease in shareholder receivable	-	-	37,694
(Increase) decrease in other assets & prepaids	3,124	-	87,647
Increase (decrease) in accounts payable	(120,478)	27,920	173,308
Increase (decrease) in accrued liabilities	(1,901,797)	278,806	654,879
Net Cash Used in Operating Activities	(246,649)	(124,659)	(9,643,240)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisition/Sale of equipment, net	-	-	(587,801)
Acquisition/Sale of patents	-	(3,186)	25,089
Acquisition/Sale of stock, net	-	-	12,375
Net Cash Used by Investing Activities	-	(3,186)	(550,337)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds capital stock issued	242,500	48,750	7,008,173
Proceeds from loans	-	80,293	3,473,252
Proceeds from line of credit	23,473	-	23,473
Loan receivables	-	-	(15,000)
Principal payments on lease obligations	-	-	(18,769)
Cash payments on notes payable	-	-	(279,730)
Net Cash Provided by Financing Activities	265,973	129,043	10,191,399

Net Increase (Decrease) in Cash and Cash Equivalents		19,324		1,198		(2,178)
Cash and Cash Equivalents at Beginning of the Year		3,172		3,892		24,674
Cash and Cash Equivalents at End of the Year	$	22,496	$	5,090	$	22,496

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KLEVER MARKETING, INC.
(A Development Stage Company)
STATEMENT OF CASH FLOWS
(continued)

	(Unaudited) For the Nine Months Ended September 30, 2007	2006	Cumulative From 5-Jul-96 Inception of Development Stage
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Interest	$ -	$ -	$ -
Income Taxes	$ -	$ -	$ 1,100

SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:

On September 30, 2007, the Company issued 8,281,016 shares of common stock in exchange for notes payable totaling $2,070,254. As part of the agreements, accrued interest related to these notes totaling $2,190,946 was forgiven, and recorded as extraordinary gain at September 30, 2007.

The accompanying notes are an integral part of these financial statements

KLEVER MARKETING, INC.
(a Development Stage Company)
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF OPERATIONS AND GOING CONCERN

The accompanying financial statements have been prepared on the basis of accounting principles applicable to a “going concern”, which assume that the Company will continue in operation for at least one year and will be able to realize its assets and discharge its liabilities in the normal course of operations.

Several conditions and events cast doubt about the Company’s ability to continue as a “going concern”. The Company has net income of $1,732,481 for the nine months ended September 30, 2007, due to an extraordinary gain of $2,271,394 as a result of restructuring debt. The Company had a loss before extraordinary items of $538,913 for the nine months ended September 30, 2007. For the nine months ended September 30, 2006, the Company had losses of $434,571., The Company has losses of $17,436,185 since inception. The Company has a liquidity problem and requires additional financing in order to finance its business activities on an ongoing basis. The Company is actively pursuing alternative financing and has had discussions with various third parties, although no firm commitments have been obtained.

The Company’s future capital requirements will depend on numerous factors including, but not limited to, continued progress in developing its products, and market penetration.

These financial statements do not reflect adjustments that would be necessary if the Company were unable to continue as a “going concern”. While management believes that the actions already taken or planned, will mitigate the adverse conditions and events which raise doubt about the validity of the “going concern” assumption used in preparing these financial statements, there can be no assurance that these actions will be successful.

If the Company were unable to continue as a “going concern”, then substantial adjustments would be necessary to the carrying values of assets, the reported amounts of its liabilities, the reported revenues and expenses, and the balance sheet classifications used.

Organization and Basis of Presentation

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. During the period from July 5, 1996 to December 31, 2002, the Company has been in the 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.

KLEVER MARKETING, INC.
(a Development Stage Company)
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF OPERATIONS AND GOING CONCERN (continued)

Nature of Business

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 electronic shopping cart based and in-store advertising, promotion and media content and retail shopper services, which have potential for profit. The Company is currently in the process of commercializing and capitalizing on the patented technologies, Klever Kart system and retail shopper-centric processes it has acquired and/or developed.

NOTE 2 - SUMMARY OF ACCOUNTING POLICIES

This summary of accounting policies for Klever Marketing, Inc. is presented to assist in understanding the Company's financial statements. The accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

The unaudited financial statements as of September 30, 2007, and for the nine month period then ended, reflect, in the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to fairly state the financial position and results of operations for the nine months. Operating results for interim periods are not necessarily indicative of the results which can be expected for full years.

