KLEVER MARKETING INC
Form 10-Q
November 21, 2008

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

FORM 10-Q

x QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2008

o 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.)

P.O. Box 711308, Salt Lake City, Utah, 84171
(Address of principal executive offices)

(801) 942-6444
(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 o 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 o	Accelerated filer o
Non-accelerated filer o (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). o 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 September 30, 2008, there were 46,762,303 shares of the issuer's $.01 par value common stock issued and outstanding.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

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

ASSETS	(Unaudited) September 30, 2008	December 31, 2007
Current Assets		
Cash	$ 4,545	$ 375
Other Receivable	-	25,000
Total Current Assets	4,545	25,375
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	$ 4,545	$ 25,375
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts Payable, Trade	$ 308,636	$ 302,037
Accrued Liabilities	593,495	748,615
Line of Credit	21,072	23,023
Related Party Payables	58,393	58,393
Notes Payable	45,000	45,000
Total Current Liabilities	1,026,596	1,177,068
Stockholders' Equity		
Preferred stock (par value $.01), 2,000,000 shares authorized 168,434 issued and outstanding September 30, 2008 and December 31, 2007	1,684	1,684
Common Stock (Par Value $.01), 50,000,000 shares authorized 46,762,303 shares issued and outstanding at September 30, 2008 and 46,718,303 and December 31, 2007	467,623	467,183
Common Stock to be issued, 469,752 shares at September 30, 2008 and December 31, 2007	4,698	4,698
Treasury Stock, 1,000 shares at September 30, 2008 and December 31, 2007	(52,700)	(52,700)

Paid in Capital in Excess of Par Value		16,042,768		16,032,208
Retained Deficit		(3,333,785)		(3,333,785)
Deficit Accumulated During Development Stage		(14,152,339)		(14,270,981)
Total Stockholders' Equity		(1,022,051)		(1,151,693)
Total Liabilities and Stockholders' Equity	$	4,545	$	25,375

The accompanying notes are an integral part of these financial statements

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

	(Unaudited) For the Three Months Ended September 30, 2008	(Unaudited) For the Three Months Ended September 30, 2007	(Unaudited) For the Nine Months Ended September 30, 2008	(Unaudited) For the Nine Months Ended September 30, 2007	Cumulative From 5-Jul-96 Inception of Development Stage
Revenue	$ -	$ -	$ -	$ -	$ 256,000
Expenses					
Sales and Marketing	-	-	-	-	163,306
General and Administrative	13,973	226,317	74,246	385,263	10,425,532
Research and Development	-	-	-	-	4,529,656
Total Expenses	13,973	226,317	74,246	385,263	15,118,494
Other Income (Expense)					
Other Income	164,991	25,000	214,991	25,000	668,834
Interest Income	-	-	-	126	18,902
Interest Expense	(9,460)	(81,574)	(22,103)	(305,913)	(2,593,351)
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)	155,531	(9,885)	192,888	(153,650)	(1,560,039)
Loss Before Taxes	141,558	(236,202)	118,642	(538,913)	(16,422,533)
Income Taxes	-	-	-	-	(1,200)
Net Loss before extraordinary items	141,558	(236,202)	118,642	(538,913)	(16,423,733)
Extraordinary item - troubled debt restructuring	-	2,271,394	-	2,271,394	2,271,394
Net Income (loss)	$ 141,558	$ 2,035,192	$ 118,642	$ 1,732,481	$ (14,152,339)
Loss per Common Share					
Income (loss) before extraordinary item	$ -	$ (0.01)	$ -	$ (0.01)	
Extraordinary item	-	0.06	-	0.05	
Loss per share	$ -	$ 0.05	$ -	$ 0.04	
Weighted Average Shares Outstanding	46,762,303	40,067,068	46,760,055	39,662,696	

