

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

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (D) OF THE SECURITIES AND EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2015

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (D) OF THE SECURITIES AND EXCHANGE ACT OF 1934

For the transition period from _____ to _____

MARATHON PATENT GROUP, INC.

(Exact Name of Registrant as Specified in Charter)

Nevada

(State or other jurisdiction
of incorporation)

333-171214

(Commission File Number)

01-0949984

(IRS Employer Identification No.)

11100 Santa Monica Blvd., Ste. 380
Los Angeles, CA

(Address of principal executive offices)

90025

(Zip Code)

Registrant's telephone number, including area code: 703-232-1701

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. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company
(Do not check if 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. 13,983,177 shares of common stock are issued and outstanding as of May 8, 2015.

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OTHER PERTINENT INFORMATION

Unless specifically set forth to the contrary, “Marathon Patent Group, Inc.,” “we,” “us,” “our” and similar terms refer to Marathon Patent Group, Inc., a Nevada corporation, and subsidiaries.

MARATHON PATENT GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	March 31, 2015 (Unaudited)	December 31, 2014
ASSETS		
Current assets:		
Cash	\$ 9,477,969	\$ 5,082,569
Accounts receivable - net	763,070	216,997
Bonds posted with courts	1,732,895	1,946,196
Prepaid expenses and other current assets	149,643	438,391
Total current assets	<u>12,123,577</u>	<u>7,684,153</u>
Other assets:		
Property and equipment, net	80,659	53,828
Intangible assets, net	40,157,085	43,363,832
Deferred tax assets	7,117,753	4,789,293
Goodwill	4,453,997	4,894,208
Total other assets	<u>51,809,495</u>	<u>53,101,161</u>
Total Assets	<u>\$ 63,933,072</u>	<u>\$ 60,785,314</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$ 5,195,719	\$ 3,293,746
Clouding IP earn out - current portion	2,092,000	2,092,000
Notes payable, net of discounts of \$784,154 and \$82,010 for 3/31/15 and 12/31/14	8,059,305	16,560,000
Total current liabilities	<u>15,347,024</u>	<u>21,945,746</u>
Long-term liabilities		
Notes Payable, net of discount of \$1,818,185 and \$64,925, for 3/31/15 and 12/31/14	17,486,300	5,403,065
Other non current liability	52,867	-
Deferred tax liability	1,392,557	1,823,884
Revenue Share Liability	1,000,000	-
Clouding IP earn out	7,360,000	7,360,000
Total long-term liabilities	<u>27,291,724</u>	<u>14,586,949</u>
Total liabilities	<u>42,638,748</u>	<u>36,532,695</u>
Stockholders' Equity:		
Preferred stock Series B, \$.0001 par value, 50,000,000 shares authorized: 982,000 and 932,000 issued and outstanding at March 31, 2015 and December 31, 2014	98	93
Common stock, \$.0001 par value, 200,000,000 shares authorized: 13,990,869 and 13,791,460 issued and outstanding at March 31, 2015 and December 31, 2014	1,399	1,379
Additional paid-in capital	39,750,659	36,977,169
Accumulated other comprehensive loss	(1,338,596)	(388,357)
Accumulated deficit	<u>(17,119,236)</u>	<u>(12,337,665)</u>
Total stockholders' equity	<u>21,294,324</u>	<u>24,252,619</u>
Total liabilities and stockholders' equity	<u>\$ 63,933,072</u>	<u>\$ 60,785,314</u>

The accompanying notes are an integral part of these unaudited consolidated financial statements.

MARATHON PATENT GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the three months ended March 31, 2015 <u>(Unaudited)</u>	For the three months ended March 31, 2014 <u>(Unaudited)</u>
Revenue	\$ 4,093,869	\$ 2,780,000
Expenses		
Cost of revenues	4,328,165	1,110,579
Amortization of patents and website	2,598,461	453,647
Compensation and related taxes	1,581,074	729,987
Consulting fees	896,543	428,107
Professional fees	769,615	256,855
General and administrative	219,481	82,658
Total operating expenses	<u>10,393,339</u>	<u>3,061,833</u>
Operating loss	<u>(6,299,470)</u>	<u>(281,833)</u>
Other income (expenses)		
Foreign exchange gain/(loss)	(39,402)	-
Interest income	2	227
Interest expense	<u>(931,541)</u>	<u>-</u>
Total other income (expense)	<u>(970,941)</u>	<u>227</u>
Loss before provision for income taxes	(7,270,411)	(281,606)
Income tax benefit	<u>2,488,839</u>	<u>-</u>
Net loss attributable to common shareholders	(4,781,571)	(281,606)
Loss per common share, basic and diluted:	<u>\$ (0.34)</u>	<u>\$ (0.03)</u>
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING - Basic and Diluted	<u>13,868,811</u>	<u>10,979,186</u>

The accompanying notes are an integral part of these unaudited consolidated financial statements.

MARATHON PATENT GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the three months ended March 31, 2015 <u>(Unaudited)</u>	For the three months ended March 31, 2014 <u>(Unaudited)</u>
Cash flows from operating activities:		
Net loss	\$ (4,781,571)	\$ (281,606)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation	1,869	1,417
Amortization of intangible assets and website	2,598,461	453,647
Non-cash equity compensation	685,753	680,627
Stock issued for services	750,334	-
Deferred tax liability	(161,984)	-
Deferred tax asset	(2,335,116)	-
Non-cash interest, discounts and financing costs	613,719	-
Other non-cash adjustments	83,148	-
Changes in operating assets and liabilities		
Accounts receivable	(546,101)	(10,000)
Prepaid expenses	26,248	(8,015)
Accounts payable and accrued expenses	1,920,185	964,297
	<u>(1,145,055)</u>	<u>1,800,367</u>
Cash flows from investing activities:		
Purchase of property, equipment and other intangible assets	<u>(37,147)</u>	<u>-</u>
Net cash provided by (used in) investing activities	<u>(37,147)</u>	<u>-</u>
Cash flows from financing activities:		
Payment on note payable in connection with the acquisition of IP Liquidity	(1,068,750)	-
Payment on assumed note payable in connection with the acquisition of Orthophoenix	(3,750,000)	-
Payment on note payable in connection with the acquisition of Dynamic Advances	(905,000)	-
Payment on note payable in connection with the acquisition of Medtech and Orthophoenix	(3,000,000)	-
Payment on note payable in connection with the acquisition of Sarif	(276,250)	-
Repayment on convertible notes	(5,050,000)	-
Cash received upon issuance of notes payable, net of \$400,000 loan fee	19,600,000	-
Cash received upon exercise of warrants	18,750	-
Net cash provided by financing activities	<u>5,568,750</u>	<u>-</u>
Effect of exchange rate changes in cash	8,852	-
Net increase in cash	4,395,400	1,800,366
Cash at beginning of year	5,082,569	3,610,262
Cash at end of period	<u>\$ 9,477,969</u>	<u>\$ 5,410,628</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for:		
Interest expense	\$ 317,821	\$ -
Taxes Paid	\$ 8,260	\$ -
Loan fees	\$ 400,000	\$ -
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES		
Common stock issued in conjunction with notes payable	1,000,000	-
Warrants issued in conjunction with notes payable	318,679	-
Revenue share liability incurred in conjunction with notes payable	1,000,000	-

The accompanying notes are an integral part of these unaudited consolidated financial statements.

NOTE 1 - ORGANIZATION AND DESCRIPTION OF BUSINESS

Organization

We acquire patents and patent rights from owners or other ventures and seek to monetize the value of the patents through litigation and licensing strategies, alone or with others. Part of our acquisition strategy is to acquire or invest in patents and patent rights that cover a wide-range of subject matter which allows us to seek the benefits of a diversified portfolio of assets in differing industries and countries. Generally, the patents and patent rights that we seek to acquire have large identifiable targets who are or have been using technology that we believe infringes our patents and patent rights. We generally monetize our portfolio of patents and patent rights by entering into license discussions, and if that is unsuccessful, initiating enforcement activities against any infringing parties with the objective of entering into comprehensive settlement and license agreements that may include the granting of non-exclusive retroactive and future rights to use the patented technology, a covenant not to sue, a release of the party from certain claims, the dismissal of any pending litigation and other terms. Our strategy has been developed with the expectation that it will result in a long-term, diversified revenue stream for the Company. As of March 31, 2015, we owned 370 U.S. and foreign patents and patent rights and twenty-three patent applications.

Our principal office is located at 11100 Santa Monica Blvd., Suite 380, Los Angeles, CA 90225. Our telephone number is (703) 232-1701.

We were incorporated in the State of Nevada on February 23, 2010 under the name "Verve Ventures, Inc." On December 7, 2011, we changed our name to "American Strategic Minerals Corporation" and were engaged in exploration and potential development of uranium and vanadium minerals business. During June 2012, we discontinued our minerals business and began to invest in real estate properties in Southern California. In November 2012, we discontinued our real estate business.

On December 7, 2011, the Company filed a Certificate of Amendment to its Articles of Incorporation with the Secretary of State of the State of Nevada in order to change its name to "American Strategic Minerals Corporation" from "Verve Ventures, Inc.", and increase the Company's authorized capital to 200,000,000 shares of common stock, par value \$0.0001 per share, and 50,000,000 shares of preferred stock, par value \$0.0001 per share. During June 2012, the Company decided to discontinue its exploration and potential development of uranium and vanadium minerals business.

On August 1, 2012, the shareholders holding a majority of the Company's voting capital voted in favor of (i) changing the name of the Company to "Fidelity Property Group, Inc." and (ii) the adoption the 2012 Equity Incentive Plan and reserving 10,000,000 shares of common stock for issuance thereunder (the "2012 Plan"). The board of directors of the Company (the "Board of Directors") approved the name change and the adoption of the 2012 Plan on August 1, 2012. The Company did not file an amendment to its Articles of Incorporation with the Secretary of State of Nevada and subsequently abandoned the decision to adopt the "Fidelity Property Group, Inc." name and discontinue its real estate business.

On October 1, 2012, the shareholders holding a majority of the Company's voting capital had voted and authorized the Company to (i) change the name of the Company to Marathon Patent Group, Inc. (the "Name Change") and (ii) effectuate a reverse stock split of the Company's common stock by a ratio of 3-for-2 (the "Reverse Split") within one year from the date of approval of the stockholders of the Company. The Board of Directors approved the Name Change and the Reverse Split on October 1, 2012. The Board of Directors determined the name "Marathon Patent Group, Inc." better reflected the long-term strategy in exploring other opportunities and the identity of the Company going forward. On February 15, 2013, the Company filed the Certificate of Amendment with the Secretary of State of the State of Nevada in order to effectuate the Name Change. On May 31, 2013, shareholders of record holding a majority of the outstanding voting capital of the Company approved a reverse stock split of the Company's issued and outstanding common stock by a ratio of not less than one-for-five and not more than one-for-fifteen at any time prior to April 30, 2014, with such ratio to be determined by the Company's Board of Directors, in its sole discretion. On June 24, 2013, the reverse stock split ratio of one (1) for thirteen (13) basis was approved by the Board of Directors. On July 18, 2013, the Company filed a certificate of amendment to its Amended and Restated Articles of Incorporation with the Secretary of State of the State of Nevada in order to effectuate a reverse stock split of the Company's issued and outstanding common stock, par value \$0.0001 per share on a one (1) for thirteen (13) basis. All share and per share values for all periods presented in the accompanying consolidated financial statements are retroactively restated for the effect of the reverse stock split.