Cash Equivalents

For the purpose of reporting cash flows, the Company considers all highly liquid debt instruments purchased with maturity of three months or less to be cash equivalents to the extent the funds are not being held for investment purposes.

Pervasiveness of Estimates

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

Reclassifications

Certain reclassifications have been made in the 2006 financial statements to conform with the 2007 presentation.

KLEVER MARKETING, INC.
(a Development Stage Company)
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF ACCOUNTING POLICIES (continued)

Fair Value of Financial Instruments

The carrying value of the Company's financial instruments, including accounts payable and accrued liabilities at September 30, 2007 and December 31, 2006 approximates their fair values due to the short-term nature of these financial instruments.

Loss per Share

Basic earnings per common share were computed by dividing net loss by the weighted average number of shares of common stock outstanding during the year. Diluted loss per common share for the nine months ended September 30, 2007 and 2006 are not presented as it would be anti-dilutive. At September 30, 2007 and 2006, the total number of potentially dilutive common stock equivalents was 6,425,467 and 8,109,807, respectively.

Concentration of Credit Risk

The Company has no significant off-balance-sheet concentrations of credit risk such as foreign exchange contracts, options contracts or other foreign hedging arrangements.

Fixed Assets

Fixed assets are stated at cost. Depreciation and amortization are computed using the straight-line method over the estimated economic useful lives of the related assets as follows:

Computer equipment	3 years
Office furniture and fixtures	5-10 years

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

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

Depreciation expense was $0 and $0 for the nine months ended September 30, 2007 and 2006, respectively.

KLEVER MARKETING, INC.
(a Development Stage Company)
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF ACCOUNTING POLICIES (continued)

Intangibles

Intangibles associated with certain technology agreements are amortized over 10 - 14 years.

Amortization expense was $0 and $0 for the nine months ended September 30, 2007 and 2006, respectively.

Stock Options

Effective January 1, 2006, the company adopted the provisions of SFAS No. 123(R). SFAS No. 123(R) requires employee equity awards to be accounted for under the fair value method. Accordingly, share-based compensation is measured at grant date, based on the fair value of the award. Prior to January 1, 2006, the company accounted for awards granted to employees under its equity incentive plans under the intrinsic value method prescribed by Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25), and related interpretations, and provided the required pro forma disclosures prescribed by SFAS No. 123, "Accounting for Stock-Based Compensation" (SFAS No. 123), as amended.

Under the modified prospective method of adoption for SFAS No. 123(R), the compensation cost recognized by the company beginning on January 1, 2006 includes (a) compensation cost for all equity incentive awards granted prior to, but not yet vested as of January 1, 2006, based on the grant-date fair value estimated in accordance with the original provisions of SFAS No. 123, and (b) compensation cost for all equity incentive awards granted subsequent to January 1, 2006, based on the grant-date fair value estimated in accordance with the provisions of SFAS No. 123(R). The company uses the straight-line attribution method to recognize share-based compensation costs over the service period of the award. Upon exercise, cancellation, forfeiture, or expiration of stock options, or upon vesting or forfeiture of restricted stock units, deferred tax assets for options and restricted stock units with multiple vesting dates are eliminated for each vesting period on a first-in, first-out basis as if each vesting period was a separate award. To calculate the excess tax benefits available for use in offsetting future tax shortfalls as of the date of implementation, the company followed the alternative transition method discussed in FASB Staff Position No. 123(R)-3.

During the three month period ended September 30, 2007, no options were issued. During the year ended December 31, 2006 the Company granted 312,800 stock options to officers and directors, and granted 290,000 stock options to non-employees. Accordingly, stock-based compensation expense of $43,653 was recognized in the Statement of Operations at December 31, 2006. The Black-Scholes option pricing model was used to calculate to estimate fair value of the options granted. The following assumptions were made: risk-free rate was 4.50%; expected life

KLEVER MARKETING, INC.
(a Development Stage Company)
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF ACCOUNTING POLICIES (continued)

Stock Options

of option was 2 or 3 years; expected volatility of stock for the two and three year options was 215.6% and 238.3%, respectively. During the year ended December 31, 2005, the Company valued stock options using the intrinsic value method prescribed by APB 25. Since the exercise price of stock options previously issued was greater than or equal to the market price on grant date, no compensation expense was recognized.