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, 2008	2007	Cumulative From 5-Jul-96 Inception of Development Stage
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Loss	$ 118,642	$ 1,732,481	$ (14,152,339)
Adjustments used to reconcile net loss to net			
cash provided by (used in) operating activities:			
Stock issued for general and administrative	-	7,500	1,004,982
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	-	-	89,791
Stock issued for interest	-	15,525	135,226
Stock issued for accounts payable	-	16,996	243,457
Deferred income	-	-	(214,000)
Depreciation and amortization	-	-	1,912,883
Write-off bad debts		-	15,000
Gain from reversal of contingent liability	(164,991)		(164,991)
(Increase) decrease in accounts receivable	-	-	(413)
(Increase) decrease in shareholder receivable	-	-	37,694
(Increase) decrease in other assets & prepaids	25,000	3,124	114,238
Increase (decrease) in accounts payable	6,599	(120,478)	222,931
Increase (decrease) in accrued liabilities	9,871	(1,901,797)	707,155
Net Cash Used in Operating Activities	(4,879)	(246,649)	(9,699,790)
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)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds capital stock issued	11,000	242,500	7,049,173
Proceeds from loans	-	-	3,473,252
Proceeds from line of credit	(1,951)	23,473	21,072
Loan receivables	-	-	(15,000)
Principal payments on lease obligations	-	-	(18,769)
Increase in bank overdraft	-	-	-
Cash payments on notes payable	-	-	(279,730)

Net Cash Provided by Financing Activities		9,049		265,973		10,229,998
Net Increase (Decrease) in Cash and Cash Equivalents		4,170		19,324		(20,129)
Cash and Cash Equivalents at Beginning of the Year		375		3,172		24,674
Cash and Cash Equivalents at End of the Year	$	4,545	$	22,496	$	4,545

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

	(Unaudited) For the Nne Months Ended September 30, 2008	2007	Cumulative From 5-Jul-96 Inception of Development Stage
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Interest	$ -	$ -	$ -
Income Taxes	$ -	$ -	$ 1,200

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.

During the 3rd quarter, the Company determined that contingent liabilities totaling $164,991 that had been previously recorded in prior financial statements were no longer payable, and recorded the gain from the reversal of the contingent liabilities as "Other Income" in the financial statements.

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 had a net income of $118,642 for the nine months ended September 30, 2008. This amount was due to the removal of contingent bonus obligations that had previously been committed to former officers of the company and which were based on performance criteria which were not met, totaling $164,991. The Company had net income of $1,563,900 for the year ended December 31, 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 $707,494 for the year ended December 31, 2007. For the year ended December 31, 2006, the Company had losses of $850,440. The Company has losses of $17,486,124 since inception. The Company has a liquidity need 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, 2008, and for the three and nine month periods 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 three and 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 2007 financial statements to conform with the 2008 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, 2008 and December 31, 2007 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, 2008 and 2007 are not presented as it would be anti-dilutive. At September 30, 2008 and 2007, the total number of potentially dilutive common stock equivalents was 8,109,807 and 6,425,467, 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, 2008 and 2007, 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, 2008 and 2007, 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, 2008 the Company granted no stock options to officers and directors, and granted no stock options to non-employees. Accordingly, no stock-based compensation expense was recognized in the Statement of Operations at September 30, 2008.

During the year ended December 31, 2007 the Company granted 520,000 stock options to officers and directors, and granted 25,000 stock options to non-employees. Accordingly, stock-based compensation expense of $19,891 was recognized in the Statement of Operations at December 31, 2007. 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 between 3.15% and 4.98%; expected life of the options was 3 years; expected volatility of stock for the three year options was between 213.7% and 237%, respectively.

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 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.

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

NOTE 2 - SUMMARY OF ACCOUNTING POLICIES (continued)

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, 2007, the Company had a net operating loss carry forward for income tax reporting purposes of approximately $17,484,445 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.

	2007	2006
Net Operating Losses	$ 2,622,667	$ 2,860,236
Valuation Allowance	(2,622,667)	(2,860,236)
	$ -	$ -

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

	2007	2006
Provision (Benefit) at US Statutory Rate	$ (237,569)	$ 119,907
Increase (Decrease) in Valuation Allowance	237,569	(119,907)
	$ -	$ -

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.

NOTE 4 - LEASE COMMITMENT

During the month of September, 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, 2008 and 2007, the Company expended $0 and $0 respectively for research and development of the technology involved with its patents.

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

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.

On 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, 2008 and December 31, 2007, the total amount due on these notes was $0 and $0.

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.

On 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, 2008 and December 31, 2007, the total amount due on these notes was $0 and $0.

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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.

On 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, 2008 and December 31, 2007, the total amount due on these notes was $0 and $0.

