

MMAX MEDIA, INC.  
Form 10-Q  
May 21, 2012

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

**FORM 10-Q**

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

For the quarterly period ended: **March 31, 2012**

Or

.. **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: 000-53574**

**MMAX Media, Inc.**

*(Exact name of registrant as specified in its charter)*

**Nevada**  
*(State or other jurisdiction  
of incorporation or organization)*

**511 N.E. 3<sup>rd</sup> Avenue, 1<sup>st</sup> Floor, Fort Lauderdale, Florida 33301**

**20-4959207**  
*(I.R.S. Employer  
Identification No.)*

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(Address of Principal Executive Office) (Zip Code)

**(800) 991-4534**

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Shares Outstanding as of May 21, 2012
Common Stock, \$0.001 Par Value Per Share	45,071,539

**MMAX Media, Inc. and Subsidiaries**

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**PART I. FINANCIAL INFORMATION****ITEM 1.****CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****MMAX MEDIA, INC AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS****(A DEVELOPMENT STAGE ENTERPRISE)**

	<b>March 31, 2012 (Unaudited)</b>	<b>December 31, 2011</b>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 33,320	\$ 6,328
Prepaid expenses	1,500	3,000
<b>TOTAL CURRENT ASSETS</b>	<b>34,820</b>	<b>9,328</b>
<b>COMPUTER EQUIPMENT AND WEBSITE COSTS, NET</b>	<b>18,943</b>	<b>21,313</b>
<b>OTHER ASSETS</b>		
Deposits	4,290	4,290
<b>TOTAL OTHER ASSETS</b>	<b>4,290</b>	<b>4,290</b>
<b>TOTAL ASSETS</b>	<b>\$ 58,053</b>	<b>\$ 34,931</b>
<b><u>LIABILITIES AND STOCKHOLDERS' DEFICIT</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 63,854	\$ 45,115
Accrued expenses	85,106	45,550
Deferred revenue	19,261	
Convertible notes payable	120,000	
<b>TOTAL CURRENT LIABILITIES</b>	<b>288,221</b>	<b>90,665</b>
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>STOCKHOLDERS DEFICIT</b>		

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Convertible preferred stock, \$0.001 par value, 5,000,000 shares authorized, 0 shares issued and outstanding, respectively				
Common stock, \$0.001 par value, 195,000,000 shares authorized, 44,946,539 and 44,646,539 shares issued and outstanding, respectively		44,945		44,645
Additional paid in capital		2,143,869		1,769,355
Accumulated deficit during development stage		(2,418,982)		(1,869,734)
<b>TOTAL STOCKHOLDERS'S DEFICIT</b>		<b>(230,168)</b>		<b>(55,734)</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT</b>	<b>\$</b>	<b>58,053</b>	<b>\$</b>	<b>34,931</b>

See accompanying notes to condensed consolidated unaudited financial statements.

## MMAX MEDIA INC AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

(A DEVELOPMENT STAGE ENTERPRISE)

(UNAUDITED)

	For the Three Months Ended March 31,		For the Period From January 22, 2010 (Inception) to March 31, 2012
	2012	2011	
<b>Revenue</b>			
Service Revenue, net	\$ 6,653	\$ 7,990	\$ 68,599
<b>OPERATING EXPENSES</b>			
Professional fees	30,896	49,737	176,885
Web development and hosting	1,047	15,225	86,265
Marketing	79	1,105	19,543
Payroll and payroll taxes	99,221	29,367	440,935
Consulting	380,064	55,000	1,410,890
Travel and entertainment	4,067	10,024	55,479
General and administrative	38,501	24,485	244,257
Total Operating Expenses	553,875	184,943	2,434,254
<b>NET LOSS FROM OPERATIONS</b>	(547,222)	(176,953)	(2,365,655)
<b>OTHER EXPENSES</b>			
Liquidated damages			16,575
Interest expense	2,026	34,726	36,752
Total other expenses	2,026	34,726	53,327
Net loss before provision for income taxes	(549,248)	(211,679)	(2,418,982)
Provision for Income Taxes			
<b>NET LOSS</b>	\$ (549,248)	\$ (211,679)	\$ (2,418,982)
Net loss per share - basic and diluted	\$ (0.01)	\$ (0.01)	
Weighted average number of shares outstanding during the period - basic	44,768,517	23,234,214	

and diluted

See accompanying notes to condensed consolidated unaudited financial statements.



## MMAX MEDIA, INC AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY / (DEFICIT)

(A DEVELOPMENT STAGE ENTERPRISE)

(UNAUDITED)

	Preferred Stock		Common Stock		Additional Paid-in	Accumulated Deficit During Development	Total Stockholders' Equity / (Deficit)
	Shares	Par Value	Shares	Par Value	Capital	Stage	
Balance January 22, 2010 (Inception)		\$		\$	\$	\$	\$
Issuance of stock for cash (founders)			14,370,816	14,370	(14,332)		38
Issuance of stock for cash			5,420,333	5,420	147,580		153,000
Issuance of stock for services			790,927	790	109,845		110,635
In-kind contribution of services					9,057		9,057
Net Loss						(254,336)	(254,336)
Balance, December 31, 2010			20,582,076	20,580	252,150	(254,336)	18,394
Stock issued for services			427,319	427	86,573		87,000
Issuance of stock for Purchase of MMAX Media, Inc.	638,602	638	12,403,374	12,403	(22,073)		(9,032)

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Issuance of stock for cash, net of expenses \$8,788			4,290,000	4,290	523,172		527,462
Issuance for loan conversion			394,000	394	48,856		49,250
Issuance of stock for legal services			100,000	100	12,400		12,500
Issuance of stock for liquidated damages			63,750	64	16,511		16,575
Warrants and Options issued for services					857,515		857,515
Conversion of preferred stock to common stock	(638,602)	(638)	6,386,020	6,387	(5,749)		
Net Loss						(1,615,398)	(1,615,398)
Balance, December 31, 2011			44,646,539	44,645	1,769,355	(1,869,734)	(55,734)
Stock issued for services			300,000	300	20,700		21,000
Warrants and Options issued for services					353,814		353,814
Net Loss						(549,248)	(549,248)
Balance, March 31, 2012	\$		44,946,539	\$ 44,945	\$ 2,143,869	\$ (2,418,982)	\$ (230,168)

See accompanying notes to condensed consolidated unaudited financial statements.



## MMAX MEDIA, INC AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(A DEVELOPMENT STAGE ENTERPRISE)

(UNAUDITED)

	For the Three Months Ended March 31,		For the Period From January 22, 2010
	2012	2011	(Inception) to March 31, 2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net loss	\$ (549,248)	\$ (211,679)	\$ (2,418,982)
Adjustments to reconcile net loss to net cash used in operating activities:			
In-kind contribution			119,730
Depreciation	2,370	2,112	12,694
Warrants issued for services	353,814	12,323	1,211,329
Common stock issued for services	21,000	41,500	116,000
Common stock issued for liquidated damages		34,250	34,250
Changes in operating assets and liabilities:			
Decrease / (increase) in prepaid expenses	1,500	(1,226)	3,000
Increase/(decrease) in deposits		36,195	(4,290)
Increase in accounts payable	58,295		134,386
Increase in liquidated damages			16,575
Increase/(Decrease) in deferred revenue	19,261	(1,695)	19,261
Net Cash Used In Operating Activities	(93,008)	(88,220)	(756,047)
<b>CASH FLOWS USED IN INVESTING ACTIVITIES:</b>			
Purchase of computer equipment and website		(2,669)	(30,183)
Cash acquired in acquisition		4,088	4,088
Net Cash Provided By/(Used In) Investing Activities		1,419	(26,095)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds from notes payable		30,000	45,000

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Repayment of notes payable		(30,000)		(30,000)
Proceeds from notes payable - convertible	120,000			120,000
Sale of common stock		266,212		680,462
Proceeds from stockholder loan		1,389		
Net Cash Provided By Financing Activities	120,000	267,601		815,462
NET INCREASE IN CASH	26,992	180,800		33,320
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	6,328	13,989		
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 33,320	\$ 194,789	\$	33,320

See accompanying notes to condensed consolidated unaudited financial statements.