NOTE 3 - INCOME TAXES

As of December 31, 2006, the Company had a net operating loss carry forward for income tax reporting purposes of approximately $19,068,236 that may be offset against future taxable income through 2026. Current tax laws limit the amount of loss available to be offset against future taxable income when a substantial change in ownership occurs. Therefore, the amount available to offset future taxable income may be limited. No tax benefit has been reported in the financial statements, because the Company believes there is a 50% or greater chance the carry-forwards will expire unused. Accordingly, the potential tax benefits of the loss carry-forwards are offset by a valuation allowance of the same amount.

	2006	2005
Net Operating Losses	$ 2,860,236	$ 2,740,329
Valuation Allowance	(2,860,236)	(2,740,329)
	$ -	$ -

The provision for income taxes differs from the amount computed using the federal US statutory income tax rate as follows:

	2006	2005
Provision (Benefit) at US Statutory Rate	$ 119,907	$ 110,207
Increase (Decrease) in Valuation Allowance	(119,907)	(110,207)
	$ -	$ -

The Company evaluates its valuation allowance requirements based on projected future operations. When circumstances change and causes a change in management's judgment about the recoverability of deferred tax assets, the impact of the change on the valuation is reflected in current income.

KLEVER MARKETING, INC.
(a Development Stage Company)
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - LEASE COMMITMENT

During the month of June, 2007, the Company terminated a month to month lease of approximately 700 square feet of office space from Poulton & Associates. The rent payments, under the terms of the terminated lease were approximately $800 per month.

NOTE 5 - 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 nine months ended September 30, 2007 and 2006, the Company expended $0 and $0 respectively for research and development of the technology involved with its patents.

NOTE 6- RELATED PARTY TRANSACTIONS

Olson Holdings, Inc. loans to the Company

Olson Holdings, Inc. made a $150,000 unsecured loan to the Company on February 26, 2001. This note has a six-month term at 10% annual interest maturing on August 26, 2001. The maker of the note may give written notice within 10-days of maturity, to the Company, to convert the principal and interest into common stock with a convertible price of $1.05 (10-day weighted average from February 26, 2001 and the nine days prior).

Olson Holdings made an unsecured loan to the Company on January 7, 2002 for $1,836. This note has an annual interest rate of 8% and matures on January 7, 2004. An option was granted in connection with this note for 3,060 shares at a strike price of $1.00 and an expiration date of January 7, 2005.

At September 30, 2007, the principal balance due on the loans of $151,836 was converted to 607,343 shares of common restricted stock at $.25 per share and the accrued interest totaling $139,551 was forgiven and included in extraordinary gain from troubled debt restructuring.. At September 30, 2007 and December 31, 2006, the total amount due on these notes was $0 and $297,139.

KLEVER MARKETING, INC.
(a Development Stage Company)
NOTES TO FINANCIAL STATEMENTS

NOTE 6- RELATED PARTY TRANSACTIONS (continued)

Olson Foundation loans to the Company

Olson Foundation loaned the Company $60,000 on July 16, 2001, of which is secured by a blanket lien on the assets of the Company. An interest rate of 10% compounded monthly applies until January 15, 2002. Principal and all due and unpaid interest are to be paid on January 16, 2002, or the interest rate increases to 15% compounded daily. Warrants were issued in conjunction with this loan for 18,182 common shares at a strike price of $0.01 and an expiration date of July 16, 2006. This note is convertible to Class C convertible preferred shares or to Class D convertible preferred shares at the option of the note holder.

Olson Foundation loaned the Company $90,000 on July 30, 2001, of which is secured by a blanket lien on the assets of the Company. An interest rate of 10% compounded monthly applies until January 30, 2002. Principal and all due and unpaid interest are to be paid on January 30, 2002, or the interest rate increases to 15% compounded daily. Warrants were issued in conjunction with this loan for 27,273 common shares at a strike price of $0.01 and an expiration date of July 30, 2006. This note is convertible to Class C convertible preferred shares or to Class D convertible preferred shares at the option of the note holder.