On September 16, 2014, the board of directors of the Company approved and adopted, subject to shareholder approval on or prior to September 16, 2015, the Company's 2014 Equity Incentive Plan.

On November 19, 2014, the Board of Directors of the Company declared a stock dividend pursuant to which holders of the Company's Common Stock as of the close of business of the record date of December 15, 2014 shall receive one additional share of Common Stock at the close of business on December 22, 2014 for each share of Common Stock held by such holders. Throughout this report, all share and per share values for all periods presented in the accompanying consolidated financial statements are retroactively restated for the effect of the stock dividend.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Principles of Consolidation

The unaudited consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States of America ("US GAAP") and present the consolidated financial statements of the Company and its wholly-owned subsidiaries. In the preparation of consolidated financial statements of the Company, all intercompany transactions and balances were eliminated. All adjustments (consisting of normal recurring items) necessary to present fairly the Company's consolidated financial position as of March 31, 2015, and the results of operations and cash flows for the three months ended March 31, 2015 have been included. The results of operations for the three months ended March 31, 2015 are not necessarily indicative of the results to be expected for the full year. Other than where noted, the accounting policies and procedures employed in the preparation of these consolidated financial statements have been derived from the audited financial statements of the Company for the year ended December 31, 2014, which are contained in Form 10-K as filed with the Securities

and Exchange Commission (“SEC”) on March 26, 2015. The consolidated balance sheet as of December 31, 2014 was derived from those financial statements.

Cash

The Company considers all highly liquid debt instruments and other short-term investments with maturity of three months or less, when purchased, to be cash equivalents. The Company maintains cash and cash equivalent balances at one financial institution that is insured by the Federal Deposit Insurance Corporation. The Company's accounts at this institution are insured up to \$250,000 by the Federal Deposit Insurance Corporation ("FDIC"). As of March 31, 2015, the Company had bank balances exceeding the FDIC insurance limit. To reduce its risk associated with the failure of such financial institution, the Company evaluates at least annually the rating of the financial institution in which it holds deposits.

Use of Estimates and Assumptions

The preparation of financial statements in conformity with US GAAP 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 made by management include, but are not limited to, estimating the useful lives of patent assets, the assumptions used to calculate fair value of warrants and options granted, goodwill impairment, realization of long-lived assets, deferred income taxes, unrealized tax positions and business combination accounting.

Accounts Receivable

The Company has a policy of reserving for questionable accounts based on its best estimate of the amount of probable credit losses in its existing accounts receivable. The Company periodically reviews its accounts receivable to determine whether an allowance is necessary based on an analysis of past due accounts and other factors that may indicate that the realization of an account may be in doubt. Account balances deemed to be uncollectible are charged to the bad debt expense after all means of collection have been exhausted and the potential for recovery is considered remote. At March 31, 2015 and December 31, 2014, the allowance for bad debt was \$0 and \$0, respectively. Accounts receivable-net at March 31, 2015 and December 31, 2014, amounted to \$763,070 and \$216,997, respectively. As of March 31, 2015, accounts receivable related to two licenses accounted for approximately 0.6% of the Company's total revenue, accounts receivable related to recurring royalties represented approximately 8.9% of total revenue for the quarter and the Company had a receivable from an indemnification claim to be paid by the seller of a portfolio purchased by the Company in the amount of \$375,750. As of December 31, 2014, accounts receivable related to one license accounted for approximately 0.7% of the Company's total revenue for the quarter and accounts receivable related to recurring royalties represented 4.6% of total revenue for the quarter.

Concentration of Revenue and Geographic Area

Patent license revenue from enforcement activities is from either the United States or Germany. Revenue attributable to the United States involves US patents, revenue attributable to Germany is based on the enforcement of German patents and in the event that the Company enters into a worldwide license, the revenue is allocated between the two. The Company does not currently have enforcement actions in any other countries.

Revenues from five licenses accounted for approximately 87% of the Company's operating revenues for the three months ended March 31, 2015 and revenue from three licenses accounting for 100% of the revenue for the three months ended March 31, 2014.

For the Three Months Ended March 31, 2015			For the Three Months Ended March 31, 2014		
Licensor	License Amount	% of Revenue	Licensor	License Amount	% of Revenue
Vantage Point Technology, Inc.	\$ 2,750,000	67%	Relay IP, Inc.	\$ 1,750,000	63%
Signal IP, Inc.	\$ 275,000	7%	Sampo IP, LLC	\$ 750,000	27%
Sarif Biomedical LLC	\$ 225,000	6%	Cyberfone Systems, LLC	\$ 280,000	10%
TLIF GmbH	\$ 220,000	5%			
Vantage Point Technology, Inc.	\$ 80,000	2%			
	Total	87%	Total	Total	100%

While the Company has a growing portfolio of patents, the Company has historically received a significant portion of its revenue and expects that a significant portion of its future revenues were and will be based on one-time grants of similar non-recurring, non-exclusive, non-assignable licenses to a relatively small number of entities and their affiliates. Further, with the expected small number of firms with which the Company enters into license agreements, and the amount and timing of such license agreements, the Company also expects that its revenues may be highly variable from one period to the next.

Revenue Recognition

The Company recognizes revenue in accordance with ASC Topic 605, "Revenue Recognition". Revenue is recognized when (i) persuasive evidence of an arrangement exists, (ii) all obligations have been substantially performed, (iii) amounts are fixed or determinable and (iv) collectability of amounts is reasonably assured.

The Company considers its licensing and enforcement activities as one unit of accounting under ASC 605-25, "Multiple-Element Arrangements" as the delivered items do not have value to customers on a standalone basis, there are no undelivered elements and there is no general right of return relative to the license. Under ASC 605-25, the appropriate recognition of revenue is determined for the combined deliverables as a single unit of accounting and revenue is recognized upon delivery of the final elements, including the license for past and future use, and the release.

Also, due to the fact that the settlement element and license element for past and future use are the major central business, the Company does not present these two elements as different revenue streams in its statement of operations. The Company does not expect to provide licenses that do not provide some form of settlement or release. The Company derived approximately 95% of its revenues for the three months ended March 31, 2015 from the one-time issuance of non-recurring, non-exclusive, non-assignable licenses for certain of the Company's patents, with the balance comprised of recurring royalties.

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The Company's subsidiaries entered into thirteen license agreements during the three months ended March 31, 2015.

Cost of Revenue

Cost of revenue mainly includes expenses incurred in connection with the Company's patent enforcement activities, such as legal fees, consulting costs, patent maintenance, royalty fees for acquired patents and other related expenses. Cost of revenue does not include patent amortization expenses, which are included as a separate line item in operating expenses and cost of revenue also does not include expenses related to product development, integration or support, as these are included in general and administrative expenses.

Prepaid Expenses, Bonds Posted and Other Current Assets

Prepaid expenses and other current assets of \$172,641 and \$438,391 at March 31, 2015 and December 31, 2014, respectively, consist primarily of costs paid for future services, which will occur within a year. Prepaid expenses include prepayments in cash and equity instruments for public relation services, business advisory, consulting, and prepaid insurance, which are being amortized over the terms of their respective agreements. In addition, the Company had outstanding litigation bonds in the amount of \$1,732,895 and \$1,946,196 at March 31, 2015 and December 31, 2014, respectively. These bonds were entered into in Germany after the first instance of litigation of some of the Company's patents in German courts and the difference in the balance of the litigation bonds at December 31, 2014 versus March 31, 2015 is attributable solely to currency translation.

Fair Value of Financial Instruments

The Company adopted FASB ASC 820, "Fair Value Measurements and Disclosures" ("ASC 820"), for assets and liabilities measured at fair value on a recurring basis. ASC 820 establishes a common definition for fair value to be applied to existing US GAAP that require the use of fair value measurements, establishes a framework for measuring fair value and expands disclosure about such fair value measurements. The adoption of ASC 820 did not have an impact on the Company's financial position or operating results, but did expand certain disclosures. ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Additionally, ASC 820 requires the use of valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. These inputs are prioritized below:

- Level 1: Observable inputs such as quoted market prices in active markets for identical assets or liabilities
- Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data
- Level 3: Unobservable inputs for which there is little or no market data, which require the use of the reporting entity's own assumptions.

The carrying amounts reported in the consolidated balance sheet for cash, accounts receivable, bonds posted with courts, accounts payable, and accrued expenses, approximate their estimated fair market value based on the short-term maturity of these instruments. The carrying value of notes payable and other long-term liabilities approximates fair value as the related interest rates approximate rates currently available to the Company.

Accounting for Acquisitions

In the normal course of its business, the Company makes acquisitions of patent assets and may also make acquisitions of businesses. With respect to each such transaction, the Company evaluates facts of the transaction and follows the guidelines prescribed in accordance with ASC 805 – Business Combinations to determine the proper accounting treatment for each such transaction and then records the transaction in accordance with the conclusions reached in such analysis. The Company performs such analysis with respect to each material acquisition within the consolidated group of entities.

Income Taxes

The Company accounts for income taxes pursuant to the provision of ASC 740-10, "Accounting for Income Taxes" which requires, among other things, an asset and liability approach to calculating deferred income taxes. The asset and liability approach requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. A valuation allowance is provided to offset any net deferred tax assets for which management believes it is more likely than not that the net deferred asset will not be realized.

The Company follows the provision of the ASC 740-10 related to Accounting for Uncertain Income Tax Position. When tax returns are filed, it is highly certain that some positions taken would be situated upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. In accordance with the guidance of ASC 740-10, the benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely that not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions.

Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50 percent likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above should be reflected as a liability for uncertain tax benefits in the accompanying balance sheet along with any associated interest and penalties that would be payable to the taxing authorities upon examination. The Company believes its tax positions are all highly certain of being upheld upon examination. As such, the Company has not recorded a liability for uncertain tax benefits.

The Company has adopted ASC 740-10-25 Definition of Settlement, which provides guidance on how an entity should determine whether a tax position is effectively settled for the purpose of recognizing previously unrecognized tax benefits and provides that a tax position can be

effectively settled upon the completion and examination by a taxing authority without being legally extinguished. For a tax position considered effectively settled, an entity would recognize the full amount of tax benefit, even if the tax position is not considered more likely than not to be sustained based solely on the basis of its technical merits and the statute of limitations remains open. The federal and state income tax returns of the Company are subject to examination by the Internal Revenue Service and state taxing authorities, generally for three years after they were filed. The Company is in the process of filing the previous year's tax returns. After review of the prior year financial statements and the results of operations through March 31, 2015, the Company has recorded a deferred tax asset in the amount of \$7,117,753, from which the Company expects to realize benefits in the future, and an deferred tax liability of \$1,392,557.

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The Company files U.S. and state income tax returns with varying statutes of limitations. The 2011 through 2014 tax years generally remain subject to examination by federal and state tax authorities.

Basic and Diluted Net Earnings (Loss) per Share

Net earnings (loss) per common share is calculated in accordance with ASC Topic 260: Earnings Per Share (“ASC 260”). Basic earnings (loss) per share is computed by dividing net earnings (loss) by the weighted average number of shares of common stock outstanding during the period. The computation of diluted net earnings (loss) per share does not include dilutive common stock equivalents in the weighted average shares outstanding, as they would be anti-dilutive. The Company has options to purchase 2,689,982 shares of common stock and warrants to purchase 2,041,308 shares of common stock outstanding at March 31, 2015, which were excluded from the computation of diluted shares outstanding, as they would have had an anti-dilutive impact on the Company’s net loss.