## MMAX MEDIA, INC AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(A DEVELOPMENT STAGE ENTERPRISE)

(UNAUDITED)

		<b>For the Three Months Ended March 31,</b>		<b>For the Period From January 22, 2010  (Inception) to March 31, 2012</b>
	<b>2012</b>		<b>2011</b>	
<b>Supplemental disclosure of cash flow information:</b>				
Cash paid for income taxes	\$		\$	\$
Cash paid for interest expense	\$		\$	\$
<b>Supplemental disclosure of non cash investing &amp; financing activities:</b>				
License	\$		1,454	\$
Accounts payable and accrued liabilities	\$		14,573	\$

On March 16, 2011, the Company issued 144,000 shares of common stock in exchange for a note payable of \$15,000 with a beneficial conversion feature valued at \$3,000.

On March 16, 2011, the Company issued 12,403,374 common shares and 638,602 preferred shares for the acquisition of Mmax Media, Inc.

See accompanying notes to condensed consolidated unaudited financial statements.



**MMAX MEDIA, INC. AND SUBSIDIARIES**

**(A DEVELOPMENT STAGE ENTERPRISE)**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF MARCH 31, 2012**

**(UNAUDITED)**

**NOTE 1 ORGANIZATION, NATURE OF BUSINESS AND GOING CONCERN**

**(A)**

***Organization***

The accompanying unaudited condensed financial statements have been prepared in accordance with accounting principles generally accepted in The United States of America and the rules and regulations of the Securities and Exchange Commission for interim financial information. Accordingly, they do not include all of the information necessary for a comprehensive presentation of financial position and results of operations. The interim results for the period ended March 31, 2012 are not necessarily indicative of results for the full fiscal year. It is management's opinion, however that all material adjustments (consisting of normal recurring adjustments) have been made which are necessary for a fair financial statements presentation.

On March 16, 2011 (the Closing Date) MMAX Media, Inc. (MMAX) completed its agreement and plan of merger (the Merger Agreement) to acquire Hyperlocal Marketing, LLC, a Florida limited liability company (Hyperlocal), pursuant to which Hyperlocal merged with and into HLM Paymeon, Inc., a Florida corporation and wholly owned subsidiary of MMAX. Under the terms of the Merger Agreement, the Hyperlocal members received 20,789,395 shares of MMAX common stock, which equal approximately 50.1% of the total shares of MMAX issued and outstanding following the merger on a fully diluted basis. In accordance with ASC Topic 360-10-45-15, the transaction is accounted for as a reverse acquisition and Hyperlocal is considered the accounting acquirer and the acquiree is MMAX since the members of Hyperlocal obtained voting and management control of MMAX and the transaction has been accounted as a reverse merger and recapitalization.

Hyperlocal Marketing, LLC was originally organized in the State of Florida on January 22, 2010. The Company has focused its efforts on organizational activities, raising capital, software development and evaluating operational opportunities.



Hyperlocal is a development stage company that owns and operates products aimed at the location-based marketing industry. Hyperlocal develops and markets products that provide merchants and consumers with mobile marketing services and offers, including but not limited to, mobile coupons, mobile business cards, mobile websites, use of SMS short codes and contest management. Hyperlocal has nominal revenues since its inception. Hyperlocal has also developed PayMeOn , a product designed to offer its customers income potential through the purchase and referral of coupon-style deals through its mobile and web interfaces

MMAX Media, Inc. and its wholly owned subsidiaries are herein referred to as the Company .

**(B)**

***Principles of Consolidation***

The accompanying consolidated financial statements include the accounts of MMAX Media, Inc. from the acquisition date of March 16, 2011 to December 31, 2011 and its wholly owned subsidiaries, Hyperlocal Marketing, LLC. and HLM Paymeon, Inc. from January 22, 2010 (inception) through March 31, 2012. All intercompany accounts have been eliminated in the consolidation.

**(C)**

***Going Concern***

Since inception, the Company has incurred net operating losses and used cash in operations. As of March 31, 2012, the Company had a net loss of \$2,418,982, an accumulated deficit of \$2,418,982, a working capital deficiency of \$253,401, and used cash in operations of \$756,047 from inception. Losses have principally occurred as a result of the substantial resources required for research and development and marketing of the Company s products which included the general and administrative expenses associated with its organization and product development.

**MMAX MEDIA, INC. AND SUBSIDIARIES**

**(A DEVELOPMENT STAGE ENTERPRISE)**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF MARCH 31, 2012**

**(UNAUDITED)**

These conditions raise substantial doubt about the Company's ability to continue as a going concern. These financial statements do not include any adjustments to reflect the possible future effect on the recoverability and classification of assets or the amounts and classifications of liabilities that may result from the outcome of these uncertainties. Management believes that the actions presently being taken to obtain additional funding and implement its strategic plan provides the opportunity for the Company to continue as a going concern.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(A)**

***Cash and Cash Equivalents***

The Company considers investments that have original maturities of three months or less when purchased to be cash equivalents.

**(B)**

***Use of Estimates in Financial Statements***

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America 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. Significant estimates during the period covered by these financial statements include the valuation of website costs, valuation of deferred tax asset, stock based compensation and any beneficial conversion features on convertible debt.

(C)

***Fair value measurements and Fair value of Financial Instruments***

The Company adopted ASC Topic 820, Fair Value Measurements. ASC Topic 820 clarifies the definition of fair value, prescribes methods for measuring fair value, and establishes a fair value hierarchy to classify the inputs used in measuring fair value as follows:

Level 1-Inputs are unadjusted quoted prices in active markets for identical assets or liabilities available at the measurement date.

Level 2-Inputs are unadjusted quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, inputs other than quoted prices that are observable, and inputs derived from or corroborated by observable market data.

Level 3-Inputs are unobservable inputs which reflect the reporting entity's own assumptions on what assumptions the market participants would use in pricing the asset or liability based on the best available information.

The Company did not identify any assets or liabilities that are required to be presented on the balance sheets at fair value in accordance with ASC Topic 820.

Due to the short-term nature of all financial assets and liabilities, their carrying value approximates their fair value as of the balance sheet date.

**MMAX MEDIA, INC. AND SUBSIDIARIES**

**(A DEVELOPMENT STAGE ENTERPRISE)**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF MARCH 31, 2012**

**(UNAUDITED)**

*(D)*

***Property and Equipment and Website Costs***

Computer Equipment and Website Costs are capitalized at cost, net of accumulated depreciation. Depreciation is calculated by using the straight-line method over the estimated useful lives of the assets, which is three years for all categories. Repairs and maintenance are charged to expense as incurred. Expenditures for betterments and renewals are capitalized. The cost of computer equipment and the related accumulated depreciation are removed from the accounts upon retirement or disposal with any resulting gain or loss being recorded in operations.

Software maintenance costs are charged to expense as incurred. Expenditures for enhanced functionality are capitalized.

The Company has adopted the provisions of ASC 350-50-15, Accounting for Web Site Development Costs. Costs incurred in the planning stage of a website are expensed as research and development while costs incurred in the development stage are capitalized and amortized over the life of the asset, estimated to be three years.

<b>Asset Category</b>	<b>Depreciation/ Amortization Period</b>
Furniture and Fixtures	5 Years
Computer equipment	3 Years

Property and equipment and website costs consisted of the following:

**March 31,**

**December 31,**

	<b>2012</b>		<b>2011</b>
Computers and equipment	\$ 5,408	\$	5,408
Website development	24,775		24,775
Total	30,183		30,183
Accumulated depreciation	(11,240)		(8,870)
Balance	\$ 18,943	\$	21,313

Depreciation expense for three months ended March 31, 2012 and 2011 and the period from January 22, 2010 (inception) through March 31, 2012 was \$2,370, \$2,112 and \$12,694, respectively.