Olson Foundation made unsecured loans to the Company on May 3, 2002, August 16, 2002, and October 29, 2002 for $7,359, $10,000, and $1,059, respectively. These notes are payable within two years plus interest at 8% per annum. In conjunction with the notes, Olson Foundation also received common stock options for each note at a ratio of 1.667 common shares for each dollar loaned.

At September 30, 2007, the principal balance due on the loans of $168,418 was converted to 673,673 shares of common restricted stock at $.25 per share and the accrued interest totaling $220,375 was forgiven and included in extraordinary gain from troubled debt restructuring.. At September 30, 2007 and December 31, 2006, the total amount due on these notes was $0 and $270,155.

KLEVER MARKETING, INC.
(a Development Stage Company)
NOTES TO FINANCIAL STATEMENTS

NOTE 6- RELATED PARTY TRANSACTIONS (continued)

Presidio Investments, LLC loan to the Company

Presidio Investments, LLC has loaned the Company $1,000,000, which loan is secured by a blanket lien on the assets of the Company. The sole trustee of Presidio Investments, LLC is William J. Howard, trustee of the Olson Legacy Trust, whose residual beneficiary is the Olson Foundation. The Olson Foundation was the guarantor for funds borrowed from Northern Trust Bank which funds were used to make the loan to the Company. This note was amended on March 22, 2001 with an additional $500,000 loaned to the Company between January 1, 2001 and March 22, 2001. An Interest rate of 8% applies until March 31, 2001 and increases to 10% on April 1, 2001. Principal and all due and unpaid interest are to be paid on October 1, 2001. This note is convertible to Class C convertible preferred shares at the option of the note holder.

At September 30, 2007, the principal balance due on the loans of $1,500,000 was converted to 6,000,000 shares of common restricted stock at $.25 per share and the accrued interest totaling $1,483,019 was forgiven and included in extraordinary gain from troubled debt restructuring.. At September 30, 2007 and December 31, 2006, the total amount due on these notes was $0 and $2,542,713.

The Seabury Group Loan to the Company

The Seabury Group loaned the Company $60,000 on July 5, 2001, of which is secured by a blanket lien on the assets of the Company. An interest rate of 10% compounded monthly applies until January 5, 2002. Principal and all due and unpaid interest are to be paid on January 5, 2002, or the interest rate increases to 15% compounded daily. Warrants were issued in conjunction with this loan for 18,182 common shares at a strike price of $0.01 and an expiration date of July 5, 2006. This note is convertible to Class C convertible preferred shares or to Class D convertible preferred shares at the option of the note holder

The Seabury Group loaned the Company $190,000 on August 22, 2001, of which is secured by a blanket lien on the assets of the Company. An interest rate of 10% compounded monthly applies until February 22, 2002. Principal and all due and unpaid interest are to be paid on February 22, 2002, or the interest rate increases to 15% compounded daily. Warrants were issued in conjunction with this loan for 57,576 common shares at a strike price of $0.01 and an expiration date of August 22, 2006. This note is convertible to Class C convertible preferred shares or to Class D convertible preferred shares at the option of the note holder.

KLEVER MARKETING, INC.
(a Development Stage Company)
NOTES TO FINANCIAL STATEMENTS

NOTE 6- RELATED PARTY TRANSACTIONS (continued)

At September 30, 2007, the principal balance due on the loans of $150,000 was converted to 1,000,000 shares of common restricted stock at $.25 per share and the accrued interest totaling $348,000 was forgiven and included in extraordinary gain from troubled debt restructuring.. At September 30, 2007 and December 31, 2006, the total amount due on these notes was $0 and $464,601.

Arbinger Loans to the Company

The Arbinger Institute has made $41,893 in loans to the Company. As part of a restructure process, the accrued interest of $14,749 was converted to 58,996 shares of common restricted shares at the rate of .25 cents per share. The 68,467 associated options have expired.

At September 30, 2007 and 2006, the total amount due on these loans is $41,893 and $49,905, respectively.

Director and Officer Loans to the Company

During the year ended December 31, 2006, two former officers and directors loaned the Company $16,500. The loans are due on demand and carry an interest rate of 8% per annum. At September 30, 2007, $776 of interest was converted to 3,105 common restricted stock at $.25 per share. At September 30, 2007 and December 31, 2006, the total due on these loans was $17,797 and $17,545, respectively.

