

MMAX MEDIA, INC.
Form 10-Q
November 14, 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: **September 30, 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)*

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

511 N.E. 3rd Avenue, 1st Floor, Fort Lauderdale, Florida 33301

(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 November 13, 2012 |
|---|--|
| Common Stock, \$0.001 Par Value Per Share | 47,325,116 |

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**

| | September 30, 2012 (Unaudited) | December 31, 2011 |
|---|---|------------------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash | \$ | \$ 6,328 |
| Prepaid expenses | | 3,000 |
| TOTAL CURRENT ASSETS | | 9,328 |
| COMPUTER EQUIPMENT AND WEBSITE COSTS, NET | 14,206 | 21,313 |
| OTHER ASSETS | | |
| Deposits | 4,290 | 4,290 |
| TOTAL OTHER ASSETS | 4,290 | 4,290 |
| TOTAL ASSETS | \$ 18,496 | \$ 34,931 |
| LIABILITIES AND STOCKHOLDERS' DEFICIT | | |
| CURRENT LIABILITIES | | |
| Accounts Payable | \$ 57,658 | \$ 45,115 |
| Accrued expenses | 227,390 | 45,550 |
| Deferred revenue | 9,737 | |
| Due to related parties | 4,300 | |
| Notes Payable - convertible (net of discount of \$36,544) | 212,456 | |
| TOTAL CURRENT LIABILITIES | 511,541 | 90,665 |

COMMITMENTS AND CONTINGENCIES (SEE NOTE 5)

STOCKHOLDERS DEFICIT

| | | | |
|---|-----------|------------------|------------------|
| Preferred stock, \$0.001 par value, 5,000,000 shares authorized, 0 and 0 shares issued and outstanding, respectively | | | |
| Common stock, \$0.001 par value, 195,000,000 shares authorized, 47,325,116 and 44,646,539 shares issued and outstanding, respectively | | 47,324 | 44,645 |
| Additional paid in capital | | 2,563,002 | 1,769,355 |
| Accumulated deficit | | (3,103,371) | (1,869,734) |
| TOTAL STOCKHOLDERS'S DEFICIT | | (493,045) | (55,734) |
| TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT | \$ | 18,496 | \$ 34,931 |

See accompanying notes to unaudited condensed consolidated financial statements.

MMAX MEIDA INC AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
(Unaudited)

| | For the Three Months Ended | | For the Nine Months Ended | |
|--|-----------------------------------|-------------|----------------------------------|-------------------|
| | September 30, | | September 30, | |
| | 2012 | 2011 | 2012 | 2011 |
| | | | | (Restated) |
| Revenue | | | | |
| Service Revenue, net | \$ 10,092 | \$ 7,285 | \$ 26,541 | \$ 25,928 |
| OPERATING EXPENSES | | | | |
| Payroll and payroll taxes | 137,675 | 119,409 | 330,144 | 213,171 |
| Consulting | 9,109 | 529,462 | 741,370 | 584,673 |
| Impairment of intangible assets | | | | 1,454 |
| General and administrative | 28,281 | 89,628 | 173,876 | 264,841 |
| Total Operating Expenses | 175,065 | 738,499 | 1,245,390 | 1,064,139 |
| NET LOSS FROM OPERATIONS | (164,973) | (731,214) | (1,218,849) | (1,038,211) |
| OTHER EXPENSES | | | | |
| Liquidated damages | | | | 16,575 |
| Interest expense | 8,314 | | 14,788 | 34,726 |
| Total other expenses | 8,314 | | 14,788 | 51,301 |
| Net loss before provision for income taxes | (173,287) | (731,214) | (1,233,637) | (1,089,512) |

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Provision for
Income Taxes

| | | | | | | | | |
|-----------------|----|-----------|----|-----------|----|-------------|----|-------------|
| NET LOSS | \$ | (173,287) | \$ | (731,214) | \$ | (1,233,637) | \$ | (1,089,512) |
|-----------------|----|-----------|----|-----------|----|-------------|----|-------------|

| | | | | | | | | |
|---|----|--------|----|--------|----|--------|----|--------|
| Net loss per share - basic and diluted | \$ | (0.00) | \$ | (0.02) | \$ | (0.03) | \$ | (0.03) |
|---|----|--------|----|--------|----|--------|----|--------|

| | | | | | | | | |
|---|--|------------|--|------------|--|------------|--|------------|
| Weighted average number of shares outstanding during the period - basic and diluted | | 47,276,125 | | 43,245,232 | | 45,708,389 | | 34,487,551 |
|---|--|------------|--|------------|--|------------|--|------------|

See accompanying notes to unaudited condensed consolidated financial statements.

MMAX MEDIA, INC AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)

| | For the Nine Months Ended | |
|---|----------------------------------|--|
| | 2012 | September 30, 2011 (Restated) |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net loss | \$ (1,233,637) | \$ (1,089,512) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation | 7,107 | 6,786 |
| Amortization of debt discount | 6,810 | |
| Impairment of license | | 1,454 |
| Warrants issued for services | 699,472 | 511,913 |
| Common stock issued for services | 28,500 | 95,000 |
| Common stock issued for liquidated damages | | 34,250 |
| Changes in operating assets and liabilities: | | |
| Decrease / (increase) in prepaid expenses | 3,000 | (18) |
| Increase in Deposits | | |
| Increase in accounts payable | 194,383 | 22,848 |
| Increase in accrued expenses | | 16,575 |
| (Decrease) / increase in deferred revenue | 9,737 | (4,836) |
| Net Cash Used In Operating Activities | (284,628) | (405,540) |
| CASH FLOWS USED IN INVESTING ACTIVITIES: | | |
| Deposit | | (4,290) |
| Purchase of computer equipment and website | | (5,155) |
| Cash acquired in acquisition | | 4,088 |
| Net Cash Used In Investing Activities | | (5,357) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from notes payable | | 30,000 |
| Repayment of notes payable | | (30,000) |
| Proceeds from notes payable - convertible | 249,000 | |
| Sale of common stock | 25,000 | 527,462 |
| Due to related parties | 4,300 | |
| Net Cash Provided By Financing Activities | 278,300 | 527,462 |
| NET INCREASE / (DECREASE) IN CASH | (6,328) | 116,565 |

| | | | | |
|--|----|-------|----|---------|
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | | 6,328 | | 13,989 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | \$ | | \$ | 130,554 |

See accompanying notes to unaudited condensed consolidated financial statements.