*(E)*

***Impairment of Long-Lived Assets***

The Company evaluates its long-lived assets for impairment whenever events or a change in circumstances indicate that the carrying amount of such assets may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the asset to the future net undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is the excess of the carrying amount over the fair value of the asset.

**MMAX MEDIA, INC. AND SUBSIDIARIES**

**(A DEVELOPMENT STAGE ENTERPRISE)**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF MARCH 31, 2012**

**(UNAUDITED)**

**(F)**

***Income Taxes***

The Company accounts for income taxes under FASB Codification Topic 740-10-25 ( ASC 740-10-25 ). Under ASC 740-10-25, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under ASC 740-10-25, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

**(G)**

***Revenue Recognition***

The Company recognizes revenue on arrangements in accordance with FASB ASC No. 605, Revenue Recognition . In all cases, revenue is recognized only when the price is fixed and determinable, persuasive evidence of an arrangement exists, the service is performed and collectability of the resulting receivable is reasonably assured.

The Company recognizes sales of deals and texts when revenue is recognized only when the price is fixed and determinable, persuasive evidence of an arrangement exists, the service is performed and collectability of the resulting receivable is reasonably assured.

The Company recognizes revenue from the sale of keywords over the period the keywords are purchased for exclusive use, usually one year.

The Company recognizes revenue from setup fees in accordance with Topic 13, which requires the fees to be deferred and amortized over the term of the agreements. Revenue from the sale of bulk text messages sales and packages are recognized over twelve months. Revenue from monthly membership fees are recorded during the month the membership is earned.

**(H)**

***Segments***

The Company operates in one segment and therefore segment information is not presented.

**(I)**

***Loss Per Share***

The basic loss per share is calculated by dividing the Company's net loss available to common shareholders by the weighted average number of common shares during the year. The diluted loss per share is calculated by dividing the Company's net loss available to common shareholders by the diluted weighted average number of shares outstanding during the period. The diluted weighted average number of shares outstanding is the basic weighted number of shares adjusted for any potentially dilutive debt or equity. As of March 31, 2012 there are no preferred shares outstanding. The Company has 15,900,000 shares issuable upon the exercise of options and warrants and 960,000 shares issuable upon conversion of convertible notes payable that were not included in the computation of dilutive loss per share because their inclusion is anti-dilutive. There were no dilutive securities outstanding at March 31, 2011.

**MMAX MEDIA, INC. AND SUBSIDIARIES**

**(A DEVELOPMENT STAGE ENTERPRISE)**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF MARCH 31, 2012**

**(UNAUDITED)**

**(J)**

***Stock-Based Compensation***

The Company recognizes compensation costs to employees under FASB Accounting Standards Codification No. 718, Compensation - Stock Compensation. Under FASB Accounting Standards Codification No. 718, companies are required to measure the compensation costs of share-based compensation arrangements based on the grant-date fair value and recognize the costs in the financial statements over the period during which employees are required to provide services. Share based compensation arrangements include stock options, restricted share plans, performance based awards, share appreciation rights and employee share purchase plans. As such, compensation cost is measured on the date of grant at their fair value. Such compensation amounts, if any, are amortized over the respective vesting periods of the option grant.

Equity instruments issued to other than employees are recorded on the basis of the fair value of the instruments, as required by FASB Accounting Standards Codification No. 505, Equity Based Payments to Non-Employees. In general, the measurement date is when either a (a) performance commitment, as defined, is reached or (b) the earlier of (i) the non-employee performance is complete or (ii) the instruments are vested. The measured value related to the instruments is recognized over a period based on the facts and circumstances of each particular grant as defined in the FASB Accounting Standards Codification.

**(K)**

***Reclassification***

Certain amounts from prior periods have been reclassified to conform to the current period presentation.

**NOTE 3 RECENT ACCOUNTING PRONOUNCEMENTS**



In December 2011, FASB issued Accounting Standards Update 2011-11, Balance Sheet - Disclosures about Offsetting Assets and Liabilities to enhance disclosure requirements relating to the offsetting of assets and liabilities on an entity's balance sheet. The update requires enhanced disclosures regarding assets and liabilities that are presented net or gross in the statement of financial position when the right of offset exists, or that are subject to an enforceable master netting arrangement. The new disclosure requirements relating to this update are retrospective and effective for annual and interim periods beginning on or after January 1, 2013. The update only requires additional disclosures, as such, we do not expect that the adoption of this standard will have a material impact on our results of operations, cash flows or financial condition.

#### **NOTE 4 LICENSES**

On February 1, 2010, the Company entered into a distribution license agreement valued at \$4,363. Accumulated amortization for the distribution license was \$2,909 as of June 30, 2011. The unamortized amount of \$1,454 was impaired and expensed during the quarter ended June 30, 2011.

**MMAX MEDIA, INC. AND SUBSIDIARIES**

**(A DEVELOPMENT STAGE ENTERPRISE)**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF MARCH 31, 2012**

**(UNAUDITED)**

**NOTE 5 LIQUIDATED DAMAGES**

Pursuant to the Company's private placement completed during the six months ended June 30, 2011 in the gross amount of \$276,250, as of June 30, 2011 purchasers under the private placement (the Holders) are entitled to liquidated damages if a registration statement covering the resale of the 2,210,000 shares of common stock sold under the private placement (the Registrable Securities) is not filed within 60 days of the termination date of the private placement and declared effective within 180 days of the termination date. The Company shall make pro rata payments to each Holder, in an amount equal to 1.0% of the aggregate amount invested by such Holder (based upon the number of Registrable Securities then owned by such Holder) for each 30-day period or pro rata for any portion thereof following the date by which such Registration Statement should have been filed or effective (the Blackout Period). Such payments shall constitute the Holder's exclusive monetary remedy for such events, but shall not affect the right of the Holder to seek injunctive relief. The amounts payable as liquidated damages shall be paid monthly within ten (10) business days of the last day of each month following the commencement of the Blackout Period until the termination of the Blackout Period. Such payments shall be made to each holder at the sole option of the Company in either cash or shares of Common Stock. Furthermore, the damages payable to each holder shall not exceed 6% of the aggregate amount invested by such Holder. At September 30, 2011, the Company has not filed the required registration statement and issued a total of 63,750 shares of common stock value at \$16,575 (\$.26 per share) as payment for liquidated damages. The registration was filed on December 8, 2011 and declared effective on February 3, 2012.

**NOTE 6 NOTES PAYABLE**

On December 5, 2010, the Company borrowed \$15,000 pursuant to a note payable. The note bears interest at a rate of 10% per annum and is payable upon demand by the holder after March 10, 2011. As additional consideration the holder is entitled to receive 100,000 shares of common stock in a newly formed entity if the Company completed the merger by March 10, 2011. If the Company completed the merger after March 10, 2011 the holder is entitled to 150,000 shares of common stock in the newly formed entity. If the Company did not complete the merger, the holder is not entitled to any shares of common stock. The Company completed the Merger on March 16, 2011 and issued 150,000 shares of common stock valued at a recent cash offering price of \$18,750 (\$.125 per share) as additional consideration. The Company repaid the note on March 23, 2011.

On January 21, 2011, the Company borrowed \$15,000 pursuant to a convertible note payable. The note bears interest at a rate of 10% per annum and is payable July 20, 2011. If the Company completes the merger prior to July 20, 2011 the note and accrued interest automatically converts into 144,000 shares of common stock in the newly formed entity. If the Company has not completed the merger by July 20, 2011, the note and accrued interest is due the holder. On March 16, 2011, the Company completed the merger and issued 144,000 shares of common stock value at a recent cash offering price of \$18,000 (\$.125 per share) for principal of \$15,000. On March 16, 2011, when the loan became convertible and was repaid, the Company recorded a beneficial conversion expense of \$3,000 in interest expense and paid accrued interest of \$99.