NOTE 7 - NOTES PAYABLE

During 2002, the Company received loans of $45,000 from third parties. The loans are demand loans and carry an interest rate of 8% per annum. At September 30, 2007 and 2006, the total amount due on these loans is $69,113 and $61,075, respectively.

NOTE 8- STOCK OPTIONS

The shareholders approved, by a majority vote, the adoption of the 1998 Stock Incentive Plan (the “Plan”). As amended on August 11, 2003, the Plan reserves 20,000,000 shares of common stock for issuance upon the exercise of options which may be granted from time-to-time to officers, directors 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.

KLEVER MARKETING, INC.
(a Development Stage Company)
NOTES TO FINANCIAL STATEMENTS

NOTE 8- STOCK OPTIONS (continued)

As of September 30, 2007, 5,070,088 options were outstanding. The Company granted 602,800 options during the first three months of 2007, of which 426,000 expire in two years, and 176,800 expire in three years. Compensation expense charged to operations for the three months ended September 30, 2007 and 2006 is $0 and $0.

The following table sets forth the options and warrants outstanding as of September 30, 2007.

	Option / Warrants Shares	Weighted Average Exercise Price	Weighted Average Fair Value
Options & warrants outstanding, December 31, 2006	5,070,388	$ 0.25	
Granted, Exercise price more than fair value	-	-	-
Granted, Exercise price less than fair value	-	-	-
Expired	-	-	
Exercised	-	-	
Options & warrants outstanding, September 30, 2007	5,070,388	$ 0.25	

Exercise Price	Shares / Warrants Outstanding	Weighted-Average Exercise Price	Shares/ Warrants Currently Exercisable	Weighted-Average Exercise Price Currently Exercisable	Weighted-Average Contractual Remaining Life
$0.06	2,557,000	$0.06	2,557,000	$0.06	5 months
0.08	100,000	0.08	100,000	0.08	23 months
0.10	125,000	0.10	125,000	0.10	21 months
0.23	200,000	0.23	200,000	0.23	10 months
0.50	1,396,688	0.50	1,396,688	0.50	26 months
1.00	291,400	1.00	291,400	1.00	20 months

KLEVER MARKETING, INC.
(a Development Stage Company)
NOTES TO FINANCIAL STATEMENTS

NOTE 9 - 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 therefor 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.

KLEVER MARKETING, INC.
(a Development Stage Company)
NOTES TO FINANCIAL STATEMENTS

NOTE 9 - PREFERRED STOCK (continued)

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).

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.

KLEVER MARKETING, INC.
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NOTES TO FINANCIAL STATEMENTS

NOTE 9 - PREFERRED STOCK (continued)

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 $.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.

KLEVER MARKETING, INC.
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NOTES TO FINANCIAL STATEMENTS

NOTE 9 - PREFERRED STOCK (continued)

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).

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

KLEVER MARKETING, INC.
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NOTES TO FINANCIAL STATEMENTS

NOTE 9 - PREFERRED STOCK (continued)

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 10 - LITIGATION

On October 27, 2003, Thomas J. LaLanne, assignee of eiKart, LLC., filed against the Company in the Third Judicial District Court of Utah under the provisions of the Utah Foreign Judgment Act a judgment from the Superior Court of California, in and for the County of San Francisco Jurisdiction. Pursuant to the Judgment Information Statement, also filed on October 27, 2003, the amount of the above judgment is $81,124. The relief sought is collection from the Company in Utah of the amount of said judgment. The Company has filed an action to dismiss said Utah judgment on the grounds that the Superior Court of California did not have jurisdiction over the Company when the original judgment was granted. In June 2007, this judgment was settled in full by a cash payment of $10,000 and the remainder of the liability of $80,448 was included in the statement of operations as extraordinary income.

On September 6, 2002, an entry of judgment was entered against the Company by Micropower Direct, LLC. The total judgment was for $17,167.18. During 2006, this judgment was paid in full.