MMAX MEDIA, INC AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(Unaudited)

| | For the Nine Months Ended | |
|--|----------------------------------|--|
| | 2012 | September 30, 2011 (Restated) |
| Supplemental disclosure of non cash investing & financing activities: | | |
| Cash paid for income taxes | \$ | \$ |
| Cash paid for interest expense | \$ | \$ |
| Common stock issued for payment of liquated damages | \$ | \$ |
| Common stock issued for prepaid expenses | \$ | \$ |
| 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. During 2011, the preferred shares were converted into 6,386,020 shares of common stock.

During September, 2012, the Company received \$54,000 in exchange for notes payable of \$54,000 with a beneficial conversion feature valued at \$43,354.

See accompanying notes to unaudited condensed consolidated financial statements.

MMAX MEDIA, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 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 September 30, 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 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 .

During the nine months ended September 30, 2012 the Company emerged from Development Stage Status.

(B) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of MMAX Media, Inc. from the acquisition date of March 16, 2011 and its wholly owned subsidiaries, Hyperlocal Marketing, LLC. and HLM Paymeon, Inc. 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 September 30, 2012, the Company had net losses of \$1,233,637, an accumulated deficit of \$3,103,371, a working capital deficiency of \$511,541, and used cash in operations of \$284,628. 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.

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.

MMAX MEDIA, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS OF SEPTEMBER 30, 2012

(UNAUDITED)

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.

(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.

MMAX MEDIA, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS OF SEPTEMBER 30, 2012

(UNAUDITED)

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.

| Asset Category | Depreciation/ Amortization Period |
|--------------------|---|
| Computer equipment | 3 Years |

Property and equipment and website costs consisted of the following:

| | September 30, 2012 (Unaudited) | December 31, 2011 |
|--------------------------|--------------------------------------|----------------------|
| Computers and equipment | \$ 5,408 | \$ 5,408 |
| Website development | 24,775 | 24,775 |
| Total | 30,183 | 30,183 |
| Accumulated depreciation | (15,977) | (8,870) |
| Balance | \$ 14,206 | \$ 21,313 |

Depreciation expense for three and nine months ended September 30, 2012 and 2011 was \$2,369, \$7,107, \$2,337 and \$6,786, 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.

(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.

MMAX MEDIA, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS OF SEPTEMBER 30, 2012

(UNAUDITED)

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. The Company has 15,400,000 and 11,200,000 shares issuable upon the exercise of options and warrants and 9,713,430 and 0 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 for the nine months ended September 30, 2012 and 2011, respectively.

(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.

MMAX MEDIA, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS OF SEPTEMBER 30, 2012

(UNAUDITED)

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.

In July 2012, FASB issued Accounting Standards Update 2012-01, Balance Sheet - Subtopic 954-430, Health Care Entities - Deferred Revenue, requires that a continuing care retirement community recognize a deferral of revenue when a contract between a continuing care retirement community and a resident stipulates that (1) a portion of the advanced fee is refundable if the contract holder's unit is reoccupied by a subsequent resident, (2) the refund is limited to the proceeds of reoccupancy, and (3) the legal environment and the entity's management policy and practice support the withholding of refunds under condition (2). Questions have arisen in practice about cases where the refund depends on reoccupancy. The objective of this Update is to clarify the reporting for refundable advance fees received by continuing care retirement communities. The amendments in this update are effective for fiscal periods beginning after December 15, 2013. Early adoption is permitted. The amendments in this Update should be applied retrospectively by recording a cumulative-effect adjustment to opening retained earnings (or unrestricted net assets) as of the beginning of the earliest period presented.

In July 2012, FASB issued Accounting Standards Update 2012-02, Balance Sheet- Intangibles- Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment is an Amendment to FASB Accounting Standards Update 2011-08. The objective of the amendments in this Update is to reduce the cost and complexity of performing an impairment test for indefinite-lived intangible assets by simplifying how an entity tests those assets for impairment and to improve consistency in impairment testing guidance among long-lived asset categories. The amendments permit an entity first to assess qualitative factors to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired as a basis for determining whether it is necessary to perform the quantitative impairment test in accordance with Subtopic 350-30, Intangibles - Goodwill and Other - General Intangibles Other than Goodwill. The more-likely-than-not threshold is defined as having a likelihood of more than 50 percent. The amendments are effective for annual and interim impairment tests performed for fiscal years beginning after

September 15, 2012. Early adoption is permitted, including for annual and interim impairment tests performed as of a date before July 27, 2012, if a public entity's financial statements for the most recent annual or interim period have not yet been issued or, for nonpublic entities, have not yet been made available for issuance.

NOTE 4 CONVERTIBLE NOTES PAYABLE

| | September 31, |
|-------------|----------------------|
| | 2012 |
| Loan Amount | \$ 249,000 |
| Discount | (36,544) |
| Balance | \$ 212,456 |

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 include 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. During the nine months ended September 30, 2012 the Company received an additional \$35,000 from the accredited investors under the same terms. Accrued interest amounted to \$6,249 at September 30, 2012. There was no beneficial conversion expense recorded as the fair value of the common stock was less than the exercise price.

MMAX MEDIA, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS OF SEPTEMBER 30, 2012

(UNAUDITED)

On July 24, 2012, the Company entered into an agreement to issue an unsecured convertible promissory note in the principal amount of \$45,000 (the Note) to an accredited investor. The Note bears interest at an annual rate of 7% and is payable on or before 12 months from the date of issuance. In addition, the Note 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 \$0.01 per share, subject to adjustment. The Company recorded a debt discount of \$36,129 for the beneficial conversion feature. Amortization of the debt discount amounted to \$6,731 at September 30, 2012. Accrued interest amounted to \$587 at September 30, 2012.

On September 4, 2012, the Company entered into an agreement to issue an unsecured convertible promissory note in the principal amount of \$40,000 (the Note) to an accredited investor. The Note bears interest at an annual rate of 7% and is payable on or before 12 months from the date of issuance. In addition, the Note 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 \$0.01 per share, subject to adjustment. Accrued interest amounted to \$199 at September 30, 2012. There was no beneficial conversion expense recorded as the fair value of the common stock was less than the exercise price.

On September 26, 2012, the Company entered into an agreement to issue an unsecured convertible promissory note in the principal amount of \$9,000 (the Note) to an accredited investor. The Note bears interest at an annual rate of 7% and is payable on or before 12 months from the date of issuance. In addition, the Note 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 \$0.01 per share, subject to adjustment. The Company recorded a debt discount of \$7,226 for the beneficial conversion feature. Amortization of the debt discount amounted to \$79 at September 30, 2012. Accrued interest amounted to \$7 at September 30, 2012.