On February 3, 2011, the Company borrowed \$15,000 pursuant to a note payable. The note bears interest at a rate of 10% per annum and is payable upon demand by the holder after March 10, 2011. As additional consideration the holder is entitled to receive 100,000 shares of common stock in the newly formed entity if the Company completed the merger by March 10, 2011. If the Company completed the merger after March 10, 2011, the holder is entitled to 150,000 shares of common stock in the newly formed entity. The Company completed the Merger on March 16, 2011, and issued 100,000 shares of common stock valued at a recent cash offering price of \$12,500 (\$.125 per share) as additional consideration. The Company repaid the note on March 23, 2011.

**MMAX MEDIA, INC. AND SUBSIDIARIES**

**(A DEVELOPMENT STAGE ENTERPRISE)**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF MARCH 31, 2012**

**(UNAUDITED)**

**NOTE 7 CONVERTIBLE NOTES PAYABLE**

Between the dates of January 3, 2012 and March 31, 2012, the Company entered into agreements to issue secured convertible promissory notes in the aggregate principal amount of \$120,000 (the Notes ) to certain accredited investors. The Notes bear interest at an annual rate of 7% and are payable on or before 12 months from the date of issuance. The Notes are secured by all of the assets of the Company and includes customary provisions concerning events of default. In addition, the Notes may be converted at any time, at the option of the holder, into shares of the Company's common stock at a conversion price of \$0.125 per share, subject to adjustment. Accrued interest amounted to \$2,026 at March 31, 2012. There was no beneficial conversion expense recorded as the fair value of the common stock was less than the exercise price.

**NOTE 8 COMMITMENTS AND CONTINGENCIES**

During January 2011, the Company entered into a two year software development and marketing agreement with a software developer. The agreement requires the developer to develop an application to use the Company's product in an iPhone application. The agreement requires the application to reach one of the following milestones; 200,000 downloads or 10,000 gift certificate purchases within 60 days of the application becoming available. The developer is entitled to 3% of the gross sales of the gift certificates and the issuance of 207,319 shares of common stock of the Company upon meeting the milestone. In January 2011, the Company amended the agreement to remove the milestones and issued the developer 207,319 shares of common stock valued at a recent cash offering cost of \$29,000 (\$0.14 per share). As of December 31, 2011, there were no amounts owed.

On August 15, 2011, the Company entered into an employment agreement with its Chief Executive Officer. The agreement is for a period of one year and automatically extends for one day each day until either party notifies the other not to further extend the employment period, provides for an annual base salary totaling \$250,000 and annual bonuses based on pre-tax operating income, as defined, for an annual minimum of \$50,000 in total. As of March 31, 2012 the Company recorded a salary expense of \$75,000 including the prorated portions of the minimum annual bonus of \$12,500. Accrued compensation at March 31, 2012 and December 31, 2011, was \$55,894 and \$18,615, respectively.

Effective February 23, 2012, the Company entered into a consulting agreement with a Consultant/Advisor to provide marketing and sales services through February 23, 2012. In consideration of the Consultant/Advisor to perform the services for the Company, the Consultant/Advisor will receive a warrant to purchase 2,300,000 shares of the Company's Common Stock and a warrant to purchase 2,200,000 shares of the Company's Common Stock. Common Stock issued upon exercise of the warrant will not be registered under the Securities Act, but may be included, at the Company's option, in future registrations that the Company may undertake of its Common Stock. The warrant to purchase 2,300,000 shares shall have a cash exercise price of \$.07 per share, and shall expire on February 23, 2015. The warrant to purchase 2,200,000 shares shall have a cash exercise price of \$0.18 per share and shall have an expiration date of February 23, 2016. The warrants shall have a vesting schedule, including certain vesting acceleration rights. If Consultant/Advisor ceases to provide services or the agreement is terminated by either party, then any vested, but unexercised warrants must be exercised within 180 days of Consultant/Advisor's departure date or by the expiration date of the warrants, whichever is sooner. Any unexercised warrants that remain 180 days after Consultant/Advisor's departure date (or at the expiration date) shall expire and terminate forever.

#### **NOTE 9 STOCKHOLDERS EQUITY**

The Company is authorized to issue up to 195,000,000 shares of common stock, par value \$0.001, and up to 5,000,000 shares of convertible preferred stock, par value \$0.001. Each share of the convertible preferred stock can be exchanged for ten (10) shares of common stock of the Company.

**MMAX MEDIA, INC. AND SUBSIDIARIES**

**(A DEVELOPMENT STAGE ENTERPRISE)**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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**(UNAUDITED)**

During January 2010, the Company issued 14,370,816 shares to founders for services. The shares were valued at the fair value on the date of grant of \$38 (\$.000003 per share).

During March 2010, the Company issued 5,134,375 shares for cash of \$133,000 (\$.026 per share).

During June 2010, the Company issued 285,958 shares for cash of \$20,000 (\$.07 per share).

During 2010, the Company issued 790,927 shares for services with a fair value on the date of grant of \$110,635 (\$.14 per share).

During 2010, a related party shareholder contributed \$9,057 of salary back to the Company. The amount was recorded as an in-kind contribution by the shareholder.

During January 2011, the Company issued 207,319 shares of common stock for software development with a fair value of \$29,000, based on a recent cash offering price (\$.139 per share).

On March 16, 2011 (the Closing Date ) the Company was deemed to have issued 638,602 convertible preferred shares and 12,403,374 common shares for the acquisition of 100% of MMAX Media, Inc. ( MMAX ) pursuant to a reverse acquisition and recapitalization.

On the Closing Date March 16, 2011, the Company completed a private placement (the Private Placement ) and sold an aggregate of 2,000,000 shares of restricted shares of Common Stock to 10 accredited investors for gross proceeds of \$250,000 (\$.125 per share) and paid direct offering costs of \$8,788.

From the period March 17, 2011 to September 30, 2011 the Company sold an additional 2,290,000 shares of common stock for gross proceeds of \$286,250 (\$.125 per share).

During the year ended December 31, 2011, the Company issued 100,000 shares of common stock for legal services with a fair value of \$12,500 based on a recent cash offering price (\$.125 per share).

During the year ended December 31, 2011, the Company issued 144,000 shares of common stock for the conversion of a note payable of \$15,000. In addition, the company recorded a beneficial conversion expense of \$3,000 based on a recent cash offering price (\$.125 per share).

During the year ended December 31, 2011, the Company issued 250,000 shares of common stock for financing costs on notes payable of \$31,250 based on a recent cash offering price (\$.125 per share) (see note 6).

On May 11, 2011, 176,335 shares of convertible preferred stock were converted into 1,763,350 shares of common stock.

On June 30, 2011, 184,534 shares of convertible preferred stock were converted into 1,845,340 shares of common stock.

On July 1, 2011, the Company issued 20,000 shares of common stock for services with a fair value of \$6,000 (\$.30 per share).

On July 12, 2011, 193,576 shares of convertible preferred stock were converted into 1,935,760 shares of common stock.

On August 11, 2011, 84,157 shares of convertible preferred stock were converted into 841,570 shares of common stock.





**MMAX MEDIA, INC. AND SUBSIDIARIES**

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On September 9, 2011, the Company issued 200,000 shares of common stock for services with a fair value of \$52,000 (\$0.26 per share).

On September 30, 2011, the Company has issued a total of 63,750 shares of common stock value at \$16,575 (\$.26 per share) as payment for liquidated damages.

On February 23, 2012, the Company issued 300,000 shares of its common stock to consultants valued at \$21,000 (\$.07 per share) the fair value of the common stock on the date of issuance.

**OPTIONS AND WARRANTS**

The following tables summarize all options and warrant grants to consultants for the period ended March 31, 2012 and the related changes during these periods are presented below.