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.

On 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, 2008 and December 31, 2007, the total amount due on these notes was $0 and $0.

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, 2008 and December 31, 2007, the total amount due on these loans is $41,893 and $41,893, respectively.

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

NOTE 6- RELATED PARTY TRANSACTIONS (continued)

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. On September 30, 2007, $776 of interest was converted to 3,105 common restricted stock at $.25 per share. At September 30, 2008 and December 31, 2007, the total due on these loans was $18,649 and $17,797, 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, 2008 and December 31, 2007, the total amount due on these loans is $ $74,827 and $69,124, 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.

As of September 30, 2008, 1,272,088 options were outstanding. The Company granted no options for the period ending September 30, 2008. Compensation expense charged to operations for the three months ended September 30, 2008 and 2007 was $0 and $0 respectively.

	Option / Warrants Shares		Weighted Average Exercise Price	Weighted Average Fair Value
Options & warrants outstanding,				
December 31, 2006	5,070,388	$	0.18	
Granted, Exercise price more than fair value	545,000 -	$	0.75	-
Granted, Exercise price less than fair value	-		-	-
Expired	3,156,800	$	0.13	
Exercised	-		-	
Options & warrants outstanding,				
December 31, 2007	2,458,088	$	0.52	

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

NOTE 8- STOCK OPTIONS (continued)

The following table sets forth the options and warrants outstanding as of September 30, 2008.

	Option / Warrants Shares		Weighted Average Exercise Price	Weighted Average Fair Value
Options & warrants outstanding,				
December 31, 2007	2,458,088	$	0.52	
Granted, Exercise price more than fair value	0 -	$	0	-
Granted, Exercise price less than fair value	-		-	-
Expired	0	$	0	
Expired	1,186,000	$	0.55	
Options & warrants outstanding,				
September 30, 2008	1,272,088	$	0.61	

Exercise Price	Shares / Warrants Outstanding	Weighted-Average Exercise Price	Shares/ Warrants Currently Exercisable	Weighted-Average Exercise Price Currently Exercisable	Weighted-Average Contractual Remaining Life
0.10	225,000	0.10	225,000	0.10	4.4
.50	591,188	0.50	591,188	0.50	10.8
1.00	455,900	1.00	455,900	1.00	11.5

KLEVER MARKETING, INC.
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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.
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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.
(a Development Stage Company)
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. The judgment was in relation to a consulting agreement between eiKart, LLC. and the Company. This judgment was included in the financial statements as part of accrued liabilities at December 31, 2006. In September 2007, this litigation was settled in full out-of court 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 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. During 2007, this litigation was settled out-of court, resulting in a favorable depreciation of the claim sought, and full and complete resolution in this matter, also resulting in the return of 992,100 shares of common stock to the Company's treasury. These shares were subsequently cancelled.

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 September 30, 2008, the Company has accrued compensation of $96,700 for Mr. Portugal as part of his employment agreement through June 30, 2006. As of September 30, 2008, the Company also has accrued interest payable of $2,149 and a note payable in the amount of $9,000 due to Mr. Portugal.

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

NOTE 10 – 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 current liabilities, Management has either completed or 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. As of September 30, 2008, the total amount of claims for accrued but unpaid salary and benefits is $452,539.

NOTE 11 - 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.

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 $50,000. 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 9, 2007, the company received 992,100 shares of common stock as the result of litigation settlement. The shares were returned to treasury and cancelled.

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.

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

NOTE 11 - STOCK TRANSACTIONS (continued)

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 August 31, 2007, the Company authorized issuance of 150,000 shares of common stock for services rendered in the amount of $5,000. The shares were valued at $.03 per share. At December 31, 2007, these had not been issued.

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 150,000 shares of commons stock for services rendered in the amount of $7,500. The shares were valued at $.05 per share. At December 31, 2007, these shares had not been issued.

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 October 31, 2007, the Company authorized issuance of 150,000 shares of common stock for services rendered in the amount of $5,000. The shares were valued at $.03 per share. At December 31, 2007, these had not been issued.

On December 7, 2007, 6,594,566 shares of common stock were returned to the Company and held as treasury stock, On the same date, 1,424,566 of these shares were cancelled.