KLEVER MARKETING, INC.
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NOTES TO FINANCIAL STATEMENTS

NOTE 10 – LITIGATION (continued)

On December 12, 2005 Klever Marketing was summoned, and a complaint was filed in the Third District Court of the State of Utah, by Dennis Shepard, one of the partners of S&C Medical. The complaint contested Klever Marketing's cancellation of an attempted deal with S&C medical in December of 2001. On January 13, 2006, Klever Marketing answered their complaint and filed a counter claim against S&C Medical. The company reached an agreement with S&C Medical and all claims have been settled.

During 2006, Arthur Portugal, a former officer of the Company, filed a formal claim asserted for approximately $125,000 for alleged past due executive compensation including stock options. The Company disputes the claim. The claimant previously filed a formal administrative wage claim in California which is inactive but pending. As of December 31, 2006, 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 of $10,297 due to Mr. Portugal.

NOTE 11 - PURCHASE AGREEMENT

On July 29, 2003, the Company entered into an agreement to purchase 80% of the issued and outstanding shares of S&C Medical, Inc. (S&C). The Company agreed to issue 3,000,000 restricted shares of the Company's common voting stock to acquire the S&C shares. The Company also sent S&C $15,000 in cash. As of December 31, 2003, the Company cancelled the agreement. The 3,000,000 shares have not yet been returned to the Company. The $15,000 has been recorded as a shareholder receivable. During 2006, the receivable was written-off and the $15,000 expensed.

NOTE 12 - STOCK TRANSACTIONS

During the year ended December 31, 2006, the Company issued 586,000 shares of common stock for cash of $146,500. The shares were sold for $.25 per share.

In December 2006, the Company issued 2,788 shares of common stock for general and administrative expenses of $697. The shares were valued at $.25 per share.

In October 2006, the Company issued 24,000 shares of common stock for accounts payable of $6,000. The shares were valued at $.25 per share.

KLEVER MARKETING, INC.
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NOTES TO FINANCIAL STATEMENTS

NOTE 12 - STOCK TRANSACTIONS (continued)

In December 2006, the Company issued 47,956 shares of common stock for accounts payable of $11,989. The shares were valued at $.25 per share.

On February 20, 2007, the company issued 200,000 shares of commons stock for cash of $5000. The shares were valued at $.25 per share.

On March 6, 2007 the company issued 40,000 shares of commons stock for cash of $10,000. The shares were valued at $.25 per share.

On April 16, 2007, the Company issued 200,000 shares of common stock for cash of $50,000. The shares were valued at $.25 per share.

On June 1, 2007, the Company issued 60,000 shares of common stock for cash of $15,000. The shares were valued at $.25 per share.

On June 1, 2007, the Company issued 40,000 shares of common stock for cash of $10,000. The shares were valued at $.25 per share.

On June 28, 2007, the Company issued 120,000 shares of common stock for cash of $30,000. The shares were valued at $.25 per share.

On June 30, 2007, the Company issued 34,764 shares of common stock for payment of service in the amount of $8,691. The shares were valued at $.25 per share.

On July 24, 2007, the Company issued 20,000 shares of common stock for cash of $5,000. The shares were valued at $.25 per share.

On July 25, 2007, the Company issued 20,000 shares of common stock for cash of $5,000. The shares were valued at $.25 per share.

On July 26, 2007, the Company issued 20,000 shares of common stock for cash of $5,000. The shares were valued at $.25 per share.

On July 31, 2007, the Company issued 20,000 shares of common stock for cash of $5,000. The shares were valued at $.25 per share.

On August 3, 2007, the Company issued 50,000 shares of common stock for cash of $12,500. The shares were valued at $.25 per share.

KLEVER MARKETING, INC.
(a Development Stage Company)
NOTES TO FINANCIAL STATEMENTS

NOTE 12 - STOCK TRANSACTIONS (continued)

On September 28, 2007, the Company issued 180,000 shares of common stock for cash of $45,000. The shares were valued at $.25 per share.

On September 30, 2007, the Company issued the following shares of common stock: 8,281,016 shares for notes payable of $2,070,254; 62,101 shares for accrued interest of $15,525; 33,224 shares for accounts payable of $8,306. The shares were valued at $.25 per share.

On September 30, 2007, the company issued 150,000 shares of commons stock for services rendered in the amount of $7,500. The shares were valued at $.05 per share.