The following table sets forth the computation of basic and diluted loss per share:

	For the Three Months Ended March 31, 2015	For the Three Months Ended March 31, 2014
Net loss	(4,781,571)	\$ (281,606)
Denominator		
Denominator for basic and diluted loss per share (weighted-average shares)	13,868,811	10,979,186
Earnings (Loss) per common share, basic and diluted:		
Income (Loss)	<u>\$ (0.34)</u>	<u>\$ (0.03)</u>

Intangible Assets

Intangible assets include patents purchased and patents acquired in lieu of cash in licensing transactions. The patents purchased are recorded based on the cost to acquire them and patents acquired in lieu of cash are recorded at their fair market value. The costs of these assets are amortized over their remaining useful lives. Useful lives of intangible assets are periodically evaluated for reasonableness and the assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may no longer be recoverable.

Goodwill

Goodwill is tested for impairment at the reporting unit level at least annually in accordance with ASC 350, and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. When conducting its annual goodwill impairment assessment, the Company initially performs a qualitative evaluation of whether it is more likely than not that goodwill is impaired. If it is determined by a qualitative evaluation that it is more likely than not that goodwill is impaired, the Company then applies a two-step impairment test. The two-step impairment test first compares the fair value of the Company’s reporting unit to its carrying or book value. If the fair value of the reporting unit exceeds its carrying value, goodwill is not impaired and the Company is not required to perform further testing. If the carrying value of the reporting unit exceeds its fair value, the Company determines the implied fair value of the reporting unit’s goodwill and if the carrying value of the reporting unit’s goodwill exceeds its implied fair value, then an impairment loss equal to the difference is recorded in the consolidated statement of operations. The Company performs the annual testing for impairment of goodwill at the reporting unit level during the quarter ended September 30. The Company did not record any impairment charges to its goodwill during the three months ended March 31, 2015 and 2014.

Other Intangible Assets

In accordance with ASC 350-30-65, “Intangibles - Goodwill and Others”, the Company assesses the impairment of identifiable intangibles whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors the Company considers to be important which could trigger an impairment review include the following:

1. Significant underperformance relative to expected historical or projected future operating results;
2. Significant changes in the manner of use of the acquired assets or the strategy for the overall business;
3. Significant negative industry or economic trends; and
4. Significant reduction or exhaustion of the potential licenses of the patents which gave rise to the goodwill.

When the Company determines that the carrying value of intangibles may not be recoverable based upon the existence of one or more of the above indicators of impairment and the carrying value of the asset cannot be recovered from projected undiscounted cash flows, the Company records an impairment charge. The Company measures any impairment based on a projected discounted cash flow method using a discount rate determined by management to be commensurate with the risk inherent in the current business model.

Impairment of Long-lived Assets

The Company accounts for the impairment or disposal of long-lived assets according to the ASC 360 “Property, Plant and Equipment”. The Company continually monitors events and changes in circumstances that could indicate that the carrying amounts of long-lived assets may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the estimated future net undiscounted cash flows expected to be generated by the asset. When necessary, impaired assets are written down to estimated fair

value based on the best information available. Estimated fair value is generally based on either appraised value or measured by discounting estimated future cash flows. Considerable management judgment is necessary to estimate discounted future cash flows. Accordingly, actual results could vary significantly from such estimates. The Company recognizes an impairment loss when the sum of expected undiscounted future cash flows is less than the carrying amount of the asset. The Company did not record any impairment charges on its long-lived assets during the three months ended March 31, 2015 and 2014.

Stock-based Compensation

Stock-based compensation is accounted for based on the requirements of the Share-Based Payment Topic of ASC 718 which requires recognition in the consolidated financial statements of the cost of employee and director services received in exchange for an award of equity instruments over the period the employee or director is required to perform the services in exchange for the award (presumptively, the vesting period). The ASC also requires measurement of the cost of employee and director services received in exchange for an award based on the grant-date fair value of the award.

Pursuant to ASC Topic 505-50, for share-based payments to consultants and other third-parties, compensation expense is determined at the "measurement date." The expense is recognized over the vesting period of the award. Until the measurement date is reached, the total amount of compensation expense remains uncertain. The Company initially records compensation expense based on the fair value of the award at the reporting date. As stock-based compensation expense is recognized based on awards expected to vest, forfeitures are also estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. For the three months ended March 31, 2015, the expected forfeiture rate was 7.28%, which resulted in an expense of \$723 recognized in the Company's compensation expenses. The Company will continue to re-assess the impact of forfeitures if actual forfeitures increase in future quarters.

Reclassification

Certain prior year reported amounts have been reclassified to conform to the current year presentation. The reclassification did not have an impact on previously issued net income (loss) or Total Stockholders Equity.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("*FASB*") issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers*, or ASU 2014-09, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and shall take effective on January 1, 2017. The standard permits the use of either the retrospective or cumulative effect transition method and the early application of the standard is not permitted. The Company is presently evaluating the effect that ASU 2014-09 will have on its consolidated financial statements and related disclosures and has not yet selected a transition method.

In August 2014, the FASB issued Accounting Standards Update No. 2014-15, *Disclosure of Uncertainties About an Entity's Ability to Continue as a Going Concern*. This standard update provides guidance around management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. The new guidance is effective for all annual and interim periods ending after December 15, 2016. The new guidance will not have an impact on the Company's consolidated financial statements.

NOTE 3 – ACQUISITIONS

CyberFone

On April 22, 2013, CyberFone Acquisition Corp., a Texas corporation and newly formed wholly owned subsidiary of the Company ("Acquisition Corp") entered into a merger agreement ("CyberFone Merger Agreement") with CyberFone Systems, LLC ("CyberFone"), TechDev Holdings, LLC ("TechDev") and The Spangenberg Family Foundation for the Benefit of Children's Healthcare and Education ("SFF" and together with TechDev, "CyberFone Sellers"). TechDev and SFF owned 100% of the membership interests of CyberFone Systems.

CyberFone owns a foundational patent portfolio that includes claims that provide specific transactional data processing, telecommunications, network and database inventions, including financial transactions. The portfolio, which has a large and established licensing base, consists of ten United States patents and 27 foreign patents and one patent pending. The patent rights that cover digital communications and data transaction processing are foundational to certain applications in the wireless, telecommunications, financial and other industries. IP Navigation Group LLC ("IP Nav"), a Company founded by Erich Spangenberg and associated with the CyberFone Sellers will continue to support and manage the portfolio of patents and retain a contingent participation interest in all recoveries. IP Nav provides patent monetization and support services under an existing agreement with CyberFone.

Pursuant to the terms of the CyberFone Merger Agreement, CyberFone merged with and into Acquisition Corp. with CyberFone surviving the merger as the wholly owned subsidiary of the Company. The Company (i) issued 461,538 post-split (6,000,000 pre-split) shares of common stock to the CyberFone Sellers, (ii) paid the CyberFone Sellers \$500,000 cash and (iii) issued a \$500,000 promissory note to TechDev. The Company valued these common shares at the fair market value on the date of grant at \$4.94 post-split (\$0.38 pre-split) per share or \$2,280,000. The note was non-interest bearing and was due on June 22, 2013, subject to acceleration in the event of default. The Company may prepay the note at any time without premium or penalty. On June 21, 2013, the Company paid \$500,000 to TechDev in satisfaction of the note. The transaction resulted in a business combination and caused CyberFone to become a wholly-owned subsidiary of the Company.

In addition to the payments described above, within 30 days following the end of each calendar quarter (commencing with the first full calendar quarter following the calendar quarter in which CyberFone recovers \$4 million from licensing or enforcement activities related to the patents), CyberFone will be required to pay out a certain percentage of such recoveries.

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The Company accounted for the acquisition utilizing the purchase method of accounting in accordance with ASC 805 “Business Combinations”. The Company is the acquirer for accounting purposes and CyberFone is the acquired company. Accordingly, the Company applied push-down accounting and adjusted to fair value all of the assets and liabilities directly on the financial statements of the Company subsidiary. The net purchase price paid by the Company was allocated to assets acquired and liabilities assumed on the records of the Company as follows:

Intangible assets	\$ 1,135,512
Goodwill	2,144,488
Net purchase price	<u>\$ 3,280,000</u>

Per the disclosure set forth above, the Company determined at September 30, 2014 that the goodwill was impaired and an impairment loss in the amount of \$2,144,488 was charged to the consolidated statements of operations.

Dynamic Advances, IP Liquidity and Sarif Biomedical

On May 2, 2014, the Company completed the acquisition of certain ownership rights (the “Acquired Intellectual Property”) from TechDev, Granicus IP, LLC (“Granicus”) and SFF pursuant to the terms of three purchase agreements between: (i) the Company, TechDev, SFF and DA Acquisition LLC, a newly formed Texas limited liability company and wholly-owned subsidiary of the Company; (ii) the Company, Granicus, SFF and IP Liquidity Ventures Acquisition LLC, a newly formed Delaware limited liability company and wholly-owned subsidiary of the Company; and (iii) the Company, TechDev, SFF and Sarif Biomedical Acquisition LLC, a newly formed Delaware limited liability company and wholly-owned subsidiary of the Company (the “DA Agreement,” the “IP Liquidity Agreement” and the “Sarif Agreement,” respectively and the collective transactions, the “Acquisitions”).

Dynamic Advances

Pursuant to the DA Agreement, the Company acquired 100% of the limited liability company membership interests of Dynamic Advances, LLC, a Texas limited liability company, in consideration for: (i) two cash payments of \$2,375,000, one payment due at closing and the other payment due on or before September 30, 2014, with such second payment being subject to increase to \$2,850,000 if not made on or before June 30, 2014; and (ii) 195,500 shares of the Company’s Series B Convertible Preferred Stock. Under the terms of the DA Agreement, TechDev and SFF are entitled to possible future payments for a maximum consideration of \$250,000,000 pursuant to the Pay Proceeds Agreement described below. Dynamic Advances, LLC holds exclusive license to monetize certain patents owned by a third party.

On May 2, 2014, the Company issued TechDev and SFF a promissory note in order to evidence the second cash payment due under the terms of the DA Agreement in the amount of \$2,375,000 due on or before September 30, 2014, with such amount due under the terms of the promissory note being subject to increase to \$2,850,000 if the Company’s payment pursuant to the terms of the DA Agreement are not made on or before June 30, 2014. The promissory note matured on September 30, 2014; effective September 30, 2014, TechDev and SFF extended the maturity to March 31, 2015 in return for a payment of \$249,375, payable within thirty days. The payment for this extension of the maturity date was made on October 10, 2014 and the promissory note was repaid on April 1, 2015. The promissory note does not otherwise include any interest payable by the Company. Since the Company did not make the payment on the promissory note prior to June 30, 2014, the Company included in the consideration paid for Dynamic Advances the promissory note balance of \$2,850,000. Further, the Company had the Series B Convertible Preferred Stock valued by a third party firm that determined, based on the rights and privileges of the Series B Convertible Preferred Stock, that it was on par with the value of the Company’s Common Stock. The total amount of consideration paid by the Company for Dynamic Advances, including capitalized costs associated with the purchase, was \$6,653,078.

After evaluating the facts and circumstances of the purchase, the Company determined that this was an asset purchase. In coming to its conclusion, the Company reviewed the status of the assets, the historical activity and the absence of any employees, licenses, revenues, and any other assets other than the IP Assets. Further, as there are no assumed licensees or historical revenues, the Company is not certain that it will be able to obtain access to customers pursuant to AC 805-10-55-7.