NOTE 5 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 September 30, 2012, 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 September 30, 2012 the Company recorded a salary expense of \$225,000 including the prorated portions of the minimum annual bonus of \$25,000. Accrued compensation at September 30, 2012 and December 31, 2011, was \$192,206 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, 2016. 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 outstanding 180 days after Consultant/Advisor's departure date (or at the expiration date) shall expire and terminate forever.

MMAX MEDIA, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS OF SEPTEMBER 30, 2012

(UNAUDITED)

NOTE 6 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.

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.

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.

On July 2, 2012, the Company sold 2,253,577 shares of restricted shares of Common Stock to an accredited investor for net proceeds of \$25,000 (\$.01 per share).

NOTE 7 OPTIONS AND WARRANTS

The following tables summarize all options and warrant grants to consultants for the period ended September 30, 2012 and the related changes during these periods are presented below.

| Number of Options And Warrants | Weighted Average Exercise Price |
|---|--|
|---|--|

Stock Options and Warrants

| | | |
|---|------------|--------|
| Balance at December 31, 2011 | 11,200,000 | \$0.22 |
| Granted | 4,700,000 | \$0.12 |
| Exercised | | |
| Expired | 500,000 | |
| Balance at September 30, 2012 | 15,400,000 | \$0.19 |
| Options and Warrants Exercisable at September 30, 2012 | 2,718,500 | \$0.15 |
| Weighted Average Fair Value of Options and Warrants Granted During the nine months ended September 30, 2012 | | \$0.12 |

The following table summarizes information about options and warrants for the Company as of September 30, 2012:

| | 2012 Options and Warrants Outstanding | | | Options and Warrants Exercisable | |
|----------------|---------------------------------------|-------------|----------|----------------------------------|----------|
| | Number | Weighted | Weighted | Number | Weighted |
| | Outstanding at | Average | Average | Exercisable at | Average |
| Range of | September 30, | Remaining | Exercise | September 30, | Exercise |
| Exercise Price | 2012 | Contractual | Price | 2012 | Price |
| \$.07 to \$.15 | 2,500,000 | 2.40 | \$0.07 | 18,500 | \$0.07 |
| \$.16 to \$.26 | 12,900,000 | 2.24 | \$0.22 | 2,700,000 | \$0.18 |

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 nine months ended September 30, 2012, the Company expensed \$699,472, the fair value.

MMAX MEDIA, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS OF SEPTEMBER 30, 2012

(UNAUDITED)

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 September 30, 2012 the consultant has sold 37 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 and nine months ended September 30, 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 \$0 and \$1,133 for the three and nine months ended September 30, 2012.

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 September 30, 2012, the consultant has not reached these milestones (See Note 5).

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 September 30, 2012 the consultant has not reached these milestones (See Note 5).

NOTE 8 RELATED PARTIES

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 September 30, 2012 the Company recorded a salary expense of \$225,000 including the prorated portions of the minimum annual bonus of \$25,000. Accrued compensation at September 30, 2012 and December 31, 2011, was \$192,206 and \$18,615, respectively.

During the nine months ended September 30, 2012, the Company's Chief Executive Officer advanced the Company a total of \$4,300. The amounts are non interest bearing and payable on demand.

During September, 2012, the Company entered into preliminary negotiations surrounding a licensing agreement with Destination Meals LLC. Our CEO, Edward Cespedes, is a minority owner of Destination Meals LLC through the Edward A. Cespedes Revocable Trust dated August 22, 2007. The discussion points revolve around Destination Meals LLC licensing certain software from PayMeOn in exchange for per transaction payments to PayMeOn. Though a final agreement has not yet been signed, the Parties have tentatively agreed to terms and are currently conducting testing and engaging in limited sales transactions. We believe that the economic terms of the agreement will be at least equal to or better than PayMeOn would receive if the agreement were negotiated with unrelated third parties. As of September 30, 2012, the Company has not recognized any revenue under the proposed licensing agreement.

NOTE 9 CONCENTRATIONS

For the nine months ended September 30, 2011, one customer accounted for 42% of total sales. There were no concentrations during the nine months ended September 30, 2012.

MMAX MEDIA, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS OF SEPTEMBER 30, 2012

(UNAUDITED)

NOTE 10 SUBSEQUENT EVENTS

On October 3, 2012, the Company entered into an agreement to issue an unsecured convertible promissory note in the principal amount of \$40,000 to an accredited investor. The note bears interest at an annual rate of 7% and is payable on or before 12 months from the date of issuance. In addition, the note 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 \$0.01 per share, subject to adjustment.

On October 23, 2012, the Company entered into an agreement to issue an unsecured convertible promissory note in the principal amount of \$5,000 to an accredited investor. The note bears interest at an annual rate of 7% and is payable on or before 12 months from the date of issuance. In addition, the note 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 \$0.01 per share, subject to adjustment.

On November 2, 2012, the Company entered into an agreement to issue an unsecured convertible promissory note in the principal amount of \$40,000 to an accredited investor. The note bears interest at an annual rate of 7% and is payable on or before 12 months from the date of issuance. In addition, the note 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 \$0.01 per share, subject to adjustment.

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. 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

On March 16, 2011, MMAX Media, Inc. 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 our 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 sold on both an annual and monthly 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> 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 annual or monthly up-front fees.

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.

Licensing model

PayMeOn is also experimenting with developing a licensing revenue model. During September, 2012, the Company entered into preliminary negotiations surrounding a licensing agreement with Destination Meals LLC. Our CEO, Edward Cespedes, is a minority owner of Destination Meals LLC through the Edward A. Cespedes Revocable Trust dated August 22, 2007. The discussion points revolve around Destination Meals LLC licensing certain software from PayMeOn in exchange for per transaction payments to PayMeOn. Though a final agreement has not yet been signed, the Parties have tentatively agreed to terms and are currently conducting testing and engaging in limited sales transactions. We believe that the economic terms of the agreement will be at least equal to or better than PayMeOn would receive if the agreement were negotiated with unrelated third parties.

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

Risk Factors

Investing in our common stock involves a high degree of risk. You should carefully consider the following risk factors before deciding whether to invest in the Company. Additional risks and uncertainties not presently known to us, or that we currently deem immaterial, may also impair our business operations or our financial condition. If any of the events discussed in the risk factors below occur, our business, consolidated financial condition, results of operations or prospects could be materially and adversely affected. In such case, the value and marketability of the common stock could decline.

Risks Related to Our Business and Industry

Our independent auditors have raised substantial doubt about our ability to continue as a going concern.