	<b>Number of Options and Warrants</b>	<b>Weighted Average Exercise Price</b>
<b>Stock Options and Warrants</b>		
Balance at December 31, 2011	11,200,000	\$0.22
Granted	4,700,000	\$0.12
Exercised		
Expired		
Balance at March 31, 2012	15,900,000	\$0.19
Options and Warrants Exercisable at March 31, 2012	3,217,000	\$0.18
Weighted Average Fair Value of Options and Warrants Granted During the three months ended March 31, 2012		\$0.12

The following table summarizes information about options and warrants for the Company as of March 31, 2012, no options or warrants were outstanding at March 31, 2011:

Range of Exercise Price	2012 Options and Warrants Outstanding			Options and Warrants Exercisable	
	Number	Weighted	Weighted	Number	Weighted
	Outstanding at	Average	Average	Exercisable at	Average
	March 31, 2012	Remaining Contractual	Exercise Price	March 31, 2012	Exercise Price
\$.07 to \$.15	2,500,000	2.90	\$0.07	17,000	\$0.07
\$.16 to \$.26	13,400,000	3.31	\$0.19	3,200,000	\$0.18

On March 24, 2011, the Company granted 500,000 three year warrants having an exercise price of \$0.25 per share to a consultant for services. The warrants vest immediately. The warrants were valued using the Black-Scholes Option Pricing Model with the following assumptions: dividend yield of 0%, annual volatility of 72%, risk free interest rate of .72%, and expected life of 2 years. For the year ended December 31, 2011 the Company expensed \$12,322, the fair value.

On July 7, 2011, the Company granted options to purchase 200,000 shares of its common stock having an exercise price of \$0.26 per share to a consultant. Options to purchase 100,000 shares are exercisable upon the date of grant and the remaining options to purchase 100,000 shares are exercisable six months from the date of grant. The options expire on July 7, 2012. The Options were valued using the Black-Scholes Option Pricing Model with the following assumptions: dividend yield of 0%, annual volatility of 173%, risk free interest rate of .17% and expected life of 1 year. For the year ended December 31, 2011 the Company expensed \$31,859, the fair value.

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On July 7, 2011, the Company issued options to purchase 100,000 shares of its common stock to a consultant at an exercise price of \$0.26 per share. The options vest immediately. The options expire on July 7, 2013. The Options were valued using the Black-Scholes Option Pricing Model with the following assumptions: dividend yield of 0%, annual volatility of 173%, risk free interest rate of .17% and expected life of 1 year. For the year ended December 31, 2011 the Company expensed \$15,930 the fair value.

On July 7, 2011, the Company issued options to purchase 100,000 shares of its common stock to an employee at an exercise price of \$0.26 per share. The options vest immediately. The options expire on July 7, 2013. The Options were valued using the Black-Scholes Option Pricing Model with the following assumptions: dividend yield of 0%, annual volatility of 173%, risk free interest rate of .17%, and expected life of 1 year. For the year ended December 31, 2011 the Company expensed \$15,930 the fair value.

On September 8, 2011, the Company granted options to purchase 2,000,000 shares of its common stock to consultants at an exercise price of \$0.16 per share. The options vest immediately. The options expire on September 8, 2015. The options were valued using the Black Scholes Option Pricing Model with the following assumptions: dividend yield of 0%, annual volatility of 182%, risk free interest rate of .12%, an expected life of 1 year. For the year ended December 31, 2011, the Company expensed \$304,672 the fair value.

On September 8, 2011, the Company granted options to purchase 8,000,000 shares of its common stock to consultants at an exercise price of \$0.23 per share. The options vest over various terms for each consultant ranging from two three years. The options expire on September 8, 2015. The options were valued using the Black Scholes Option Pricing Model, with the following assumptions: dividend yield at 0%, annual volatility of 182%, risk free interest rates of .19% to .33% based on expected life, and expected lives of 2 3 years. For the three months ended March 31, 2012, the Company expensed \$ 353,814, the fair value.

On September 9, 2011, the Company issued options to purchase 300,000 shares of its common stock to a consultant at an exercise price of \$0.18 per share. The options vest immediately. The options expire on September 9, 2012. The Options were valued using the Black-Scholes Option Pricing Model with the following assumptions: dividend yield of 0%, annual volatility of 182%, risk free interest rate of .12%, and expected life of 1 year. For the year ended

December 31, 2011 the Company expensed \$54,653 the fair value.

On February 23, 2012, the Company granted warrants to purchase 200,000 shares of its common stock to consultants at an exercise price of \$0.07 per share. The warrants vest ratably upon the sale of 400 associated accounts by the consultant. However, in the event of the sale of the Company to a third party within 18 months of the date of the warrants, 50% of the warrants shall immediately vest. In the event of the sale of the Company to a third party after 18 months of the date of the warrants (and prior to the expiration of the warrants), all remaining issued, but unexercised warrants shall immediately vest. The warrants expire on February 2, 2015. As of March 31, 2012 the consultant has sold 34 accounts. The Company accounts for equity instruments issued to non-employees for services and goods under ASC Topic 505.50; EITF 96-18 (Accounting for Equity Instruments Issued to Other Than Employees) These warrants require a future performance commitment by the recipient. Therefore, the Company will expense the fair market value of these securities over the period in which the performance commitment is earned. For the three months ended March 31, 2012, the warrants were valued using the Black Scholes option pricing model, with the following assumptions: dividend rate of 0%, annual volatility of 232%, risk free interest rate of .29% and expected life of 2 years. The total fair value of the warrants vested was \$12,594 for the three months ended March 31, 2012.

**MMAX MEDIA, INC. AND SUBSIDIARIES**

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**(UNAUDITED)**

On February 23, 2012, the Company granted warrants to purchase 2,200,000 shares of its common stock to consultants at an exercise price of \$0.18 per share. The warrants begin to vest upon the sale of 5,000 associated accounts by the consultant and will vest 440 warrants per account sold thereafter. The warrants were issued pursuant to a marketing and sales consulting agreement. The term of the agreement is through February 23, 2016, unless earlier terminated by either party. In the event the consultant ceases to perform services under the agreement or either party terminates the agreement, then any vested, but unexercised warrants shall expire at the earlier of 180 days of the date of termination or the expiration date of the warrants. The warrants expire on February 23, 2016. As of March 31, 2012 the consultant has not reached these milestones (See Note 8).

On February 23, 2012, the Company granted warrants to purchase 2,300,000 shares of its common stock to consultants at an exercise price of \$0.07 per share. The warrants begin to vest upon the sale of 401 associated accounts by the consultant and will vest 500 warrants per account sold thereafter. The warrants expire on February 23, 2015. As of March 31, 2012 the consultant has not reached these milestones (See Note 8).

**NOTE 10 RELATED PARTIES**

During 2010, a related party shareholder and officer contributed \$9,057 of salary to the Company. The amount was recorded as an in-kind contribution.

During the year ended December 31, 2011 and the period from January 22, 2010 (inception) to December 31, 2010, the Company leased employees from a company owned by the President and paid amounts of \$21,381 and \$98,873, respectively.

On August 15, 2011, the Company entered into an employment agreement with its Chief Executive Officer. The agreement is for a period of one year and automatically extends for one day each day until either party notifies the other not to further extend the employment period, provides for an annual base salary totaling \$250,000 and annual bonuses based on pre-tax operating income, as defined, for an annual minimum of \$50,000 in total. As of March 31,

2012 the Company recorded a salary expense of \$75,000 including the prorated portions of the minimum annual bonus of \$12,500. Accrued compensation at March 31, 2012 and December 31, 2011, was \$55,894 and \$18,615, respectively.

**NOTE 11 CONCENTRATIONS**

For the three months ended March 31, 2012 and 2011, one customer accounted for 18% and 30% of total sales, respectively. For the period from January 22, 2010 (Inception) through March 31, 2012, one customer accounted for 23% of total sales.

**NOTE 12 SUBSEQUENT EVENTS**

On April 6, 2012 the Company issued 125,000 shares of its common stock to consultants valued at \$7,500 (\$.06 per share) the fair value of the common stock on the date of issuance.