IP Liquidity

Pursuant to the IP Liquidity Agreement, the Company acquired 100% of the limited liability company membership interests of IP Liquidity Ventures, LLC, a Delaware limited liability company, in consideration for: (i) two cash payments of \$2,375,000, one payment due at closing and the other payment due on or before September 30, 2014, with such second payment being subject to increase to \$2,850,000 if not made on or before June 30, 2014; and (ii) 195,500 shares of the Company’s Series B Convertible Preferred Stock. Under the terms of the IP Liquidity Agreement, Granicus and SFF are entitled to possible future payments for a maximum consideration of \$250,000,000 pursuant to the Pay Proceeds Agreement described below. IP Liquidity Ventures, LLC holds contract rights to the proceeds from the monetization of certain patents owned by a number of third parties.

On May 2, 2014, the Company issued Granicus and SFF a promissory note in order to evidence the second cash payment due under the terms of the IP Liquidity Agreement in the amount of \$2,375,000 due on or before September 30, 2014, with such amount due under the terms of the promissory note being subject to increase to \$2,850,000 if the Company’s payment pursuant to the terms of the IP Liquidity Agreement are not made on or before June 30, 2014. The promissory note matured on September 30, 2014; effective September 30, 2014, Granicus and SFF extended the maturity to March 31, 2015 in return for a payment of \$249,375, payable within thirty days. The payment for this extension of the maturity date was made on October 10, 2014 and the promissory note was repaid on April 1, 2015. The promissory note does not otherwise include any interest payable by the Company. Since the Company did not make the payment on the promissory note prior to June 30, 2014, the Company included in the consideration paid for IP Liquidity the promissory note balance of \$2,850,000. Further, the Company had the Series B Convertible Preferred Stock valued by a third party firm that determined, based on the rights and privileges of the Series B Convertible Preferred Stock that it was on par with the value of the Company’s Common Stock. The total amount of consideration paid by the Company for IP Liquidity, including capitalized costs associated with the purchase, was \$6,653,078.

After evaluating the facts and circumstances of the purchase, the Company determined that this was an asset purchase. In coming to its conclusion, the Company reviewed the status of the assets, the historical activity and the absence of any employees, licenses, revenues, and any other assets other than the IP Assets. Further, as there are no assumed licensees or historical revenues, the Company is not certain that it will be able to obtain access to customers pursuant to AC 805-10-55-7.

Sarif Biomedical

Pursuant to the Sarif Agreement, the Company acquired 100% of the limited liability company membership interests of Sarif Biomedical, LLC, a Delaware limited liability company, in consideration for two cash payments of \$250,000, one payment due at closing and the other payment due on or before September 30, 2014, with such second payment being subject to increase to \$300,000 if not made on or before June 30, 2014. Under the terms of the Sarif Agreement, TechDev is entitled to possible future payments for a maximum consideration of \$250,000,000 pursuant to the Pay Proceeds Agreement described below. Sarif Biomedical, LLC holds ownership rights to certain patents.

On May 2, 2014, the Company issued TechDev a promissory note in order to evidence the second cash payment due under the terms of the Sarif Agreement in the amount of \$250,000 due on or before September 30, 2014, with such amount due under the terms of the promissory note being subject to increase to \$300,000 if the Company's payment pursuant to the terms of the Sarif Agreement are not made on or before September 30, 2014. The promissory note matured on September 30, 2014; effective September 30, 2014, TechDev extended the maturity to March 31, 2015 in return for a payment of \$26,250, payable within thirty days. The payment for this extension of the maturity date was made on October 10, 2014 and the promissory note was repaid on April 1, 2015. The promissory note does not otherwise include any interest payable by the Company. Since the Company did not make the payment on the promissory note prior to June 30, 2014, the Company included in the consideration paid for Dynamic Advances the higher principal amount of the promissory note. The total amount of consideration paid by the Company for Sarif Biomedical, including capitalized costs associated with the purchase, was \$552,024.

After evaluating the facts and circumstances of the purchase, the Company determined that this was an asset purchase. In coming to its conclusion, the Company reviewed the status of the assets, the historical activity and the absence of any employees, licenses, revenues, and any other assets other than the IP Assets. Further, as there are no assumed licensees or historical revenues, the Company is not certain that it will be able to obtain access to customers pursuant to AC 805-10-55-7.

Dynamic Advances, IP Liquidity and Sarif Biomedical

Pursuant to the Pay Proceeds Agreement, the Company may pay the sellers a percentage of the net recoveries (gross revenues minus certain defined expenses) that the Company makes with respect to the assets held by the entities that the Company acquired pursuant to the DA Agreement, the IP Liquidity Agreement and the Sarif Agreement (the "IP Assets"). Under the terms of the Pay Proceeds Agreement, if the Company recovers \$10,000,000 or less with regard to the IP Assets, then nothing is due to the sellers; if the Company recovers between \$10,000,000 and \$40,000,000 with regard to the IP Assets, then the Company shall pay 40% of the net proceeds of such recoveries to the sellers; and if the Company recovers over \$40,000,000 with regard to the IP Assets, the Company shall pay 50% of the net proceeds of such recoveries to the sellers. In no event will the total payments made by the Company under the Pay Proceeds Agreement exceed \$250,000,000.

Pursuant to a Registration Rights Agreement with the sellers (the "Acquisition Registration Rights Agreement"), the Company agreed to file a "resale" registration statement with the SEC covering at least 10% of the registrable shares of the Company's Series B Convertible Preferred Stock issued to the sellers under the terms of the DA Agreement and the IP Liquidity Agreement, at any time on or after November 2, 2014 upon receipt of a written demand from the sellers which describes the amount and type of securities to be included in the registration and the intended method of distribution thereof. The Company shall not be required to file more than three such registration statements not more than 60 days after the receipt of each such written demand from the sellers.

TechDev and Mr. Erich Spangenberg (the founder of IP Nav) and his spouse Audrey Spangenberg have jointly filed a Schedule 13G and are deemed to be affiliates of the Company.

Selene Communication Technologies

On June 17, 2014, Selene Communication Technologies Acquisition LLC ("Acquisition LLC"), a Delaware limited liability company and newly formed wholly owned subsidiary of the Company, entered into a merger agreement with Selene Communication Technologies, LLC ("Selene").

Selene owns a patent portfolio consisting of three United States patents in the field of search and network intrusion that relate to tools for intelligent searches applied to data management systems as well as global information networks such as the internet. IP Nav will continue to support and manage the portfolio of patents and retain a contingent participation interest in all recoveries. IP Nav provides patent monetization and support services under an existing agreement with Selene.

Pursuant to the terms of the Selene Interests Sale Agreement, Selene merged with and into Acquisition LLC with Selene surviving the merger as the wholly owned subsidiary of the Company. The Company (i) issued 100,000 shares of common stock to the Selene Sellers and (ii) paid the Selene Sellers \$50,000 cash. The Company valued these common shares at the fair market value on the date of grant at \$9.80 per share or \$980,000. The transaction resulted in a business combination and caused Selene to become a wholly-owned subsidiary of the Company.

The Company accounted for the acquisition as a business combination in accordance with ASC 805 "Business Combinations" in which the Company is the acquirer for accounting purposes and Selene is the acquired company. The Company engaged a third party valuation firm to determine the fair value of the assets purchases, and the net purchase price paid by the Company was subsequently allocated to assets acquired and liabilities assumed on the records of the Company as follows:

Intangible assets	\$ 990,000
Net working capital	37,000
Goodwill	3,000
Net purchase price	<u>\$ 1,030,000</u>

Clouding Corp.

On August 29, 2014, the Company entered into a patent purchase agreement (the “Clouding Agreement”) between Clouding Corp., a Delaware corporation and a wholly owned subsidiary of the Company (“Clouding”) and Clouding IP, LLC, a Delaware limited liability company (“Clouding IP”), pursuant to which Clouding acquired a portfolio of patents from Clouding IP. Clouding owns patents related to network and data management technology.

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The Company paid Clouding IP (i) \$1.4 million in cash, (ii) \$1.0 million in the form of a promissory note issued by the Company that matures on October 31, 2014, (iii) 25,000 shares of its restricted common stock valued at \$281,000 and (iv) fifty percent (50%) of the net recoveries (gross revenues minus certain defined expenses) in excess of \$4.0 million in net revenues that the Company makes with respect to the patents purchased from Clouding IP. The Company valued the Common Stock at the fair market value on the date of the Interests Sale Agreement at \$11.24 per share or \$281,000 and the promissory note was paid in full prior to October 31, 2014. The revenue share under item (iv) above was booked as an earn out liability on the balance sheet in accordance with the appraisal of the consideration and intangible value. The Company booked a payable to the sellers pursuant to the earn out liability in the amount of \$2,148,000 at September 30, 2014, based on license agreements entered into during the quarter. No further amount is owed until the Company generates additional revenue, if any, from the Clouding patents.

The Company accounted for the acquisition as a business combination in accordance with ASC 805 “Business Combinations”. The Company engaged a third party valuation firm to determine the fair value of the assets purchases, and the net purchase price paid by the Company was subsequently allocated to assets acquired and liabilities assumed on the records of the Company as follows:

Intangible assets	\$ 14,500,000
Goodwill	1,296,000
Net purchase price	<u>\$ 15,796,000</u>

Total consideration paid of the following:

Cash	\$ 1,400,000
Promissory Note	1,000,000
Common Stock	281,000
Earn Out Liability	13,115,000
Net purchase price	<u>\$ 15,796,000</u>

Historical financial statements of Clouding IP and the pro forma condensed combined consolidated financial statements (both carve-out of certain operations of Clouding IP) can be found on the Form 8-K/A filed with the SEC on November 12, 2014. The unaudited pro forma condensed combined consolidated financial statements are not necessarily indicative of the results that actually would have been attained if the merger had been in effect on the dates indicated or which may be attained in the future. Such statements should be read in conjunction with the historical financial statements of the Company.

The Company recorded an adjustment to the purchase price allocation and such adjustment has been retroactively reflected in the comparative information for the prior period presented.

TLI Communications LLC

On September 19, 2014, TLI Acquisition Corp (“TLIA”), a Virginia corporation and newly formed wholly owned subsidiary of the Company, entered into an interest sale agreement to purchase 100% of the membership interests of TLI Communications LLC (“TLIC”), a Delaware limited liability company. TLIC owns a patent in the telecommunications field.

Pursuant to the terms of the TLIC Interests Sale Agreement, TLIC merged with and into TLIA with TLIC surviving the merger as the wholly owned subsidiary of the Company. The Company (i) agreed to issue 60,000 shares of Common Stock to the sellers of TLIC (“TLIC Sellers”), (ii) paid the TLIC Sellers \$350,000 cash and (iii) agreed to pay the TLIC Sellers a fifty percent (50%) of the net recoveries (gross revenues minus certain defined expenses and the cash portion of the acquisition consideration) that the Company makes with respect to the patent purchased pursuant to the acquisition of TLIC. The Company valued the Common Stock at the fair market value on the date of the Interests Sale Agreement at \$13.63 per share or \$818,000. The cash portion of the consideration was outstanding at September 30, 2014 and was subsequently paid in October. The transaction resulted in a business combination and caused TIC to become a wholly-owned subsidiary of the Company.