As an early stage company, we have not yet generated significant revenues. We have incurred operating losses since its inception and will continue to incur net losses until we can produce sufficient revenues to cover its costs. Our independent auditors have included in their audit report an explanatory paragraph that states that our net loss and working capital deficiency raises substantial doubt about our ability to continue as a going concern.

We have a limited operating history, have incurred net losses in the past and expect to incur net losses in the future.

We have a limited operating history and have not recorded a profit since inception. As a result of this, and the uncertainty of the market in which we operate, we cannot reliably forecast our future results of operations. We expect to increase our operating expenses in the future as a result of developing, refining and implementing a sales strategy.

There is no guarantee we will be profitable in the future. In addition, we expect our operating expenses to increase in the future as we expand our operations. If our operating expenses exceed our expectations, our financial performance could be adversely affected. If our revenue does not grow to offset these increased expenses, we may not be profitable

in any future period. Our recent revenue growth may not be indicative of our future performance. In future periods, we may not have any revenue growth, or our revenue could decline.

We have a short operating history and a new business model in an emerging and rapidly evolving market. This makes it difficult to evaluate our future prospects and increases the risk of your investment.

We have very little operating history for you to evaluate in assessing our future prospects. You must consider our business and prospects in light of the risks and difficulties we will encounter as an early-stage company in a new and rapidly evolving market. We may not be able to successfully address these risks and difficulties, which could materially harm our business and operating results. In addition, we do not know if our current business model will operate effectively during the current economic downturn. Furthermore, we are unable to predict the likely duration and severity of the adverse economic conditions in the U.S. and other countries, but the longer the duration the greater risks we face in operating our business. There can be no assurance, therefore, that current economic conditions or worsening economic conditions, or a prolonged or recurring recession, will not have a significant adverse impact on our operating and financial results.

We cannot assure you that we will be able to develop the infrastructure necessary to achieve the potential sales growth.

Achieving revenue growth will require that we develop additional infrastructure in sales, technical and client support functions. We cannot assure you that we can develop this infrastructure or will have the capital to do so. We will continue to design plans to establish growth, adding sales and sales support resources as capital permits, but at this time these plans are untested. If we are unable to use any of our current marketing initiatives or the cost of such initiatives were to significantly increase or such initiatives or its efforts to satisfy existing clients are not successful, we may not be able to attract new clients or retain existing clients on a cost-effective basis and, as a result, our revenue and results of operations would be affected adversely.

The markets that we are targeting for revenue opportunities are new and rapidly developing and may change before we can access them.

The markets for traditional Internet and mobile Web products and services that we are targeting for revenue opportunities are changing rapidly and are being pursued by many other companies, and the barriers to entry are relatively low. We cannot provide assurance that we will be able to realize these revenue opportunities before they change or before other companies dominate the market. Furthermore, we have based certain of our revenue opportunities on statistics provided by third party industry sources. Such statistics are based on ever changing customer preferences due to our rapidly changing industry. These statistics, including some of the statistics referenced in this memorandum, have not been independently verified by our company. With the introduction of new technologies and the influx of new entrants to the market, we expect competition to persist and intensify in the future, which could harm our ability to increase sales, limit client attrition and maintain our prices.

We need additional capital to fund our operations, which, if obtained, could result in substantial dilution or significant debt service obligations. We may not be able to obtain additional capital on commercially reasonable terms, which could adversely affect our liquidity and financial position.

We will require additional capital to fund the anticipated expansion of our business and to pursue targeted revenue opportunities. We cannot assure you that we will be able to raise additional capital. If we are able to raise additional capital, we do not know what the terms of any such capital raising would be. In addition, any future sale of our equity securities would dilute the ownership and control of your shares and could be at prices substantially below prices at which our shares currently trade. Our inability to raise capital could require us to significantly curtail or terminate our operations. We may seek to increase our cash reserves through the sale of additional equity or debt securities. The sale of convertible debt securities or additional equity securities could result in additional and potentially substantial dilution to our shareholders. The incurrence of indebtedness would result in increased debt service obligations and could result in operating and financing covenants that would restrict our operations and liquidity. In addition, our ability to obtain additional capital on acceptable terms is subject to a variety of uncertainties. We cannot assure you that financing will be available in amounts or on terms acceptable to us, if at all. Any failure to raise additional funds on favorable terms could have a material adverse effect on our liquidity and financial condition.

We face significant competition from large and small companies offering products and services related to mobile marketing technologies and services, targeted advertising delivery and the delivery of Web-based video.

Our current and potential competitors may have significantly more financial, technical, marketing and other resources than we do and may be able to devote greater resources to the development, promotion, sale and support of their products. Our current and potential competitors may have more extensive client bases and broader client relationships

than our company. In addition, these companies may have longer operating histories and greater name recognition. These competitors may be better able to respond quickly to new technologies and to undertake more extensive marketing campaigns. If we are unable to compete with such companies, we may never generate demand for our products.

If we fail to promote and maintain our brand in a cost-effective manner, we may lose (or fail to gain) market share and our revenue may decrease.

We believe that developing and maintaining awareness of the PayMeOn brands in a cost-effective manner is critical to its goal of achieving widespread acceptance of our existing and future technologies and services and attracting new clients. Furthermore, we believe that the importance of brand recognition will increase as competition in our industry increases. Successful promotion of the brand will depend largely on the effectiveness of our marketing efforts and the effectiveness and affordability of our products and services for our target client demographic. Historically, efforts to build brand recognition have involved significant expense, and it is likely that our future marketing efforts will require us to incur significant

expenses. Such brand promotion activities may not yield increased revenue and, even if they do, any revenue increases may not offset the expenses we incur to promote our brand. If we fail to successfully promote and maintain the brand, or if we incur substantial expenses in an unsuccessful attempt to promote and maintain the brand, we may lose existing clients to our competitors or be unable to attract new clients, which would cause revenue to decrease.

If we do not innovate and provide products and services that are useful to users, revenues and operating results could suffer.

Our success depends on providing products and services that clients use to promote their brands and products via mobile Web or other Web-based advertising. Competitors are constantly developing innovations in customized communications, including technologies and services related to mobile marketing and targeted ad delivery. As a result, we must continue to invest significant resources in research and development in order to enhance existing products and services and introduce new high-quality products and services that people will use. If we are unable to predict user preferences or industry changes, if we are unable to manage our projects or product enhancements, or if we are unable to modify our products and services on a timely basis, we may lose users, clients and advertisers. Our operating results would also suffer if innovations are not responsive to the needs of users, clients and advertisers, are not appropriately timed with market opportunity or are not effectively brought to market.