On December 7, 2007, the Company issued 120,000 shares of common stock for cash of $30,000. The shares were valued at $.25 per share.

On January 15, 2008, the company issued 44,000 shares of common stock for cash of $11,000. The shares were valued at $.25 per shares.

NOTE 12 - 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.

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

NOTE 12 - LICENSE AGREEMENT (continued)

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 13 - 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, 2007, the Company was still owed $25,000 relating to this sale. During July 2008, the Company received the payment for this receivable.

NOTE 14 – OTHER INCOME

During the quarter ended September 30, 2008, the Company recognized $164,991 as “Other Income” in the financial statements. This amount was due to the removal of contingent bonus obligations that had previously been committed to former officers of the company and which were based on performance criteria which were not met. These contingent liabilities were part of “Current Liabilities” on the Company’s balance sheet at December 31, 2007.

NOTE 15 - 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 year ended December 31, 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 December 31, 2007:

United States (a)	2004 – Present

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

Item 2. Plan of Operation

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, variatio 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.

The Company will continue to operate on an inactive basis, while it attempts find an appropriate and synergistic suitor to acquire it assets in a transaction acceptable to its shareholders. Alternatively, the company may attempt to renegotiate existing licensing agreements to ensure the ongoing monetization of its Patent Portfolio. However, there is no Operational Plan to maintain any day-to-day Operations, thus requiring only minimal financing to ensure the payment of ongoing and nominal expenses.

We advise anyone relying upon this report that any statement of earnings by the company for the calendar year ending 2007 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 an inactive 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 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. Based upon these and other related factors, the auditors for the company will necessarily have to continue to express a reservation of the company's ability to continue as a going concern."

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 attempt to monetize its Patent Portfolio through expanded licensing agreements and/or to sell minority or majority interest in the Company, its assets and/or its Patents to a qualified suitor through a cash and/or equity transaction. This will allow the Company to pay off its remaining liabilities, financial and contractual obligations, cleaning up its balance sheet in its entirety, while obtaining equity interest (with upside potential) in a going business concern for its shareholders. In the interim, the Company plans to continue to find sufficient smaller financing to permit the

Company to continue to prevent the loss or wasting of its assets and to continue to seek such an appropriate synergistic suitor, fully capable of leveraging the Company's assets, while returning value to its shareholders. Currently, the Company has sufficient liquid assets to permit current restricted operations to continue for one month or until such a desired suitor is found and a transaction is secured. If such smaller interim financing is not obtained, it is likely that the Company will cease being a going concern at the end of such period.

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 remains in the development stage. For the nine months ended September 30, 2008, the Company had net income of $118,642. This amount was due to the removal of contingent bonus obligations that had previously been committed to former officers of the company and which were based on performance criteria which were not met, totaling $164,991. The income was enhanced by a non-operating payment of $50,000, allowing the continuance of discussions regarding partnership opportunities. 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.

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 used cash of approximately $5,000 and $247,000 for the nine months ended September 30, 2008 and 2007 respectively. The decrease in the use of cash is due primarily to a payment of $50,000 received allowing the continuance of discussions regarding partnership opportunities, and a reduction in operations.

Investing activities have used cash of approximately $0 and $0 for the nine months ended September 30, 2008 and 2007, respectively. Investing activities primarily represent purchases of patents relating to the electronic in-store advertising.

Financing activities provided cash of approximately $9,000 and $266,000 for the nine months ended September 30, 2008 and 2007, 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.

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. We maintain controls and procedures designed to ensure that information required to be disclosed in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission. Based upon their evaluation of those controls and procedures performed as of September 30, 2008, the date of this report, our chief executive officer and the principal financial officer concluded that our disclosure controls and procedures were effective.

Item 4(T). Controls and Procedures.

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

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 September 30, 2008, the Company has accrued compensation of $96,700 for Mr. Portugal as part of his employment agreement through June 30, 2006. As of September 30, 2008, the Company also has accrued interest payable of $2,149 and a note payable in the amount of $9,000 due to Mr. Portugal.

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 current liabilities, Management has either completed or 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. As of September 30, 2008, the total amount of claims for accrued but unpaid salary and benefits is $452,539.

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

None.

Item 5. Other Information

None.

Item 6. Exhibits

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.

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 21, 2008

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

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