NOTE 13 - LICENSE AGREEMENT

On May 11, 2004, Media Cart, Inc. acquired from the Company a limited exclusive license to use the Company's United States patent portfolio for electronic display devices specific to Media Cart's product design. Under the license agreement, Media Cart paid the Company $200,000 and will pay ongoing royalties for all Media Cart products that utilize the Company's licensed technology.

On February 15, 2005 ModStream Digital Messaging Products, LLC acquired from the Company limited non-exclusive licensees to use the Company's United States patent portfolio for electronic display devices specific to ModStreams product design. This product design is limited to a 80 character dot-matrix LCD-type screen with limited alerts, and does not include full motion video or product scanning. Under the license agreement, ModStream paid the Company $150,000 and will pay ongoing royalties for all ModStream products that utilize the specific components of the Company's licensed technology.

NOTE 14 - EMPLOYMENT AGREEMENT

On November 14, 2005, the Company entered into an employment agreement with Arthur Portugal. Under the terms of the agreement, Mr. Portugal will receive a base salary of $185,000 per year. The employment agreement was concluded on June 30, 2006 and was not renewed.

NOTE 15 - SALE OF PATENTS

On August 27, 2004, the Company sold all of its international patents for $350,000. The international patents comprised approximately 69% of the total patents the Company owned. At December 31, 2006 and 2005, the Company was still owed $25,000 relating to this sale.

KLEVER MARKETING, INC.
(a Development Stage Company)
NOTES TO FINANCIAL STATEMENTS

NOTE 16 - UNCERTAIN TAX POSITIONS

Effective January 1, 2007, the company adopted the provisions of FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109" ("FIN 48"). FIN 48 prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. The adoption of the provisions of FIN 48 did not have a material impact on the company's condensed consolidated financial position and results of operations. At January 1, 2007, the company had no liability for unrecognized tax benefits and no accrual for the payment of related interest.

Interest costs related to unrecognized tax benefits are classified as "Interest expense, net" in the accompanying consolidated statements of operations. Penalties, if any, would be recognized as a component of "Selling, general and administrative expenses". The Company recognized $0 of interest expense related to unrecognized tax benefits for the six months ended June 30, 2007. In many cases the company's uncertain tax positions are related to tax years that remain subject to examination by relevant tax authorities. With few exceptions, the company is generally no longer subject to U.S. federal, state, local or non-U.S. income tax examinations by tax authorities for years before 2003. The following describes the open tax years, by major tax jurisdiction, as of January 1, 2007:

United States (a)	2003 – Present

(a) Includes federal as well as state or similar local jurisdictions, as applicable.

Item 2. Management's Discussion and Analysis or Plan of Operations

Plan of Operation - The Company's plan of operations is subject to obtaining financing. The Company's goal is to become the leading supplier of shopping cart based and retail in-store advertising and promotion technologies for grocery, superstores, warehouse, discount, DIY, home goods and other mass-merchandise retailers. To accomplish this goal, the Company intends to expand its partner-driven and collaborative product and service offerings to include: (i) shopper-relevant, triggered and/or targeted electronic promotion content and couponing to eliminate the need for and reduce the costs related to paper coupons (including fraud, mis-redemption and mal-redemption); (ii) the support and distribution of dynamic shopper-relevant, triggered and targeted advertising, media and internet-type content to augment the customer shopping experience, while enhancing retailer and brand loyalties; (iii) capturing Point-of-Selection data individually, by segment and/or in the aggregate for providing data warehousing, advanced analytics and data mining services to various interested parties; (iv) certain other in-store services.

BUSINESS DEVELOPMENT, NEXT 12 MONTHS

As a result of the current financial condition of the Company, the plan of the Company for the next twelve months is to obtain sufficient financing to permit the Company to expand its own Klever Kart initiatives, collaborative and/or partner centric business operations. Absent obtaining such financing, the Company's plan is to continue to obtain sufficient smaller financing to permit the Company to continue to prevent the loss or wasting of its assets and to continue to seek such operation's financing. Currently, the Company has focused on meaningful debt reduction, litigation settlements, operational optimization and collaborative business models, and maintains liquid assets sufficient to permit current restricted operations to continue for six months. If such smaller interim financing is not obtained, it is likely that the Company will cease being a going concern at the end of the six month period.