The Company accounted for the acquisition as a business combination in accordance with ASC 805 “Business Combinations”. The Company is the acquirer for accounting purposes and TLIC is the acquired company. The Company engaged a third party valuation firm to determine the fair value of the assets purchases, and the net purchase price paid by the Company was subsequently allocated to assets acquired and liabilities assumed on the records of the Company as follows:

Intangible assets	\$ 940,000
Goodwill	228,000
Net purchase price	<u>\$ 1,168,000</u>

Medtech Entities

On October 13, 2014, Medtech Group Acquisition Corp (“Medtech Corp.”), a Texas corporation and newly formed wholly owned subsidiary of the Company, entered into an interest sale agreement to purchase 100% of the equity or membership interests of OrthoPhoenix, LLC (“OrthoPhoenix”), a Delaware limited liability company, TLIF, LLC (“TLIF”) and MedTech Development Deutschland GmbH (“MedTech GmbH”) and along with OrthoPhoenix and TLIF, the “Medtech Entities”) from MedTech Development, LLC (“MedTech Development”). The Medtech Entities own patents in the medical technology field.

Pursuant to the terms of the Interest Sale Agreement between MedTech Development, Medtech Corp. and the Medtech Entities, the Company (i) paid MedTech Development \$1,000,000 cash and (ii) issue a Promissory Note to MedTech Development in the amount of \$9,000,000 and (iii) assumed existing debt payable to Medtronics, Inc. The assumed debt payable to Medtronics was renegotiated, as a result of which, the

outstanding amount was \$6.25 million prior to any repayment by the Company. The debt is due in installments through July 20, 2015; in the event that the Company pays the total amount due by June 30, 2015, the Company will receive a reduction in the remaining principal owed by the Company in the amount of \$750,000. The transaction resulted in a business combination and caused the Medtech Entities to become wholly-owned subsidiaries of the Company.

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The Company accounted for the acquisition as a business combination in accordance with ASC 805 “Business Combinations”. The Company is the acquirer for accounting purposes and TLIC is the acquired company. The Company engaged a third party valuation firm to determine the fair value of the assets purchases, and the net purchase price paid by the Company was subsequently allocated to assets acquired and liabilities assumed on the records of the Company as follows:

Intangible assets	\$ 12,800,000
Goodwill	2,700,000
Net purchase price	<u>\$ 15,500,000</u>

Historical financial statements of the Medtech Entities and the pro forma condensed combined consolidated financial statements can be found on the Form 8-K/A filed with the SEC on December 24, 2014. The unaudited pro forma condensed combined consolidated financial statements are not necessarily indicative of the results that actually would have been attained if the merger had been in effect on the dates indicated or which may be attained in the future. Such statements should be read in conjunction with the historical financial statements of the Company.

The Company recorded an adjustment to the purchase price allocation and such adjustment has been retroactively reflected in the comparative information for the prior period presented.

NOTE 4 – INTANGIBLE ASSETS

Intangible assets of the Company, including adjustments for currency translation adjustments, consisted of the following:

	March 31, 2015	December 31, 2014
Intangible Assets	\$ 43,363,832	\$ 49,914,360
Accumulated Amortization	(3,206,747)	(6,550,528)
Intangible assets, net	<u>\$ 40,157,085</u>	<u>\$ 43,363,832</u>

Other than the website as set forth in the table above, intangible assets are comprised of patents with estimated useful lives between approximately 1 to 15 years. The website was determined to have an estimated useful life of 3 years. Once placed in service, the Company will amortize the costs of intangible assets over their estimated useful lives on a straight-line basis. Costs incurred to acquire patents, including legal costs, are also capitalized as long-lived assets and amortized on a straight-line basis with the associated patent. Amortization of patents is included in operating expenses as reflected in the accompanying consolidated statements of operations. The Company assesses fair market value for any impairment to the carrying values. As of March 31, 2015 and December 31, 2014 management concluded that there was no impairment to the acquired assets.

Patent amortization expense for the three months ended March 31, 2015 and March 31, 2014 was \$2,598,461 and \$453,647, respectively. Future amortization of intangible assets, net of foreign currency translation adjustments is as follows:

2015	\$ 7,351,255
2016	8,893,334
2017	6,477,020
2018	4,865,208
2019	3,959,391
2020 and thereafter	8,610,877
Total	<u>\$ 40,157,085</u>

The Company made the following patent purchases:

- In April 2013, the Company through its subsidiary, Relay IP, Inc. acquired a US patent for \$350,000;
- In April 2013, the Company acquired 10 US patents, 27 foreign patents and 1 patent pending from CyberFone Systems valued at \$1,135,512;
- In June 2013, in connection with the closing of a licensing agreement with Siemens Technology, we acquired a patent portfolio from that company valued at \$1,000,000;
- In September 2013, the Company acquired 14 US patents for a total purchase price of \$1,100,000;
- In November 2013, the Company acquired four patents for 150,000 shares of the Company’s Common Stock, which the Company valued at \$718,500 based on the fair market value of the stock issued;
- In December 2013, the Company acquired certain patents from Delphi Technologies, Inc. for \$1,700,000 pursuant to a Patent Purchase Agreement entered into on October 31, 2013 and Amended on December 16, 2013;
- In December 2013, in connection with a licensing agreement with Zhone, the Company acquired a portfolio of patents from Zhone;
- In December 2013, in connection with a settlement and license agreement, we agreed to settle and release another defendant for past and future use of our patents, whereby the defendant agreed to assign and transfer 2 U.S. patents and rights to the Company;
- In May 2014, we acquired ownership rights of Dynamic Advances, LLC, a Texas limited liability company, IP Liquidity Ventures, LLC, a Delaware limited liability company, and Sarif Biomedical, LLC, a Delaware limited liability company, all of which hold patent portfolios or contract rights to the revenue generated from the patent portfolios;
- In June 2014, we acquired Selene Communication Technologies, LLC, which holds multiple patents in the search and network intrusion field;
- In August 2014, we acquired patents from Clouding IP LLC, with such patents related to network and data management technology;
- In September 2014, we acquired TLI Communications, which owns a single patent in the telecommunication field;
- In October 2014, we acquired three patent portfolios from MedTech Development, LLC, which owns medical technology patents.

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As of March 31, 2015, the Company's patent portfolios consist of 360 U.S. and foreign patents, twenty-three patent applications and contract rights to ten patents. In the aggregate, the earliest date for expiration of a patent in the Company's patent portfolio is past (the patent is expired, but patent rules allow for six year look-back for royalties), the median expiration date for patents in the Company's portfolio is June 17, 2017, and the latest expiration date for a patent in any of the Company's patent portfolios is July 29, 2029. A summary of the Company's patent portfolios is as follows:

Number of Patents	Earliest Expiration Date	Median Expiration Date	Latest Expiration Date	Subject Matter
17	09/15/16	09/15/15	01/22/18	Communication and PBX equipment
60	Expired	10/05/21	03/29/29	Network and data management
5	09/17/21	08/11/22	08/19/23	Web page content translator and device-to-device transfer system
37	Expired	09/15/15	11/11/17	Telephony and data transactions
4	Expired	10/02/17	03/06/23	Natural language interface
4	04/27/20	11/17/23	07/18/24	Manufacturing schedules using adaptive learning
2	11/14/15	09/09/16	07/17/17	Asynchronous communications
6	Expired	06/06/15	07/26/20	Pharmaceuticals / tire pressure systems
10	Expired	09/25/17	08/27/22	Automotive
167	Expired	06/01/18	07/29/29	Medical technology
1	Expired	Expired	Expired	Multicasting
3	03/13/18	03/13/18	11/16/23	Centrifugal communications
5	Expired	Expired	Expired	Microsurgery equipment
3	05/05/18	11/23/20	11/28/21	Communications
7	03/10/14	12/01/15	08/06/22	Automotive
6	06/17/17	06/17/17	06/17/17	Telecommunications
33	Expired	12/21/16	03/09/18	Computer networking and operations

NOTE 5 - STOCKHOLDERS' EQUITY

On December 7, 2011, the Company increased its authorized capital to 200,000,000 shares of Common Stock from 75,000,000 shares, changed the par value to \$0.0001 per share from \$.001 per share, and authorized 100,000,000 shares of preferred stock, par value \$0.0001 per share.

On June 24, 2013, the reverse stock split ratio of one (1) for thirteen (13) basis was approved by the Board of Directors. On July 18, 2013, the Company filed a certificate of amendment to its Amended and Restated Articles of Incorporation with the Secretary of State of the State of Nevada in order to effectuate a reverse stock split of the Company's issued and outstanding Common Stock, par value \$0.0001 per share on a one (1) for thirteen (13) basis.

On November 19, 2014, the Board of Directors of the Company declared a stock dividend pursuant to which holders of the Company's Common Stock as of the close of business of the record date of December 15, 2014 shall receive one additional share of Common Stock at the close of business on December 22, 2014 for each share of Common Stock held by such holders. All share and per share values for all periods presented in the accompanying consolidated financial statements are retroactively restated for the effect of the reverse stock split and stock dividend.

Series B Convertible Preferred Stock

On May 1, 2014, the Company filed with the Secretary of State of Nevada a Certificate of Designations of Series B Convertible Preferred Stock (the "Series B Certificate of Designations") authorizing 500,000 shares of Series B Convertible Preferred Stock and establishing the designations, preferences, and other rights of the Series B Convertible Preferred Stock. The Series B Certificate of Designations became effective upon filing.

On May 2, 2014, the Company issued an aggregate of 782,000 shares of Series B Convertible Preferred Stock valued at \$2,807,380 to acquire IP Liquidity Ventures, LLC, Dynamic Advances, LLC and Sarif Biomedical, LLC. The transaction did not involve any underwriters, underwriting discounts or commissions, or any public offering. The issuance of these securities was deemed to be exempt from the registration requirements of the Securities Act of 1933, as amended, by virtue of Section 4(a)(2) thereof, as a transaction by an issuer not involving a public offering.

On September 17, 2014, the Company entered into a consulting agreement (the "GRQ Consulting Agreement") with GRQ Consultants, Inc. ("GRQ"), pursuant to which GRQ shall provide certain consulting services including, but not limited to, advertising, marketing, business development, strategic and business planning, channel partner development and other functions intended to advance the business of the Company. As consideration, GRQ shall be entitled to 200,000 shares of the Company's Series B Convertible Preferred Stock, 50% of which vested upon execution of the GRQ Consulting Agreement, and 50% of which shall vest in six (6) equal monthly installments of commencing on October 17, 2014. The first tranche of 100,000 shares of Series B Convertible Preferred Stock was issued to GRQ on October 6, 2014. In addition, the GRQ Consulting Agreement allows for GRQ to receive additional shares of Series B Convertible Preferred Stock upon the achievement of certain performance benchmarks. All shares of Series B Convertible Preferred Stock issuable to GRQ shall be pursuant to the 2014 Plan (as defined below) and shall be subject to shareholder approval of the 2014 Plan on or prior to September 16, 2015. The GRQ Consulting Agreement contains an acknowledgement that the conversion of the preferred stock into shares of the Company's common stock is precluded by the equity blockers set forth in the certificate of designation and in Section 17 of the 2014 Plan to ensure compliance with NASDAQ Listing Rule 5635(d).

Common Stock

On June 24, 2013, the reverse stock split ratio of one (1) for thirteen (13) basis was approved by the Board of Directors. On July 18, 2013, the Company filed a certificate of amendment to its Amended and Restated Articles of Incorporation with the Secretary of State of the State of Nevada in order to effectuate a reverse stock split of the Company's issued and outstanding Common Stock, par value \$0.0001 per share on a one (1) for thirteen (13) basis. All share and per share values for all periods presented in the accompanying consolidated financial statements are retroactively restated for the effect of the reverse stock split.