The success of our business depends on the continued growth and acceptance of mobile marketing/advertising as a communications tool, and the related expansion and reliability of the Internet infrastructure. If consumers do not continue to use the mobile Web or alternative communications tools gain popularity, demand for our marketing and advertising technologies and services may decline.

The future success of our business depends on the continued and widespread adoption of mobile marketing as a significant means of advertising and marketing communication. Security problems such as viruses, worms and other malicious programs or reliability issues arising from outages and damage to the Internet infrastructure could create the perception that mobile or Web-based marketing/advertising is not a safe and reliable means of communication, which would discourage businesses and consumers from using such methods. Any decrease in the use of mobile devices or Web-based video resources would reduce demand for our marketing technologies and services and harm our business.

If we fail to manage our anticipated growth, our business and operating results could be harmed.

If we do not effectively manage our anticipated growth, the quality of our products and services could suffer, which could negatively affect our brand and operating results. To effectively manage our potential growth, we will need to improve our operational, financial and management controls and our reporting systems and procedures. These systems enhancements and improvements may require significant capital expenditures and allocation of valuable management resources. If the improvements are not implemented successfully, our ability to manage our growth will be impaired and we may have to make significant additional expenditures to address these issues, which could harm our financial position.

Our relationships with our channel partners may be terminated or may not continue to be beneficial in generating new clients, which could adversely affect our ability to increase our client base.

We maintain a network of active channel partners which refer clients to us within different business verticals. If we are unable to maintain contractual relationships with existing channel partners or establish new contractual relationships with potential channel partners, we may experience delays and increased costs in adding clients, which could have a material adverse effect on us. The number of clients we are able to add through these marketing

relationships is dependent on the marketing efforts of our partners over which we exercise very little control.

Competition for employees in our industry is intense, and we may not be able to attract and retain the highly skilled employees whom we need to support our business.

Competition for highly skilled technical and marketing personnel is intense and we continue to face difficulty identifying and hiring qualified personnel in certain areas of our business. We may not be able to hire and retain such personnel at compensation levels consistent with existing compensation structure. Many of the companies with which we compete for experienced employees have greater resources than we have and may be able to offer more attractive terms of employment. In particular, candidates making employment decisions, particularly in high-technology industries, often consider the value of any equity they may receive in connection with their employment. As a result, any significant volatility in the price of our stock may adversely affect our ability to attract or retain highly skilled technical and marketing personnel.

In addition, we invest significant time and expense in training employees, which increases their value to competitors who may seek to recruit them. If we fail to retain our employees, we could incur significant expenses in hiring and training their replacements and the quality of our services and our ability to serve our clients could diminish, resulting in a material adverse effect on our business.

We may be unable to protect our intellectual property rights and any inability to protect them could reduce the value of our products, services and brand.

Excluding the filing of trademark protection for social income , we have not filed with any regulatory authority for patent or trademark protection. We intend to protect our unpatented trade secrets and know-how through confidentiality or license agreements with third parties, employees and consultants, and by controlling access to and distribution of our proprietary information. However, this method may not afford complete protection particularly in foreign countries where the laws may not protect our proprietary rights as fully as in the United States and unauthorized parties may copy or otherwise obtain and use our products, processes or technology and there can be no assurance that others will not independently develop similar know-how and trade secrets. If third parties take actions that affect our rights or the value of our intellectual property, similar proprietary rights or reputation or we are unable to protect our intellectual property from infringement or misappropriation, other companies may be able to use our proprietary know-how to offer competitive products at lower prices and we may not be able to effectively compete against these companies.

We may in the future be subject to intellectual property rights claims, which are costly to defend, could require us to pay damages and could limit our ability to use certain technologies in the future.

Companies in the internet, technology and media industries own large numbers of patents, copyrights, trademarks and trade secrets and frequently enter into litigation based on allegations of infringement or other violations of intellectual property rights. As we face increasing competition, the possibility of intellectual property rights claims against us grows. Our technologies may not be able to withstand any third-party claims or rights against their use. Any intellectual property claims, with or without merit, could be time-consuming, expensive to litigate or settle and could divert management resources and attention.

With respect to any intellectual property rights claim, we may have to pay damages or stop using technology found to be in violation of a third party's rights. We may have to seek a license for the technology, which may not be available on reasonable terms and may significantly increase our operating expenses. We have not fully reviewed and assessed the potential intellectual claims centered on our latest asset purchases, mergers, or acquisitions to evaluate any technology licenses required. The technology also may not be available for license to us at all. As a result, we may also be required to develop alternative non-infringing technology, which could require significant effort and expense. If we cannot license or develop technology for the infringing aspects of our business, we may be forced to limit our product and service offerings and may be unable to compete effectively. Any of these results could harm our brand and operating results.

Our ability to offer our products and services may be affected by a variety of U.S. and foreign laws.

The laws relating to the liability of providers of online and mobile marketing services for activities of their users are in their infancy and currently unsettled both within the U.S. and abroad. Future regulations could affect our ability to provide current or future programming.

We will depend on the services of Edward Cespedes and the loss of Mr. Cespedes or failure of Mr. Cespedes to dedicate all of his time to our business could materially harm our company.

We rely on Edward Cespedes, as our sole officer and director. While Mr. Cespedes currently dedicates substantially all of his time to our company, he is not required to dedicate all of his time and resources to our company. The loss of the services of Mr. Cespedes or Mr. Cespedes' inability to dedicate 100% of his time and resources to our company could materially harm our business. In addition, we do not presently maintain a key-man life insurance policy on Mr. Cespedes. Our future depends, in part, on our ability to attract and retain key personnel. Our future also depends on the continued contributions of other key technical and marketing personnel. The loss of key personnel and the process to replace any of our key personnel would involve significant time and expense, may take longer than anticipated and may significantly delay or prevent the achievement of our business objectives.

We currently have no independent directors, which poses a risk for us from a corporate governance perspective.

Edward Cespedes, our only executive officer, also serves as our only director. Our director and executive officer is required to make interested party decisions, such as the approval of related party transactions, his level of his compensation, and oversight of our accounting function. Our director and executive officer also exercises substantial control over all matters requiring stockholder approval, including the nomination of directors and the approval of significant corporate transactions. Due to our lack of independent directors, we have not implemented various corporate governance measures, the absence of which may cause stockholders to have more limited protections against transactions implemented by our board of directors, conflicts of interest and similar matters. Stockholders should bear in mind our current lack of corporate governance measures in formulating their investment decisions.

Problems with third party hosting companies or our inability to receive third party approvals for our products could harm us.