The Company received advances of \$35,000 on May 11, 2012 from an existing note holder. The Company is still negotiating the terms.

**ITEM 2.**

**MANAGEMENTS DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

**Forward-Looking Statements**

This Quarterly Report on Form 10-Q contains forward-looking statements. These forward-looking statements are based on our management's beliefs, assumptions and expectations and on information currently available to our management. Generally, you can identify forward-looking statements by terms such as may, will, should, could, would, expects, plans, anticipates, believes, estimates, projects, predicts, potential and similar expressions. You should identify forward-looking statements, which generally are not historical in nature. All statements that address operating or financial performance, events or developments that we expect or anticipate will occur in the future are forward-looking statements, including without limitation our expectations with respect to product sales, future financings, or the commercial success of our products. We may not actually achieve the plans, projections or expectations disclosed in forward-looking statements, and actual results, developments or events could differ materially from those disclosed in the forward-looking statements. Our management believes that these forward-looking statements are reasonable as and when made. However, you should not place undue reliance on forward-looking statements because they speak only as of the date when made. We do not assume any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by federal securities laws and the rules of the Securities and Exchange Commission (the "SEC"). We may not actually achieve the plans, projections or expectations disclosed in our forward-looking statements, and actual results, developments or events could differ materially from those disclosed in the forward-looking statements. Forward-looking statements are subject to a number of risks and uncertainties, including without limitation those described from time to time in our future reports filed with the SEC.

The following discussion and analysis of our financial condition and results of operations should be read together with our unaudited interim consolidated condensed financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q.

***Overview***

MMAX Media, Inc. is presently in the development stage of its business and management can provide no assurances that the Company will be successful in developing its business. On March 16, 2011, MMAX completed its agreement and plan of merger to acquire Hyperlocal Marketing, LLC, a Florida limited liability company ( "Hyperlocal" ), pursuant to which Hyperlocal merged with and into HLM Paymeon, Inc., a Florida corporation and wholly owned subsidiary of MMAX. Pursuant to the terms of the merger agreement, Tommy Habeeb resigned as our chief executive officer and director and Edward Cespedes was appointed to serve as our chief executive officer and director. Under the terms of the merger agreement, the Hyperlocal members received 20,789,395 shares of MMAX common stock, which equal approximately 50.1% of the total shares of MMAX issued and outstanding following the merger on a fully diluted basis. In accordance with ASC Topic 360-10-45-15, Hyperlocal is considered the accounting acquirer and MMAX is considered the accounting acquiree. Hyperlocal was organized in January 2010 and has nominal revenues since its inception.

***Business Overview***

We own and operate products aimed at the location-based marketing industry. We develop and market products that provide merchants and consumers with mobile marketing services and offers, including but not limited to, mobile coupons, mobile business cards, mobile websites, use of SMS short codes and contest management.

Since inception, we have incurred net operating losses. Losses have principally occurred as a result of the substantial resources required for research and development and marketing of our products which included the general and administrative expenses associated with its organization and product development. We expect operating losses to continue, mainly due to the anticipated expenses associated with the marketing of the Hyperlocal products.

We have developed PayMeOn, a product designed to offer its customers social income potential through the purchase and referral of coupon-style deals through its mobile and web interfaces. The PayMeOn product will pay customers that refer coupon-style deals a payout amount for successful referrals (referrals that result in a purchase). Payout amounts come from our monetary share of the deals we offer. Offering payout amounts on our deals cause PayMeOn to have an additional expense that our competitors do not have. We manage this competitive disadvantage by striving to keep our overhead costs low. While our competitors invest in large numbers of employees dedicated to securing deals to offer their customers, PayMeOn has chosen to partner for most of its deal offerings, including, but not limited to an agreement with



Adility, Inc. By partnering for our deals, we are able to offer deals in a substantial number of cities (more than 40 currently), while maintaining a very small internal deal acquisition team (currently 1 person). We believe that we will be able to offer competitive payout amounts because of our low internal overhead and because we believe that the cash incentive will result in higher sharing rates among our customers. By sharing rates, we mean the number of deals that PayMeOn members share with their contacts. We believe that PayMeOn deals will be shared often because of the potential for cash earnings for members that share them. PayMeOn intends to derive its net revenue from the difference of what it charges consumers for a particular deal and what it owes merchants and third parties as their share of a particular deal. The difference is PayMeOn's net revenue. PayMeOn establishes a payout amount for each of the deals it offers from its share of the net revenue. PayMeOn users earn their social income from the payout amount established by PayMeOn. Because PayMeOn sources most of its deal offerings from a third party, such as, Adility, Inc., PayMeOn does not control the share of the revenue it retains versus the amount due the merchant and due to the third party provider. PayMeOn does control which deals it chooses to offer its customers and can choose not to offer certain deals. While our third party relationships will reduce our margins, we believe that because of our low cost structure, specifically the need for fewer personnel dedicated to deal acquisition relative to our competitors, our ultimate net revenue should be competitive and allow for PayMeOn to set payout amounts attractive enough to encourage members to share deals.

Our Hyperlocal Platform also supports multiple text messaging services such as WAP, MMS and XHTML, runs on a commercial grade mobile marketing platform used by the National Football League, Major League Baseball and others and operates with all major mobile carriers, including AT&T, Sprint, T-Mobile and Verizon. The fully-integrated interface allows for web-based monitoring of customers. It provides access to real-time statistics for each customer's account, including incoming and outgoing messages, number of keywords, credits, account status and more.

We have recently integrated our PayMeOn offerings with the Hyperlocal Marketing Platform to create the PayMeOn Merchant Profit Center. The PayMeOn Merchant Profit Center platform is designed to provide local merchants with a mobile and web based marketing platform that allows merchants to distribute coupons or daily deals, capture and retain customers, and earn money from their customers whenever they purchase from the PayMeOn network. The product is typically sold on an annual package basis (bronze, silver, gold, platinum or custom). Packages are distinguished by different distribution opportunities and volume of text messages available.

### **Distribution of coupons or daily deals**

Customers of the PayMeOn Merchant Profit Center are able to market coupons or daily deals at <http://www.paymeon.com> or to PayMeOn customers directly via email as often as once a month (depending on the plan they select), and retain up to 90% of the proceeds. Unlike most PayMeOn competitors in the daily deal space, PayMeOn is able to allow merchants to retain nearly all their proceeds from sales of coupons or daily deals on its network because it charges an annual up-front fee.

### **Capture and retention of customers**

Use of the mobile marketing module of the PayMeOn Merchant Profit Center allows merchants to acquire and retain customer mobile phone numbers and merchants are able to market via text to customers from the platform in the future. Keyword driven accounts are created for merchants on the mobile module of the PayMeOn Merchant Profit Center. Keywords are descriptive words created for the merchant in the system that are marketed at the point of sale or in print or online advertising to customers. For example, a customer might enter a restaurant called Steps. When the customer enters the restaurant, they see a sign that reads, to join our VIP club, text steps <space> your email address

to 41513 . When the customer texts the keyword ( steps ) and his/her email into the system, he/she is opting in to that merchant s account on the mobile marketing module of the PayMeOn Merchant Profit Center and also being anchored to the merchant s profit center account at PayMeOn.

The platform also provides the merchant with various other capabilities, including the ability to run contests for members, create mobile websites and other useful applications.

The PayMeOn Merchant Profit Center is marketed primarily to small and medium sized businesses in various categories, including but not limited to restaurants, automotive supply and repair shops, spas, specialty retail and medical offices. Merchants use the platform in a variety of ways by marketing keywords that drive consumer interest:

- Mobile coupons
- Calls to action (text MMAX to 41513 to view a working demonstration)

- Brand engagement (voting, contests, polling)
- Geotargeted ads (travel, rental cars)
- Send alerts, sales related notifications
- Appointment reminders
- Audience interactions (concerts, conferences, airports)

### **Generating revenue from customers from purchases on the PayMeOn network**

When customers text in keywords and email addresses to PayMeOn Merchant Profit Center accounts, they are anchored or connected to the merchant's account at PayMeOn. Merchants earn anchor payments for anything purchased by their anchored customers anywhere on the PayMeOn network.