On April 22, 2014, the Company issued 300,000 shares of Restricted Common Stock to TT IP LLC pursuant to the acquisition of patents on November 13, 2013.

On June 2, 2014, the Company issued 48,078 shares of unrestricted Common Stock to an investor in the May 2013 PIPE, pursuant to the exercise of a warrant received in the May 2013 PIPE investment.

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On June 30, 2014, the Company issued 200,000 shares of Restricted Common Stock pursuant to the acquisition of Selene Communications Technologies, LLC (see Note 3). In connection with this transaction, the Company valued the shares at the fair market value on the date of grant at \$4.90 per share or \$980,000.

On July 18, 2014, the Company issues a total of 26,722 shares of Common Stock pursuant to the exercise of stock options held by a former member of the Company's Board of Directors and the Company's former Chief Financial Officer.

On September 16, 2014, the Company issued to two of its independent board members, in lieu of cash compensation, 6,178 shares of Restricted Common Stock. The shares shall vest quarterly over twelve (12) months commencing on the date of grant.

On September 30, 2014, the Company issued 50,000 shares of Restricted Common Stock pursuant to the acquisition of the assets of Clouding IP, LLC (see Note 3). In connection with this transaction, the Company valued the shares at the quoted market price on the date of grant at \$5.62 per share or \$281,000.

For the three months ended September 30, 2014, certain holders of warrants exercised their warrants in a cashless, net exercise basis in exchange for 84,652 shares of the Company's Common Stock.

On November 19, 2014, the Board of Directors of the Company declared a stock dividend ("Dividend") pursuant to which holders of the Company's Common Stock as of the close of business of the record date of December 15, 2014 shall receive one additional share of Common Stock at the close of business on December 22, 2014 for each share of Common Stock held by such holders. Throughout this report, all share and per share values for all periods presented in the accompanying consolidated financial statements are retroactively restated for the effect of the stock dividend.

For the three months ended December 31, 2014, certain holders of warrants exercised their warrants in a cashless, net exercise basis in exchange for 29,230 shares of the Company's Common Stock.

On January 29, 2015, the Company issued 134,409 shares of the Company's Common Stock to DBD Credit Funding, LLC ("DBD"), an affiliate of Fortress Credit Corp. ("Fortress"), pursuant to the Fortress transaction as set forth in Note 6.

For the three months ended March 31, 2015, certain holders of warrants exercised their warrants to purchase, in cash, 5,000 shares of the Company's Common Stock.

Common Stock Warrants

On May 1, 2014, the Company issued warrants to purchase 511,790 shares of Common Stock, at a price of \$3.75 per share of Common Stock, pursuant to the Private Placement described in detail below. The Company reviewed the issuance of warrants, done in conjunction with the financing closed on May 1, 2014, and determined that pursuant to ASC 480 and ASC 815, the warrants met the requirement to be classified as equity and were booked as Additional Paid-in Capital.

In conjunction with the issuance of \$5,550,000 in convertible debt on October 16, 2014, the Company issued two-year Warrants to purchase 258,998 shares of the Company's Common Stock, par value \$0.0001 per share pursuant to a securities purchase agreement. The warrants were valued at \$164,020 and were recorded as a discount to the fair value of the convertible notes. The Warrants are initially convertible into shares of the Company's Common Stock at an exercise price of \$8.25 per share. The conversion and exercise prices are subject to adjustment in the event of certain events, including stock splits and dividends. The Company reviewed the instruments in the context of ASC 480 and determined that the convertible notes should be recorded as a liability and analyzed the conversion feature and bifurcation pursuant to ASC 815 and ASC 470, respectively, to determine that there was no beneficial conversion feature and that the convertible notes should not be bifurcated.

On January 29, 2015, the Company and certain of its subsidiaries entered into a series of Agreements including a Securities Purchase Agreement ("Fortress Purchase Securities Agreement") with DBD, an affiliate of Fortress, under which the Company issued a five-year warrant ("Fortress Warrant") to purchase 100,000 shares of the Company's Common Stock exercisable at \$7.44 per share, subject to adjustment. The Company reviewed the instruments in the context of ASC 480 and determined that the notes should be recorded as a liability and analyzed bifurcation pursuant to ASC 470, to determine that the notes and warrants should not be bifurcated.

During the nine months ended March 31, 2015, the Company recorded stock based compensation expense of \$3,465 in connection with vested warrants. At March 31, 2015, there was a total of \$0 of unrecognized compensation expense related to this non-vested warrant-based compensation arrangement. The warrant was valued at the time of grant on January 26, 2012, based on the Black-Scholes model, using the strike and market prices of \$3.25 per share, the term of 10 years, volatility of 191% based on the closing price of the 50 trading sessions immediately preceding the grant and a discount rate as published by the Federal Reserve of 1.96%.

A summary of the status of the Company's outstanding stock warrants at March 31, 2015 is as follows:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Remaining Life
Balance at December 31, 2014	1,926,308	\$ 4.10	1.55
Granted	100,000	\$ 7.44	4.84
Cancelled	-	-	-
Forfeited	-	-	-
Exercised	5,000	\$ 3.75	1.09

Balance at March 31, 2015	<u>2,021,308</u>	<u>4.27</u>	<u>1.48</u>
Warrants exercisable at March 31, 2015	2,021,308		
Weighted average fair value of warrants granted during the period		<u>\$ 3.19</u>	

Warrant Amendment Letter

On April 20, 2014, the Company sent a letter (the "Warrant Amendment Letter") to all the holders of the warrants which were granted in connection with the sale of units pursuant to a securities purchase agreements which occurred between May 2013 and August 2013. The Warrant Amendment Letter offered to reduce the exercise price of the warrants from \$6.50 per share to \$5.75 per share, if the holders of the warrants accepted the Company's offer to exercise the warrants in full for cash by April 22, 2014 (the "Expiration Date"). The Company subsequently extended the Expiration Date to April 24, 2014. On April 24, 2014, one holder of warrants, who is an accredited investor, accepted the Company's offer and thereby exercised his warrants, for gross proceeds to the Company of approximately \$138,222. After analyzing the circumstances relative to the Warrant Amendment Letter – the extremely short period of time to exercise pursuant to the Amendment Letter, the relatively small change in the exercise price and the limited response to the Amendment Letter – the Company deemed that the change was not a significant modification of the terms of the warrant and did not assess a new fair value and consequently did not make an entry for any adjustment in the value.

Common Stock Options

On April 15, 2014, the Company issued a new board member a five (5) year option to purchase an aggregate of 20,000 shares of the Company's Common Stock with an exercise price of \$3.295 per share, subject to adjustment, which shall vest in twelve (12) monthly installments commencing on the date of grant. The option was valued based on the Black-Scholes model, using the strike and market prices of \$3.295 per share, life of three years, volatility of 51% based on the closing price of the 50 trading sessions immediately preceding the grant and a discount rate as published by the Federal Reserve of 0.84%.

On May 14, 2014, the Company issued existing employees, ten (10) year options to purchase an aggregate of 80,000 shares of the Company's Common Stock with an exercise price of \$4.165 per share, subject to adjustment, which shall vest in three (3) annual installments, with 33% vesting on the first anniversary of the date of grant, 33% on the second anniversary of the date of grant and 34% on the third anniversary of the date of grant. The options were valued based on the Black-Scholes model, using the strike and market prices of \$4.165 per share, life of 6.5 years, volatility of 63% based on the closing price of the 50 trading sessions immediately preceding the grant and a discount rate as published by the Federal Reserve of 1.97%.

On May 14, 2014, the Company issued to consultants, five (5) year options to purchase an aggregate of 160,000 shares of the Company's Common Stock with an exercise price of \$4.165 per share, subject to adjustment, which shall vest in three (3) annual installments, with 33% vesting on the first anniversary of the date of grant, 33% on the second anniversary of the date of grant and 34% on the third anniversary of the date of grant. The options were valued based on the Black-Scholes model, using the strike and market prices of \$4.165 per share, life of 3.5 years, volatility of 50% based on the closing price of the 50 trading sessions immediately preceding the grant and a discount rate as published by the Federal Reserve of 1.00%.

On May 15, 2014, the Company entered into an executive employment agreement with Francis Knuettel II ("Knuettel Agreement") pursuant to which Mr. Knuettel would serve as the Company's Chief Financial Officer. As part of the consideration, the Company agreed to grant Mr. Knuettel a ten (10) year stock option to purchase an aggregate of 290,000 shares of Common Stock, with a strike price of \$4.165 per share, vesting in thirty-six (36) equal installments on each monthly anniversary of the date of the Knuettel Agreement. The option was valued based on the Black-Scholes model, using the strike and market prices of \$4.165 per share, life of 6.5 years, volatility of 63% based on the closing price of the 50 trading sessions immediately preceding the grant and a discount rate as published by the Federal Reserve of 1.97%.

On June 15, 2014, the Company issued to a consultant a five (5) year stock option to purchase an aggregate of 40,000 shares of the Company's Common Stock with an exercise price of \$5.05 per share, subject to adjustment, which shall vest in twenty-four (24) each monthly installments on each monthly anniversary date of the grant. The options were valued based on the Black-Scholes model, using the strike and market prices of \$5.05 per share, life of 3.25 years, volatility of 50% based on the closing price of the 50 trading sessions immediately preceding the grant and a discount rate as published by the Federal Reserve of 1.05%.

On August 29, 2014, the Company entered into an executive employment agreement with Daniel Gelbtuch ("Gelbtuch Agreement") pursuant to which Mr. Gelbtuch would serve as the Company's Chief Marketing Officer. As part of the consideration, the Company agreed to grant Mr. Gelbtuch ten (10) year stock options to purchase an aggregate of 290,000 shares of Common Stock, with a strike price of \$5.62 per share, vesting in thirty-six (36) equal installments on each monthly anniversary of the date of the Gelbtuch Agreement. Mr. Gelbtuch's employment with the Company was terminated as of January 20, 2015 and the vested shares at that time remain available for Mr. Gelbtuch to exercise. The option was valued based on the Black-Scholes model, using the strike and market prices of \$5.62 per share, life of 6.5 years, volatility of 62% based on the average volatility of comparable companies over the prior 10-year period and a discount rate as published by the Federal Reserve of 1.95%.

On September 16, 2014, the Company issued its independent board members five (5) year options to purchase an aggregate of 60,000 shares of the Company's Common Stock with an exercise price of \$7.445 per share, subject to adjustment, which shall vest monthly over twelve (12) months commencing on the date of grant. The options were valued based on the Black-Scholes model, using the strike and market prices of \$7.445 per share, life of three years, volatility of 49% based on the average volatility of comparable companies over the prior 5-year period and a discount rate as published by the Federal Reserve of 1.04%.

On October 31, 2014, the Company entered into an executive employment agreement with Enrique Sanchez ("Sanchez Agreement") pursuant to which Mr. Sanchez would serve as the Company's Senior Vice President of Licensing. As part of the consideration, the Company agreed to grant Mr. Sanchez ten (10) year stock options to purchase an aggregate of 160,000 shares of Common Stock, with a strike price of \$6.40 per share, vesting in thirty-six (36) equal installments on each monthly anniversary of the date of the Sanchez Agreement. The options were valued based on the Black-Scholes model, using the strike and market prices of \$6.40 per share, an expected term of 5.75 years, volatility of 53% based on the average volatility of comparable companies over the comparable prior period and a discount rate as published by the Federal Reserve of 1.78%.