We rely on third-party hosting companies. Any disruption in the network access or co-location services provided by these third-party providers or any failure of these third-party providers to handle current or higher volumes of use could significantly harm our business. In addition, we depend on third parties to approve our products. If such approvals are unable to be obtained or are not obtained in a timely fashion, our ability to access additional users and customers from those products would be significantly diminished.

Our business depends on the growth and maintenance of the Internet infrastructure.

Our success will depend on the continued growth and maintenance of the internet infrastructure. This includes maintenance of a reliable network backbone with the necessary speed, data capacity and security for providing reliable internet services. Internet infrastructure may be unable to support the demands placed on it if the number of internet users continues to increase or if existing or future internet users access the internet more often or increase their bandwidth requirements. In addition, viruses, worms and similar programs may harm the performance of the internet. The internet has experienced a variety of outages and other delays as a result of damage to portions of its infrastructure, and it could face outages and delays in the future. These outages and delays could reduce the level of Internet usage as well as our ability to provide our solutions.

Our operating results may fluctuate.

Our operating results may fluctuate as a result of a number of factors, many of which are outside of our control. The following factors may affect our operating results:

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Our ability to compete effectively.

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Our ability to continue to attract clients.

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Our ability to attract revenue from advertisers and sponsors.

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The amount and timing of operating costs and capital expenditures related to the maintenance and expansion of our business, operations and infrastructure.

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General economic conditions and those economic conditions specific to the internet and internet advertising.

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Our ability to keep our websites operational at a reasonable cost and without service interruptions.

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The success of our product expansion.

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Our ability to attract, motivate and retain top-quality employees.

Failure to retain and attract qualified personnel could harm our business.

Aside from Mr. Cespedes, our success depends on our ability to attract, train and retain qualified personnel. Competition for qualified personnel is intense and we may not be able to hire sufficient personnel to support the anticipated growth of our business. If we fail to attract and retain qualified personnel, our business will suffer. Additionally, companies whose Employees accept positions with competitors often claim that such competitors have engaged in unfair hiring practices. We may receive such claims in the future as we seek to hire qualified Employees. We could incur substantial costs in defending against any such claims.

We may have difficulty managing any future growth.

To achieve the implementation of our business objectives, we may need to grow rapidly; brisk growth would lead to increased responsibility for both existing and new management personnel. In an effort to manage such growth, we must maintain and enhance our financial and accounting systems and controls, hire and integrate new personnel and manage expanded operations. Despite systems and controls, growth is expected to place a significant strain on our management systems and resources. We will need to continue to improve our operational, managerial and financial controls, reporting systems and procedures, and will need to continue to expand, train and manage our work force. Failure to manage our future growth would have a material adverse effect on the quality of our operations, ability to retain customers and key personnel and operating results and financial condition.

We may not be successful in finding or marketing new products.

Our business operations and financial performance depends on the ability to attract and market new products on a consistent basis. In the direct marketing industry, the average product life cycle varies from six months to four years, based on numerous factors, including competition, product features, distribution channels utilized, cost of goods sold and effectiveness of advertising. Less successful products have shorter life cycles. The majority of products are submitted by inventors. There can be no assurance that we will be successful in acquiring rights to quality products. We select new products based upon management's expertise and limited market studies. As a result, we need to acquire the rights to quality products with sufficient margins and consumer appeal to justify the acquisition costs. There can be no assurance that chosen products will generate sufficient revenues to justify the acquisition and marketing costs.

We may not be successful in managing acquisitions. Acquisitions may result in substantial dilution.

We may acquire assets or businesses that may fail for various reasons, including but not limited to our inability to properly integrate their functionality or operations, our inability to market their products or services, or our inability to properly manage the assets or businesses following an acquisition. Acquisitions may result in the issuance of substantial equity or debt. Issuance of new equity securities may dilute existing shareholders. The market price of our common stock could decline as a result of sales of a large number of shares of our common stock issued in conjunction with acquisitions, or the perception that these sales could occur. The issuance of debt will result in the need for additional capital necessary to service the debt. We may not be able to generate sufficient returns from any acquisitions to service any debt issued as part of an acquisition related transaction.

Our industry is new and we are subject to uncertain regulation.

We are subject to a number of foreign and domestic laws and regulations that affect companies conducting business on the internet, many of which are still evolving and could be interpreted in ways that could harm our business. In the United States and abroad, laws relating to the liability of providers of online services for activities of their users and other third parties are currently being tested by a number of claims. These regulations and laws may involve taxation, tariffs, subscriber privacy, data protection, content, copyrights, distribution, electronic contracts and other communications, consumer protection, the provision of online payment services and the characteristics and quality of services. It is not clear how existing laws governing issues such as property ownership, sales and other taxes, libel and personal privacy apply to the internet as the vast majority of these laws were adopted prior to the advent of the internet and do not contemplate or address the unique issues raised by the internet or e-commerce. In addition, it is possible that governments of one or more countries may seek to censor content available on our websites or may even attempt to completely block access to our websites. Accordingly, adverse legal or regulatory developments could substantially

harm our business. The CARD Act, as well as the laws of most states, contain provisions governing product terms and conditions of gift cards, gift certificates, stored value or pre-paid cards or coupons (gift cards), such as provisions prohibiting or limiting the use of expiration dates on gift cards or the amount of fees charged in connection with gift cards or requiring specific disclosures on or in connection with gift cards. PayMeOn coupon, gift card, stored value or prepaid card offers generally are included within the definition of gift cards in many of these laws. In addition, certain foreign jurisdictions have laws that govern disclosure and certain product terms and conditions, including restrictions on expiration dates and fees that may apply to PayMeOn offers. However, the CARD Act as well as a number of states and certain foreign jurisdictions also have exemptions from the operation of these provisions or otherwise modify the application of these provisions applicable to gift cards that are issued as part of a promotion or promotional program. If PayMeOn offers are subject to the CARD Act, and are not included in the exemption for promotional programs, it is possible that the purchase value, which is the amount equal to the price paid for the offer, or the promotional value, which is the add-on value of the offer in excess of the price paid, or both, may not expire before the later of (i) five years after the date on which the offer was issued or the date on which the customer last loaded funds on the offer

if the offer has a reloadable feature; (ii) the offers stated expiration date (if any), unless offers come within an exemption in the CARD Act for promotional programs; or (iii) a later date provided by applicable state law. In addition, regardless of whether an exemption for PayMeOn offers applies under the CARD Act, in those states that prohibit or otherwise restrict expiration dates on gift cards that are defined to include offers and that do not have exemptions that apply to the purchase value or the promotional value, or both, of offers, PayMeOn offers may be required to be honored for the full offer value (the total of purchase value and promotional value) until redeemed. There can be no assurance that as PayMeOn incorporates new requirements as detailed under the CARD Act that merchants will continue to offer PayMeOn offers.