Our operations are currently conducted principally through our wholly-owned subsidiary, HLM PayMeOn, Inc.

### **Critical Accounting Policies and Estimates**

#### ***Revenue Recognition***

The Company will recognize revenue on arrangements in accordance with FASB ASC No. 605, Revenue Recognition. In all cases, revenue is recognized only when the price is fixed and determinable, persuasive evidence of an arrangement exists, the service is performed and collectability of the resulting receivable is reasonably assured.

The Company recognizes revenue from the sale of keywords over the period the keywords are purchased for exclusive use, usually one year.

The Company recognizes revenue from setup fees in accordance with Topic 13, which requires the fees to be deferred and amortized over the term of the agreements. Revenue from the sale of bulk text messages sales are recognized at the time messages are delivered. Revenue from monthly membership fees are recorded during the month the membership is earned.

#### ***Stock-Based Compensation***

The Company recognizes compensation costs to employees under FASB Accounting Standards Codification No. 718, Compensation - Stock Compensation. Under FASB Accounting Standards Codification No. 718, companies are required to measure the compensation costs of share-based compensation arrangements based on the grant-date fair value and recognize the costs in the financial statements over the period during which employees are required to provide services. Share based compensation arrangements include stock options, restricted share plans, performance based awards, share appreciation rights and employee share purchase plans. As such, compensation cost is measured on the date of grant at their fair value. Such compensation amounts, if any, are amortized over the respective vesting periods of the option grant.

Equity instruments issued to other than employees are recorded on the basis of the fair value of the instruments, as required by FASB Accounting Standards Codification No. 505, Equity Based Payments to Non-Employees. In general, the measurement date is when either a (a) performance commitment, as defined, is reached or (b) the earlier of (i) the non-employee performance is complete or (ii) the instruments are vested. The measured value related to the instruments is recognized over a period based on the facts and circumstances of each particular grant as defined in the

FASB Accounting Standards Codification.

### **Results of Operations**

Revenues for the three months ended March 31, 2012, totaled \$6,653 and were principally derived from sales of the Company's Hyperlocal mobile text marketing packages to small businesses and from incremental text purchases from subscribers to the mobile text marketing packages. A small amount of sales were derived from our PayMeOn business, which is still in its development stage. Revenues for the three months ended March 31, 2011, were \$7,990 and substantially all revenues were derived from Hyperlocal mobile text marketing packages.

Operating expenses for the three months ended March 31, 2012 totaled \$553,875, an increase of \$368,932 or 199% from \$184,943 for the three months ended March 31, 2011. Operating expenses for the three months ended March 31, 2012

were largely made up of a \$380,064 non cash expense primarily related to the issuance of warrants issued to certain consultants and service providers in consideration of marketing, business and general consulting services. Operating expenses for the three months ended March 31, 2011, totaled \$184,943, the majority of which was related to consulting fees (\$55,000) and professional fees (\$49,737), payroll and payroll taxes (\$29,367) and general and administrative expenses (\$24,485). A summary of our material operating expenses for the three months ended March 31, 2012 are as follows:

- professional fees of \$30,896 primarily related to legal and accounting expenses associated with the operations of our business and SEC reporting;
- payroll and payroll taxes of \$99,221;
- consulting fees of \$380,064 primarily relating to the issuance of warrants to consultants and service providers as discussed above; and
- general and administrative expenses of \$38,501.

### **Liquidity and Capital Resources**

At March 31, 2012, we had a cash balance of \$33,320. At March 31, 2012 we had working capital deficit of \$253,401 and an accumulated deficit of \$2,418,982. We require additional working capital. See Plan of Operations below.

From March 2011 through June 2011, the Company privately sold an aggregate of 2,210,000 shares of restricted shares of common stock to 11 accredited investors for gross proceeds of \$276,250. During July and August the Company received subscriptions for the purchase of an aggregate of 2,080,000 shares of its common stock from 11 subscribers at a purchase price of \$0.125 per share for gross proceeds of \$260,000. The proceeds from the private placements shall be used for the continued development of Hyperlocal and PayMeOn products and general working capital purposes. The private placements were conducted by the Company's president and CEO and no fees or commissions were paid in connection with the private placement (excluding \$8,788 in offering costs).

Since inception, the Company has incurred net operating losses and used cash in operations. As of March 31, 2012, the Company had a net loss from inception of \$2,418,982. The Company has also dedicated substantial resources required to research and development and marketing of the Company's products which included the general and administrative expenses associated with its organization and product development. The Company expects to incur continued marketing expenses in the near and medium term in pursuit of market share. Necessary marketing spending could curtail the Company's ability to generate profits in the near and medium term. We expect operating losses to continue, mainly due to the continued costs and expenses associated with development of our business and marketing of the Hyperlocal and PayMeOn products. These conditions raise substantial doubt about the Company's ability to continue as a going concern.

On January 3, 2012, the Company entered into an agreement to issue secured convertible promissory notes in the aggregate principal amount of \$120,000 (the Notes) to certain accredited investors. The Notes bear interest at an annual rate of 7% and are payable on or before 12 months from the date of issuance. The Notes are secured by all of the assets of the Company and includes customary provisions concerning events of default. In addition, the Notes may be converted at any time, at the option of the holder, into shares of the Company's common stock at a conversion price of \$0.125 per share, subject to adjustment. The Company received \$120,000 in gross proceeds. The Company intends to use the proceeds from the Notes for working capital purposes.

### **Plan of Operations**

We intend on continuing our efforts primarily towards completing development of the Company's PayMeOn products. We expect to continue marketing our Hyperlocal Marketing platform and products, but primarily as bundled or complimentary additions to our PayMeOn product and under the PayMeOn Merchant Profit Center name. As our development efforts come to fruition, we will focus our efforts on developing sales and distribution channels for PayMeOn. We will primarily focus our sales and distribution efforts on developing partnerships with third-party sales companies and on developing partnerships with businesses that have large databases they wish to monetize in the local, group buying or deals space. We completed a substantial portion of the primary development of the PayMeOn product during the third quarter 2011. Though the product has been deployed in beta since the second quarter 2011 and we have already generated some small revenue from PayMeOn, we have now completed updates to PayMeOn's iPhone and Android mobile applications, additions to our payment tracking databases and implemented additional reporting capabilities, as well as other technical improvements to the product. We believe that there will be minimal new product development going forward and expect only to dedicate resources to maintenance, update and repair of existing products for the near future. Though we will always monitor the competitive landscape for indications that we may need to develop new and additional products and will develop new products as

necessary to remain competitive, we expect to primarily focus on accelerating our sales efforts during 2012. Accordingly, in February 2012, we entered into a Master Sales Agreement with PSC LLC, a sales operation that sells third party products through a network of independent sales organizations (iso s).

Current working capital is not sufficient to maintain our current operations and there is no assurance that future sales and marketing efforts will be successful enough to achieve the level of revenue sufficient to provide cash to sustain operations. To the extent such revenues and corresponding cash flows do not materialize, we will attempt to fund working capital requirements through third party financing, including a private placement of our securities. In the absence of revenues, we currently believe we require a minimum of \$500,000 to maintain our current operations through 2012. We cannot provide any assurances that required capital will be obtained or that the terms of such required capital may be acceptable to us. If we are unable to obtain adequate financing, we may reduce our operating activities until sufficient funding is secured or revenues are generated to support operating activities.