On October 31, 2014, the Company entered into an executive employment agreement with Umesh Jani (“Jani Agreement”) pursuant to which Mr. Jani would serve as the Company’s Chief Technology Officer and SVP of Licensing. As part of the consideration, the Company agreed to grant Mr. Jani ten (10) year stock options to purchase an aggregate of 100,000 shares of Common Stock, with a strike price of \$6.40 per share, vesting in thirty-six (36) equal installments on each monthly anniversary of the date of the Jani Agreement. The options were valued based on the Black-Scholes model, using the strike and market prices of \$6.40 per share, an expected term of 5.75 years, volatility of 53% based on the average volatility of comparable companies over the comparable prior period and a discount rate as published by the Federal Reserve of 1.78%.

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On October 31, 2014, the Company issued existing employees, ten (10) year options to purchase an aggregate of 680,000 shares of the Company's Common Stock with an exercise price of \$6.40 per share, subject to adjustment, which shall vest in twenty-four (24) equal installments on each monthly anniversary. The options were valued based on the Black-Scholes model, using the strike and market prices of \$6.40 per share, an expected term of 5.75 years, volatility of 53% based on the average volatility of comparable companies over the comparable prior period and a discount rate as published by the Federal Reserve of 1.78%.

On October 31, 2014, the Company issued to a consultant, a five (5) year options to purchase an aggregate of 30,000 shares of the Company's Common Stock with an exercise price of \$6.40 per share, subject to adjustment, which shall vest in twenty-four (24) equal installments on each monthly anniversary of the grant. The options were valued based on the Black-Scholes model, using the strike and market prices of \$6.40 per share, an expected term of 3.25 years, volatility of 49% based on the average volatility of comparable companies over the comparable prior period and a discount rate as published by the Federal Reserve of 1.03%.

On February 5, 2015 the Company issued to a consultant, a five (5) year options to purchase an aggregate of 25,000 shares of the Company's Common Stock with an exercise price of \$6.80 per share, subject to adjustment, which shall vest in twenty-four (24) equal installments on each monthly anniversary of the grant. The options were valued based on the Black-Scholes model, using the strike and market prices of \$6.80 per share, an expected term of 3.25 years, volatility of 47% based on the average volatility of comparable companies over the comparable prior period and a discount rate as published by the Federal Reserve of 0.92%.

On March 6, 2015 the Company issued a new board member a five (5) year options to purchase an aggregate of 20,000 shares of the Company's Common Stock with an exercise price of \$7.37 per share, subject to adjustment, which shall vest in twelve (12) equal installments on each monthly anniversary of the grant. The options were valued based on the Black-Scholes model, using the strike and market prices of \$7.37 per share, an expected term of 3.00 years, volatility of 41% based on the average volatility of comparable companies over the comparable prior period and a discount rate as published by the Federal Reserve of 1.16%.

On March 18, 2015 the Company issued a new board member a five (5) year options to purchase an aggregate of 20,000 shares of the Company's Common Stock with an exercise price of \$6.61 per share, subject to adjustment, which shall vest in twelve (12) equal installments on each monthly anniversary of the grant. The options were valued based on the Black-Scholes model, using the strike and market prices of \$6.61 per share, an expected term of 3.00 years, volatility of 41% based on the average volatility of comparable companies over the comparable prior period and a discount rate as published by the Federal Reserve of 0.92%.

For the three months ended March 31, 2015 the Company recorded option-based compensation expenses of \$683,010. At March 31, 2015, there was a total of \$3,474,770 of unrecognized compensation expense related to these non-vested option-based compensation arrangements discussed above.

A summary of the stock options as of March 31, 2015 is as follows:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Life
Balance at December 31, 2014	3,017,690	\$ 4.64	7.77
Granted	65,000	\$ 6.92	4.93
Cancelled	-	\$ -	-
Forfeited	418,349	\$ 5.71	9.19
Exercised	-	\$ -	-
Balance at March 31, 2015	<u>2,664,342</u>	<u>\$ 4.52</u>	<u>7.16</u>
Options Exercisable at March 31, 2015	1,239,781		
Options expected to vest	1,424,560		
Weighted average fair value of options granted during the period		<u>\$ 2.12</u>	

Stock options outstanding at March 31, 2015 as disclosed in the above table have approximately \$4,006,633 in intrinsic value at March 31, 2015.

NOTE 6 – COMMITMENTS AND CONTINGENCIES

Fortress Transaction

On January 29, 2015, the Company and certain of its subsidiaries (each a "Subsidiary") entered into a series of Agreements including Fortress Securities Purchase Agreement and a Subscription Agreement with DBD, an affiliate of Fortress, under which the Company sold to the purchasers: (i) \$15,000,000 original principal amount of Senior Secured Notes ("Fortress Notes"), (ii) a right to receive a portion of certain proceeds from monetization net revenues received by the Company (after receipt by the Company of \$15,000,000 of monetization net revenues and repayment of the Fortress Notes), (the "Revenue Stream"), (iii) a five-year Fortress Warrant to purchase 100,000 shares of the Company's Common Stock exercisable at \$7.44 per share, subject to adjustment; and (iv) 134,409 shares of the Company's Common Stock. Under the Fortress Purchase Agreement, the Company has the right to require the purchasers to purchase an additional \$5,000,000 of Notes (which will increase proportionately the Revenue Stream), subject to the achievement of certain milestones, and further contemplates that Fortress may, but is not obligated to, fund up to an additional \$30,000,000, on equivalent economic terms. The Company may use the proceeds to finance the monetization of its existing assets, provide further expansion capital for new acquisitions, to repay existing debt (including without limitation, the Company's 11% convertible notes issued October 9, 2013 and for general working capital and corporate purposes.

Pursuant to the Purchase Agreement entered into on January 29, 2015, the Company issued to Fortress a Note in the original principal amount of \$15,000,000 (the "Initial Note"). The Initial Note matures on July 29, 2018. If any additional Notes are issued pursuant to the Fortress Securities Purchase Agreement, the maturity date of such additional Fortress Notes shall be 42 months after issuance. The unpaid principal amount of the Initial Note (including any PIK Interest, as defined below) shall bear cash interest at a rate equal to LIBOR plus 9.75% per annum; *provided* that upon and during the continuance of an Event of Default (as defined in the Fortress Securities Purchase Agreement), the interest rate shall increase by an additional 2% per annum. As of March 31, 2015, the twelve-month LIBOR USD rate was 0.699%. Interest on the Initial Note shall be paid on the last business day of each calendar month (the "Interest Payment Date"), commencing January 31, 2015. Interest shall be paid in cash except that 2.75% per annum of the interest due on each Interest Payment Date shall be paid-in-kind, by increasing the principal amount of the Notes by the amount of such interest, effective as of the applicable Interest Payment Date ("PIK Interest"). PIK Interest shall be treated as added principal of the Initial Note for all purposes, including interest accrual and the calculation of any prepayment premium.

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The Fortress Securities Purchase Agreement contains certain customary events of default, and also contains certain covenants including a requirement that the Company maintain minimum liquidity of \$1,000,000 in unrestricted cash and cash equivalents and that the Company shall have Monetization Revenues (as defined in the Fortress Purchase Agreement) for each of the four fiscal quarters commencing December 31, 2014 of at least \$15,000,000.

The terms of the Fortress Warrant provide that until January 29, 2020, the Fortress Warrant may be exercised for cash or on a cashless basis. Exercisability of the Fortress Warrant is limited if, upon exercise, the holder would beneficially own more than 4.99% of the Company's Common Stock.

As part of the transaction, DBD entered into a lock-up agreement (the "Lock-Up Agreement") pursuant to which the parties and certain related holders agreed until the earlier of 12 months or acceleration of an Event of Default (as defined in the Fortress Securities Purchase Agreement), that they will not, directly or indirectly, (i) offer, sell, offer to sell, contract to sell, hedge, hypothecate, pledge, sell any option or contract to purchase any option or contract to sell, grant any option, right or warrant to purchase or sell (or announce any offer, sale, offer of sale, contract of sale, hedge, hypothecation, pledge, sale of any option or contract to purchase, purchase of any option or contract of sale, grant of any option, right or warrant to purchase or other sale or disposition), or otherwise transfer or dispose of (or enter into any transaction or device that is designed to, or could be expected to, result in the disposition by any person at any time in the future), the Lock-Up Shares (as defined in the Lock-Up Agreement), beneficially owned, within the meaning of Rule 13d-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), by such Holder and his/her Related Group (as such terms are defined in the Lock-Up Agreement) on the date of the Lock-Up Agreement or thereafter acquired or (ii) enter into any swap or other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of the Lock-Up Shares, whether or not any such swap or transaction described in clause (i) or (ii) above is to be settled by delivery of any Lock-Up Shares. The Holders may purchase additional shares of the Company's Common Stock during the Lock-Up Period (as defined in the Lock-Up Agreement) to the extent that such purchase only increases the net holding of the Holders in the Company.

In connection with the transactions described above, TechDev, Audrey Spangenberg, Erich Spangenberg, and Granicus (the "Spangenberg Holders") entered into a lock-up agreement (the "Spangenberg Lockup") with respect to 1,626,924 shares of Common Stock, 48,078 shares of Common Stock underlying warrants, and 782,000 shares of Common Stock underlying preferred stock, pursuant to which the Spangenberg Holders agreed that until payment in full of the Note Obligations (as defined in the Fortress Notes), which shall include but not be limited to all principal and interest on outstanding Notes pursuant to the Purchase Agreement, the Spangenberg Holders and certain related parties agreed that they will not, directly or indirectly, (i) offer, sell, offer to sell, contract to sell, hedge, hypothecate, pledge, sell any option or contract to purchase any option or contract to sell, grant any option, right or warrant to purchase or sell (or announce any offer, sale, offer of sale, contract of sale, hedge, hypothecation, pledge, sale of any option or contract to purchase, purchase of any option or contract of sale, grant of any option, right or warrant to purchase or other sale or disposition), or otherwise transfer or dispose of (or enter into any transaction or device that is designed to, or could be expected to, result in the disposition by any person at any time in the future), more than 5% of the Spangenberg Lockup shares (as defined in the Spangenberg Lock-Up Agreement), beneficially owned, within the meaning of Rule 13d-3 under the Exchange Act, by such Holder and his/her Related Group (as such terms are defined in the Spangenberg Lock-Up Agreement) on the date of the Spangenberg Lock-Up Agreement or thereafter acquired or (ii) enter into any swap or other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of more than 5% of the Spangenberg Lock-Up Shares, whether or not any such swap or transaction described in clause (i) or (ii) above is to be settled by delivery of any Lock-Up Shares. The Spangenberg Holders may purchase additional shares of the Company's Common Stock during the Lock-Up Period (as defined in the Spangenberg Lock-Up Agreement) to the extent that such purchase only increases the net holding of the Holders in the Company.