In addition, some states and foreign jurisdictions also include gift cards under their unclaimed and abandoned property laws which require companies to remit to the government the value of the unredeemed balance on the gift cards after a specified period of time (generally between one and five years) and impose certain reporting and recordkeeping obligations. We do not remit any amounts relating to unredeemed PayMeOn offers based upon our assessment of applicable laws. The analysis of the potential application of the unclaimed and abandoned property laws to PayMeOn offers is complex, involving an analysis of constitutional and statutory provisions and factual issues, including our relationship with customers and merchants and our role as it relates to the issuance and delivery of our offers.

Regulations concerning data protection are evolving and the manner in which we handle personal data may be inconsistent with the interpretation of current laws.

Many states have passed laws requiring notification to subscribers when there is a security breach of personal data. There are also a number of legislative proposals pending before the U.S. Congress, various state legislative bodies and foreign governments concerning data protection. In addition, data protection laws in Europe and other jurisdictions outside the United States may be more restrictive, and the interpretation and application of these laws are still uncertain and in flux. It is possible that these laws may be interpreted and applied in a manner that is inconsistent with our data practices. If so, in addition to the possibility of fines, this could result in an order requiring that we change our data practices, which could have an adverse effect on our business. Furthermore, the Digital Millennium Copyright Act has provisions that limit, but do not necessarily eliminate, our liability for linking to third-party websites that include materials that infringe copyrights or other rights, so long as we comply with the statutory requirements of this act. Complying with these various laws could cause us to incur substantial costs or require us to change our business practices in a manner adverse to our business.

Risks Related to Our Common Stock

Because the market for our common stock is limited, persons who purchase our common stock may not be able to resell their shares at or above the purchase price paid for them.

Our common stock trades on the OTC Bulletin Board which is not a liquid market. There is currently only a limited public market for our common stock. We cannot assure you that an active public market for our common stock will develop or be sustained in the future. If an active market for our common stock does not develop or is not sustained, the price may continue to decline.

Because we are subject to the penny stock rules, brokers cannot generally solicit the purchase of our common stock which adversely affects its liquidity and market price.

The SEC has adopted regulations which generally define penny stock to be an equity security that has a market price of less than \$5.00 per share, subject to specific exemptions. The market price of our common stock on the Bulletin

Board has been substantially less than \$5.00 per share and therefore we are currently considered a penny stock according to SEC rules. This designation requires any broker-dealer selling these securities to disclose certain information concerning the transaction, obtain a written agreement from the purchaser and determine that the purchaser is reasonably suitable to purchase the securities.

Due to factors beyond our control, our stock price may be volatile.

Any of the following factors could affect the market price of our common stock:

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Our failure to increase revenue in each succeeding quarter;

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Our failure to achieve and maintain profitability;

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Our failure to meet our revenue and earnings guidance;

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The loss of distribution relationships

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The sale of a large amount of common stock by our shareholders;

.
Our announcement of a pending or completed acquisition or our failure to complete a proposed acquisition;

.
Adverse court ruling or regulatory action;

.
Our failure to meet financial analysts' performance expectations;

.
Changes in earnings estimates and recommendations by financial analysts;

.
Changes in market valuations of similar companies;

.
Short selling activities;

.
Our announcement of a change in the direction of our business;

.
Our inability to manage our international operations;

.
Actual or anticipated variations in our quarterly or in our forecasted results of operations; or

.
Announcements by us, or our competitors, of significant contracts, acquisitions, commercial relationships, joint ventures or capital commitments.

In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been instituted. A securities class action suit against us could result in substantial costs and divert our management's time and attention, which would otherwise be used to benefit our business.

Because we may not be able to attract the attention of major brokerage firms, it could have a material impact upon the price of our common stock.

It is not likely that securities analysts of major brokerage firms will provide research coverage for our common stock since the firm itself cannot recommend the purchase of our common stock under the penny stock rules referenced in an earlier risk factor. The absence of such coverage limits the likelihood that an active market will develop for our common stock. It may also make it more difficult for us to attract new investors at times when we acquire additional capital.

Shares eligible for sale or convertible into shares in the future could negatively affect our stock price and dilute shareholders

The market price of our common stock could decline as a result of sales of a large number of shares of our common stock or the perception that these sales could occur. This might also make it more difficult for us to raise funds through the issuance of securities. We may issue and/or register additional shares, options, or warrants in the future in connection with acquisitions, compensation or otherwise. We cannot predict what effect, if any, market sales of shares held by any stockholder or the availability of these shares for future sale will have on the market price of our common stock.

Results of Operations

Three Month Period Ended September 30, 2012 as Compared to the Three Month Period Ended September 30, 2011

Revenues for the three months ended September 30, 2012, totaled \$10,092 and were principally derived from sales of the Company's PayMeOn Merchant Profit Center 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 the portion of our PayMeOn business that sells deals directly to consumers. Revenues for the three months ended September 30, 2011, were \$7,285 and substantially all revenues were derived from Hyperlocal mobile text marketing packages.

Operating expenses for the three months ended September 30, 2012, totaled \$175,065, a decrease of \$563,434 or 76% from \$738,499 for the three months ended September 30, 2011. Operating expenses for the three months ended September 30, 2012 were largely made up of payroll of \$137,675. Operating expenses for the three months ended September 30, 2011, totaled \$738,499, the majority of which was related \$529,462 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, and payroll of \$119,409

Nine Month Period Ended September 30, 2012 as Compared to the Nine Month Period Ended September 30, 2011

Revenues for the nine months ended September 30, 2012, totaled \$26,541 and were principally derived from sales of the Company's PayMeOn Merchant Profit Center 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 the portion of our PayMeOn business that sells deals directly to consumers. Revenues for the nine months ended September 30, 2011, were \$25,928 and substantially all revenues were derived from Hyperlocal mobile text marketing packages.

Operating expenses for the nine months ended September 30, 2012, totaled \$1,245,390, an increase of \$181,071 or 17% from \$1,064,319 for the nine months ended September 30, 2011. Operating expenses for the nine months ended September 30, 2012, were largely made up of a \$699,472 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 and payroll and payroll taxes of \$330,194. Operating expenses for the nine months ended September 30, 2011, totaled \$1,064,139, the majority of which related to \$584,673 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 and \$213,171 of payroll and payroll taxes.