### **Recent Accounting Pronouncements**

In December 2011, FASB issued Accounting Standards Update 2011-11, Balance Sheet - Disclosures about Offsetting Assets and Liabilities to enhance disclosure requirements relating to the offsetting of assets and liabilities on an entity's balance sheet. The update requires enhanced disclosures regarding assets and liabilities that are presented net or gross in the statement of financial position when the right of offset exists, or that are subject to an enforceable master netting arrangement. The new disclosure requirements relating to this update are retrospective and effective for annual and interim periods beginning on or after January 1, 2013. The update only requires additional disclosures, as such, we do not expect that the adoption of this standard will have a material impact on our results of operations, cash flows or financial condition.

### ***Subsequent Events***

On April 6, 2012 the Company issued 125,000 shares of its common stock to consultants valued at \$7,500 (\$.06 per share) the fair value of the common stock on the date of issuance.

The Company received advances of \$35,000 on May 11, 2012 from existing note holders. The Company is still negotiating the terms of the advances.

### **ITEM 3.**

#### **QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Not applicable to smaller reporting companies.

### **ITEM 4.**

#### **CONTROLS AND PROCEDURES**

##### **Evaluation of Controls and Procedures**

We maintain disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the Exchange Act)) that are designed to be effective in providing reasonable assurance that information required to be disclosed in our reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and that such information is accumulated and communicated to our management to allow timely decisions regarding required disclosure.

The Company's management, under the supervision and with the participation of the Company's Chief Executive Officer and Chief Financial (and principal accounting) Officer, carried out an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) of the Exchange Act) as of March 31, 2012.

During our assessment of the effectiveness of internal control over financial reporting as of March 31, 2012 management identified significant deficiencies related to (i) the U.S. GAAP expertise of our internal accounting staff, (ii) the ability of our internal accounting staff to record our transactions to which we are a party which necessitates our bringing in external consultants to supplement this function, and (iii) a lack of segregation of duties within accounting functions. Therefore, our internal controls over financial reporting were not effective as of March 31, 2012 based on the material weakness described below.

- insufficient monitoring controls to determine the adequacy of our internal control over financial reporting and related policies and procedures;



- lack of competent financial management personnel with appropriate accounting knowledge and training;
- our financial staff does not hold a license such as Certified Public Accountant in the U.S., nor have they attended U.S. institutions or extended educational programs that would provide enough of the relevant education relating to U.S. GAAP, nor have any U.S. GAAP audit experience;
- we rely on outside consultant to prepare our financial statements; and
- insufficient controls over our period-end financial close and reporting processes.

As a result of this material weakness, our Chief Executive Officer and Chief Financial Officer concluded that our internal control over financial reporting was not effective as of March 31, 2012. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness; yet important enough to merit attention by those responsible for oversight of the company's financial reporting.

Because of its inherent limitations, however, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate. In order to mitigate the foregoing material weakness, we engaged an outside accounting consultant to assist us in the preparation of our financial statements to ensure that these financial statements are prepared in conformity to U.S. GAAP. This outside accounting consultant has significant experience in the preparation of financial statements in conformity with U.S. GAAP. We believe that the engagement of this consultant will lessen the possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis, and we will continue to monitor the effectiveness of this action and make any changes that our management deems appropriate. We expect to continue to rely on this outside consulting arrangement to supplement our internal accounting staff for the foreseeable future. Until such time as we hire the proper internal accounting staff with the requisite U.S. GAAP experience, however, it is unlikely we will be able to remediate the material weakness in our internal control over financial reporting.

We believe that the foregoing steps will remediate the significant deficiencies identified above, and we will continue to monitor the effectiveness of these steps and make any changes that our management deems appropriate.

#### **Changes in Internal Control over Financial Reporting**

No change in our system of internal control over financial reporting occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## **PART II. OTHER INFORMATION**

### **ITEM 1.**

#### **LEGAL PROCEEDINGS.**

As of the date of this report, we are not aware of any proceeding, threatened or pending, against us which, if determined adversely, would have a material effect on our business, results of operations, cash flows or financial position.

### **ITEM 1A.**

#### **RISK FACTORS**

Not applicable to smaller reporting companies.

### **ITEM 2.**

#### **UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

In addition to those unregistered securities previously disclosed in reports filed with the Securities and Exchange Commission, during the period covered by this report, we have sold securities without registration under the Securities Act of 1933, as amended, in reliance upon the exemption provided under Section 4(2), as provided below. The securities issued contain a legend restricting transfer absent registration or applicable exemption. The securities holders received current information about the Company and had the opportunity to ask questions about the Company.

On January 3, 2012, the Company entered into an agreement to issue secured convertible promissory notes in the aggregate principal amount of up to \$120,000 (the Notes ) to five accredited investors. The Notes bear interest at an annual rate of 7% and are payable on or before 12 months from the date of issuance. The Notes are secured by all of the assets of the Company and includes customary provisions concerning events of default. In addition, the Notes may be converted at any time, at the option of the holder, into shares of the Company's common stock at a conversion price of \$0.125 per share, subject to adjustment. Accrued interest amount to \$2,026 at March 31, 2012.

On February 23, 2012, the Company granted warrants to purchase 200,000 shares of its common stock to consultants at an exercise price of \$0.07 per share. The warrants vest upon the sale of 400 associated accounts by the consultant. However, in the event of the sale of the Company to a third party within 18 months of the date of the warrants, 50% of the warrants shall immediately vest. In the event of the sale of the Company to a third party after 18 months of the date of the warrants (and prior to the expiration of the warrants), all remaining issued, but unexercised warrants shall immediately vest. The warrants expire on February 2, 2015. As of March 31, 2012 the consultant has sold 34 accounts.

On February 23, 2012, the Company granted warrants to purchase 2,300,000 shares of its common stock to consultants at an exercise price of \$0.07 per share. The warrants begin to vest upon the sale of 401 associated accounts

by the consultant and will vest 500 warrants per account sold thereafter. The warrants expire on February 23, 2015. As of March 31, 2012 the consultant has not reached these milestones.

On February 23, 2012, the Company granted warrants to purchase 2,200,000 shares of its common stock to consultants at an exercise price of \$0.18 per share. The warrants begin to vest upon the sale of 5,000 associated accounts by the consultant and will vest 440 warrants per account sold thereafter. The warrants were issued pursuant to a marketing and sales consulting agreement. The term of the agreement is through February 23, 2016, unless earlier terminated by either party. In the event the consultant ceases to perform services under the agreement or either party terminates the agreement, then any vested, but unexercised warrants shall expire at the earlier of 180 days of the date of termination or the expiration date of the warrants. The warrants expire on February 23, 2016. As of March 31, 2012 the consultant has not reach there milestones.

On February 23, 2012, the Company issued 300,000 shares of its common stock to consultants valued at \$21,000 (\$.07 per share) the fair value of the common stock on the date of issuance.

**ITEM 3.**

**DEFAULTS UPON SENIOR SECURITIES**

None.

**ITEM 4.**

**MINE SAFETY DISCLOSURE**

None.

**ITEM 5.**

**OTHER INFORMATION**

None.

**ITEM 6.**

**EXHIBITS**

<b>Exhibit Number</b>	<b>Description</b>
10.1	PSC/MMAX Media, Inc. Master Sales Agreement
31.1	Certification of Chief Executive Officer pursuant to Rule 13A-14(a) or Rule 15d-14(a) of the Securities Exchange Act
31.2	Certification of Chief Financial Officer pursuant to Rule 13A-14(a) or Rule 15d-14(a) of the Securities Exchange Act
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	XBRL Interactive Data File*

\* Attached as Exhibit 101 to this report are the following financial statements from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2012 formatted in XBRL (eXtensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss), (iii) the Condensed Consolidated Statements of Cash Flows, and (iv) related notes to these financial statements tagged as blocks of text. The XBRL-related information in Exhibit 101 to this Quarterly Report on Form 10-Q shall not be deemed filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, and is not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of those sections.

**SIGNATURES**

In accordance with the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: May 21, 2012

**MMAX Media, Inc.**

By: /s/ Edward Cespedes  
Edward Cespedes  
Chief Executive Officer  
Chief Financial Officer