In the event such operational funding is obtained, then the Company plans to: 1) Re-enter market directly and/or through collaborative, joint-venture initiatives; 2) Develop and deploy advanced retail analytics practice and data warehousing capabilities; 3) Develop additional revenue generating, electronic in-store and retail shopper-centric products and services; 4) Continue defense of the Klever patent portfolio where violations are evident.

Absent such financing, the Company has no plans to employ additional employees or to purchase additional equipment. If such financing is obtained, there would be additional employees employed and additional equipment purchased. The number of each is dependent upon the amount of such financing.

Results of Operations - 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 is in the development stage. For the nine months ended September 30, 2007, the Company had net income of $1,732,481 due to an extraordinary gain of $2,271,394 as a result of restructuring debt. The Company had a loss before extraordinary items of $538,913 for the nine months ended September 30, 2007. For the nine months ended September 30, 2006, the Company had losses of $434,571., The Company has losses of $17,436,185 since inception.

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 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 borrow 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.

Cash flows. Operating activities for the nine months ended September 30, 2007 and 2006 used cash of approximately $247,000 and $125,000 respectively.

Investing activities for the nine months ended September 30, 2007 and 2006 have used cash of approximately $0 and $3,000, respectively. Investing activities primarily represent purchases of Phase III equipment, patents relating to the electronic in-store advertising, directory and coupon devices, and purchases of office equipment.

Financing activities for the nine months ended September 30, 2007 and 2006 provided cash of approximately $266,000 and $129,000, respectively. Financing activities primarily represent sales of the Company’s restricted stock, and short term borrowings.

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:

The foregoing statements are based upon management’s current assumptions.

Item 3. Controls and Procedures

The Company's Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining disclosure controls and procedures for the Company.

(a) Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's President, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Rule 13a-15 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Based upon the evaluation, the Company's President concluded that, as of the end of the period, the Company's disclosure controls and procedures were effective in timely alerting him to material information relating to the Company required to be included in the reports that the Company files and submits pursuant to the Exchange Act.

(b) Changes in Internal Controls

Based on his evaluation as of September 30, 2007, there were no significant changes in the Company's internal controls over financial reporting or in any other areas that could significantly affect the Company's internal controls subsequent to the date of his most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

On December 12, 2005 Klever Marketing was summoned, and a complaint was filed in the Third District Court of the State of Utah, by Dennis Shepard, one of the partners of S&C Medical. The complaint contested Klever Marketing's cancellation of an attempted deal with S&C medical in December of 2001. On January 13, 2006, Klever Marketing answered their complaint and filed a counter claim against S&C Medical. This lawsuit has been settled in full and all claims have been settled.

Item 2. Changes in Securities

On July 24, 2007, the Company issued 20,000 shares of common stock for cash of $5,000. The shares were valued at $.25 per share.

On July 25, 2007, the Company issued 20,000 shares of common stock for cash of $5,000. The shares were valued at $.25 per share.

On July 26, 2007, the Company issued 20,000 shares of common stock for cash of $5,000. The shares were valued at $.25 per share.

On July 31, 2007, the Company issued 20,000 shares of common stock for cash of $5,000. The shares were valued at $.25 per share.

On August 3, 2007, the Company issued 50,000 shares of common stock for cash of $12,500. The shares were valued at $.25 per share.

On September 28, 2007, the Company issued 180,000 shares of common stock for cash of $45,000. The shares were valued at $.25 per share.

On September 30, 2007, the Company issued the following shares of common stock: 8,281,016 shares for notes payable of $2,070,254; 62,101 shares for accrued interest of $15,525; 33,224 shares for accounts payable of $8,306. The shares were valued at $.25 per share.

On September 30, 2007, the company issued 150,000 shares of commons stock for services rendered in the amount of $7,500. The shares were valued at $.05 per share.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Submission of Matters to a Vote of Security Holders.

None.

Item 5. Other Information

None.

Item 6. Exhibits and Reports on Form 8-K

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)
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.

(b) Reports on Form 8-K filed.

On November 13, 2007, the Company filed a report on Form 8-K under Item 8, Other.

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: November 14, 2007

By: /s/ William C. Bailey
Chairman
(Principal Executive Officer)

By: /s/ Jeremiah Cox
Jeremiah Cox
Chief Financial Officer
(Principal Financial Officer)