Liquidity and Capital Resources

At September 30, 2012, we had a no cash. At September 30, 2012 we had working a capital deficit of \$511,541 and an accumulated deficit of \$3,103,371. We require additional working capital. See Plan of Operations below.

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.

The Company received additional advances from existing note holders of \$35,000 on May 11, 2012. The Company has communicated with the existing note holders that it is treating these advances as advances under the same convertible promissory notes (Notes) and security terms. The Notes are secured by all of the assets of the Company and include 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.

On June 12, 2012, the Company received an unsecured non-interest bearing cash advance from its president and CEO in the amount of \$2,000. The cash advance was used to pay payroll taxes and for general working capital purposes. The cash advance is repayable on demand.

On June 15, 2012, the Company received an unsecured non-interest bearing cash advance from its president and CEO in the amount of \$2,300. The cash advance was used to pay payroll and for general working capital purposes. The cash advance is repayable on demand.

On June 18, 2012, the Company received unsecured non-interest bearing cash advances from its president and CEO in the amount of \$2,077 and \$434. The cash advances were used to pay commissions due the Company's third party sales personnel and for general working capital purposes. The cash advances are repayable on demand.

On July 5, 2012, the Company privately sold 2,253,577 shares of restricted shares of common stock to an accredited investor for gross proceeds of \$25,000. The proceeds from the private placement shall be used for the continued development of Hyperlocal and PayMeOn products and for general working capital purposes. The private placement was conducted by the Company's president and CEO and no fees or commissions were paid in connection with the

private placement.

On July 24, 2012, the Company entered into an agreement to issue an unsecured convertible promissory note in the principal amount of \$45,000 to an accredited investor. The note bears interest at an annual rate of 7% and is payable on or before 12 months from the date of issuance. 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 \$0.01 per share, subject to adjustment

On September 4, 2012, the Company entered into an agreement to issue an unsecured convertible promissory note in the principal amount of \$40,000 to an accredited investor. The note bears interest at an annual rate of 7% and is payable on or before 12 months from the date of issuance. In addition, the note 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 \$0.01 per share, subject to adjustment.

On September 26, 2012, the Company entered into an agreement to issue an unsecured convertible promissory note in the principal amount of \$9,000 to an accredited investor. The note bears interest at an annual rate of 7% and is payable on or before 12 months from the date of issuance. In addition, the note 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 \$0.01 per share, subject to adjustment.

On October 3, 2012, the Company entered into an agreement to issue an unsecured convertible promissory note in the principal amount of \$40,000 to an accredited investor. The note bears interest at an annual rate of 7% and is payable on or before 12 months from the date of issuance. In addition, the note 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 \$0.01 per share, subject to adjustment.

On October 23, 2012, the Company entered into an agreement to issue an unsecured convertible promissory note in the principal amount of \$5,000 to an accredited investor. The note bears interest at an annual rate of 7% and is payable on or before 12 months from the date of issuance. In addition, the note 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 \$0.01 per share, subject to adjustment.

On November 2, 2012, the Company entered into an agreement to issue an unsecured convertible promissory note in the principal amount of \$40,000 to an accredited investor. The note bears interest at an annual rate of 7% and is payable on or before 12 months from the date of issuance. In addition, the note 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 \$0.01 per share, subject to adjustment.

Since inception, the Company has incurred net operating losses and used cash in operations. As of September 30, 2012, the Company had an accumulated deficit of \$3,103,371. 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 June 18, 2012, the Company received a letter from the Internal Revenue Service regarding a tax discrepancy for the tax year 2010 (prior to the agreement and plan of merger to acquire Hyperlocal Marketing, LLC). The letter states that the discrepancy could result in a potential increase of Social Security and/or Income Tax of \$7,623. As part of the agreement and plan of merger to acquire Hyperlocal Marketing, LLC, the Company received representations and warranties from prior management that all taxes had been paid. The letter has been forwarded to prior management and Internal Revenue Service has been informed of all relevant representations and warranties. There is no guarantee that prior management will honor its obligations and this amount may remain an obligation of the Company.

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 (ISOs).

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.

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) 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.

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.

In July 2012, FASB issued Accounting Standards Update 2012-01, Balance Sheet - Subtopic 954-430, Health Care Entities - Deferred Revenue, requires that a continuing care retirement community recognize a deferral of revenue when

a contract between a continuing care retirement community and a resident stipulates that (1) a portion of the advanced fee is refundable if the contract holder's unit is reoccupied by a subsequent resident, (2) the refund is limited to the proceeds of reoccupancy, and (3) the legal environment and the entity's management policy and practice support the withholding of refunds under condition (2). Questions have arisen in practice about cases where the refund depends on reoccupancy. The objective of this Update is to clarify the reporting for refundable advance fees received by continuing care retirement communities. The amendments in this update are effective for fiscal periods beginning after December 15, 2013. Early adoption is permitted. The amendments in this Update should be applied retrospectively by recording a cumulative-effect adjustment to opening retained earnings (or unrestricted net assets) as of the beginning of the earliest period presented.

In July 2012, FASB issued Accounting Standards Update 2012-02, Balance Sheet- Intangibles- Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment is an Amendment to FASB Accounting Standards Update 2011-08. The objective of the amendments in this Update is to reduce the cost and complexity of performing an impairment test for indefinite-lived intangible assets by simplifying how an entity tests those assets for impairment and to improve consistency in impairment testing guidance among long-lived asset categories. The amendments permit an entity first to assess qualitative factors to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired as a basis for determining whether it is necessary to perform the quantitative impairment test in accordance with

Subtopic 350-30, Intangibles Goodwill and Other General Intangibles Other than Goodwill. The more-likely-than-not threshold is defined as having a likelihood of more than 50 percent. The amendments are effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. Early adoption is permitted, including for annual and interim impairment tests performed as of a date before July 27, 2012, if a public entity's financial statements for the most recent annual or interim period have not yet been issued or, for nonpublic entities, have not yet been made available for issuance.

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 September 30, 2012.

During our assessment of the effectiveness of internal control over financial reporting as of September 30, 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 September 30, 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 September 30, 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 material weaknesses 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 July 2, 2012, the Company sold 2,253,577 shares of restricted shares of Common Stock to an accredited investor for net proceeds of \$25,000 (\$.01 per share).

ITEM 3.

DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4.

MINE SAFETY DISCLOSURE

None.

ITEM 5.

OTHER INFORMATION

None.

ITEM 6.

EXHIBITS

| Exhibit Number | Description |
|---------------------------|---|
| 4.1 | Form of Convertible Promissory Note |
| 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 |

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: November 13, 2012

MMAX Media, Inc.

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