Pursuant to the Fortress Securities Purchase Agreement, as security for the payment and performance in full of the Secured Obligations (as defined in the Fortress Securities Purchase Agreement) in favor of DBD, the Company and certain subsidiaries executed and delivered in favor of DBD a Security Agreement ("Security Agreement") and a Patent Security Agreement ("Patent Security Agreement"), including a pledge of the Company's interests in certain of its subsidiaries. As further set forth in the Security Agreement, repayment of the Note Obligations is secured by a first priority lien and security interest in all of the assets of the Company, subject to permitted liens on permitted indebtedness that existed as of January 29, 2015. The security interest does not include a lien on the assets held by Orthophoenix, LLC. Certain subsidiaries of the Company (excluding Orthophoenix) also executed guarantees in favor of the purchasers (each, a "Guaranty"), guaranteeing the Note Obligations. As required by the terms of certain notes issued by the Company in October 2014 ("October Notes"), the October Note holders consented to the transactions described herein.

Within thirty days, the Company was required to open a cash collateral account into which all Company revenue shall be deposited and which shall be subject to a control agreement outlining the disbursement in accordance with the terms of the Fortress Securities Purchase Agreement of all proceeds.

Pursuant to the Fortress Securities Purchase Agreement, the Company entered into the Fortress Patent License Agreement with DBD pursuant to which the Company agreed to grant to the Licensee certain rights, including right to license certain patents and patent applications, which licensing rights to be available solely upon an acceleration of the Note Obligations, as provided in the Fortress Securities Purchase Agreement.

Office Lease

In October 2013, the Company entered into a net-lease for its current office space in Los Angeles, California. The lease will commence on May 1, 2014 and runs for seven years through April 30, 2021, with monthly lease payment escalating each year of the lease. In addition, to paying a deposit of \$7,564 and the monthly base lease cost, the Company is required to pay pro rata share of operating expenses and real estate taxes. Under the terms of the lease, the Company will not be required to pay rent for the first five months but must remain in compliance with the terms of the lease to continue to maintain that benefit. In addition, the Company has a one-time option to terminate the lease in the 42th month of the lease. Minimum future lease payments under this lease at March 31, 2015, for the next five years and thereafter are as follows:

2015 (Nine Months)	\$	49,483
2016		68,244
2017		71,288
2018		74,540
2019		77,872
Thereafter		108,840
Total	\$	<u>450,267</u>

Litigation

In the ordinary course of business, we actively pursue legal remedies to enforce our intellectual property rights and to stop unauthorized use of our technology. There are no proceedings in which any of our directors, officers or affiliates, or any registered beneficial shareholder are an adverse party or has a material interest adverse to us.

On August 14, 2014, Dominion Harbor Group, LLC, a former vendor to the Company, filed a complaint against the Company in the Northern District of Texas for breach of contract, unjust enrichment and fraudulent inducement. The Company denies these allegations and believes that this claim is entirely without merit and intends to vigorously defend itself in this action. Other than as disclosed herein, we know of no other material, active or pending legal proceedings against us, nor are we involved as a plaintiff in any material proceedings or pending litigation other than in the normal course of business.

On March 13, 2015, the Company settled a dispute with a former consultant whereby the Company issued the consultant 60,000 shares of Common Stock for a full release of all claims.

NOTE 7 – SUBSEQUENT EVENTS

On April 7, 2015 (the “Effective Date”), the Company entered into a consulting agreement (the “Consulting Agreement”) with Richard Chernicoff, a member of the Company’s Board of Directors, pursuant to which Mr. Chernicoff shall provide certain services to the Company, including serving as the interim General Counsel and interim General Manager of commercial product commercialization development. Pursuant to the terms of the Consulting Agreement, Mr. Chernicoff shall receive a monthly retainer of \$27,000 and subject to shareholder approval and pursuant to the Company’s 2014 Equity Incentive Plan (the “2014 Plan”), a ten (10) year stock option to purchase 280,000 shares of the Company’s common stock (the “Award”). The stock options shall have an exercise price of \$6.76 per share, the closing price of the Company’s common stock on the date immediately prior to the Board of Directors approval of such stock options and the options shall vest as follows: 25% of the Award shall vest on the 12 month anniversary of the Effective Date and thereafter 2.083% on the 21st day of each succeeding calendar month for the following twelve months, provided Mr. Chernicoff continues to provide services (in addition to as a member of the Company’s Board of Directors) at the time of vesting. The Award shall be subject in all respects to the terms of the 2014 Plan. Notwithstanding anything herein to the contrary, the remainder of the Award shall be subject to the following as an additional condition of vesting: (A) options to purchase 70,000 shares of the Company’s common stock under the Award shall not vest at all unless the price of the Company’s common stock while Mr. Chernicoff continues as an officer and/or director reach \$8.99 and (B) options to purchase 70,000 shares of the Company’s common stock under the Award shall not vest at all unless the price of the Company’s common stock while Mr. Chernicoff continues as an officer and/or director reach \$10.14.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

This Report on Form 10-Q and other written and oral statements made from time to time by us may contain so-called "forward-looking statements," all of which are subject to risks and uncertainties. Forward-looking statements can be identified by the use of words such as "expects," "plans," "will," "forecasts," "projects," "intends," "estimates," and other words of similar meaning. One can identify them by the fact that they do not relate strictly to historical or current facts. These statements are likely to address our growth strategy, financial results and product and development programs. One must carefully consider any such statement and should understand that many factors could cause actual results to differ from our forward looking statements. These factors may include inaccurate assumptions and a broad variety of other risks and uncertainties, including some that are known and some that are not. No forward-looking statement can be guaranteed and actual future results may vary materially.

Information regarding market and industry statistics contained in this Report is included based on information available to us that we believe is accurate. It is generally based on industry and other publications that are not produced for purposes of securities offerings or economic analysis. We have not reviewed or included data from all sources, and cannot assure investors of the accuracy or completeness of the data included in this Report. Forecasts and other forward-looking information obtained from these sources are subject to the same qualifications and the additional uncertainties accompanying any estimates of future market size, revenue and market acceptance of products and services. We do not assume any obligation to update any forward-looking statement. As a result, investors should not place undue reliance on these forward-looking statements.

Overview

We acquire patents and patent rights from owners or other ventures and seek to monetize the value of the patents through litigation and licensing strategies, alone or with others. Part of our acquisition strategy is to acquire or invest in patents and patent rights that cover a wide-range of subject matter which allows us to seek the benefits of a diversified portfolio of assets in differing industries and countries. Generally, the patents and patent rights that we seek to acquire have large identifiable targets who are or have been using technology that we believe infringes our patents and patent rights. We generally monetize our portfolio of patents and patent rights by entering into license discussions, and if that is unsuccessful, initiating enforcement activities against any infringing parties with the objective of entering into comprehensive settlement and license agreements that may include the granting of non-exclusive retroactive and future rights to use the patented technology, a covenant not to sue, a release of the party from certain claims, the dismissal of any pending litigation and other terms. Our strategy has been developed with the expectation that it will result in a long-term, diversified revenue stream for the Company. As of December 31, 2014, we owned 378 U.S. and foreign patents and patent rights and 22 patent applications.

Our principal office is located at 11100 Santa Monica Blvd., Suite 380, Los Angeles, CA 90225. Our telephone number is (703) 232-1701.

We were incorporated in the State of Nevada on February 23, 2010 under the name "Verve Ventures, Inc." On December 7, 2011, we changed our name to "American Strategic Minerals Corporation" and were engaged in exploration and potential development of uranium and vanadium minerals business. During June 2012, we discontinued our minerals business and began to invest in real estate properties in Southern California. In November 2012, we discontinue our real estate business.

On July 18, 2013, we filed a certificate of amendment to our Amended and Restated Articles of Incorporation with the Secretary of State of the State of Nevada in order to effectuate a reverse stock split of our issued and outstanding common stock, par value \$0.0001 per share on a one (1) for thirteen (13) basis (the "Reverse Split"). The Reverse Split became effective with the FINRA at the open of business on July 22, 2013. As a result of the Reverse Stock Split, every thirteen shares of our pre-reverse split common stock will be combined and reclassified into one share of our common stock. No fractional shares of common stock will be issued as a result of the Reverse Split. Stockholders who otherwise would be entitled to a fractional share shall receive the next highest number of whole shares.

On November 19, 2014, the Board of Directors of the Company declared a stock dividend ("Dividend") pursuant to which holders of the Company's Common Stock as of the close of business of the record date of December 15, 2014 shall receive one additional share of Common Stock at the close of business on December 22, 2014 for each share of Common Stock held by such holders. Throughout this report, all share and per share values for all periods presented in the accompanying consolidated financial statements are retroactively restated for the effect of the stock dividend.

Throughout this Report, each instance in which we refer to a number of shares of our Common Stock, refers to the number of shares of Common Stock after giving effect to the Reverse Split and the Dividend, unless otherwise indicated.

Fortress Transaction

On January 29, 2015, the Company and certain of its subsidiaries (each a “Subsidiary”) entered into a series of Agreements including Fortress Securities Purchase Agreement and a Subscription Agreement with DBD, an affiliate of Fortress, under which the Company sold to the purchasers: (i) \$15,000,000 original principal amount of Senior Secured Notes (“Fortress Notes”), (ii) a right to receive a portion of certain proceeds from monetization net revenues received by the Company (after receipt by the Company of \$15,000,000 of monetization net revenues and repayment of the Fortress Notes), (the “Revenue Stream”), (iii) a five-year Fortress Warrant to purchase 100,000 shares of the Company’s Common Stock exercisable at \$7.44 per share, subject to adjustment; and (iv) 134,409 shares of the Company’s Common Stock. Under the Fortress Purchase Agreement, the Company has the right to require the purchasers to purchase an additional \$5,000,000 of Notes (which will increase proportionately the Revenue Stream), subject to the achievement of certain milestones, and further contemplates that Fortress may, but is not obligated to, fund up to an additional \$30,000,000, on equivalent economic terms. The Company may use the proceeds to finance the monetization of its existing assets, provide further expansion capital for new acquisitions, to repay existing debt (including without limitation, the Company’s 11% convertible notes issued October 9, 2013 and for general working capital and corporate purposes.

Pursuant to the Purchase Agreement entered into on January 29, 2015, the Company issued to Fortress a Note in the original principal amount of \$15,000,000 (the “Initial Note”). The Initial Note matures on July 29, 2018. If any additional Notes are issued pursuant to the Fortress Securities Purchase Agreement, the maturity date of such additional Fortress Notes shall be 42 months after issuance. The unpaid principal amount of the Initial Note (including any PIK Interest, as defined below) shall bear cash interest at a rate equal to LIBOR plus 9.75% per annum; *provided* that upon and during the continuance of an Event of Default (as defined in the Fortress Securities Purchase Agreement), the interest rate shall increase by an additional 2% per annum. As of March 31, 2015, the twelve-month LIBOR USD rate was 0.699%. Interest on the Initial Note shall be paid on the last business day of each calendar month (the “Interest Payment Date”), commencing January 31, 2015. Interest shall be paid in cash except that 2.75% per annum of the interest due on each Interest Payment Date shall be paid-in-kind, by increasing the principal amount of the Notes by the amount of such interest, effective as of the applicable Interest Payment Date (“PIK Interest”). PIK Interest shall be treated as added principal of the Initial Note for all purposes, including interest accrual and the calculation of any prepayment premium.

The Fortress Securities Purchase Agreement contains certain customary events of default, and also contains certain covenants including a requirement that the Company maintain minimum liquidity of \$1,000,000 in unrestricted cash and cash equivalents and that the Company shall have Monetization Revenues (as defined in the Fortress Purchase Agreement) for each of the four fiscal quarters commencing December 31, 2014 of at least \$15,000,000.

The terms of the Fortress Warrant provide that until January 29, 2020, the Fortress Warrant may be exercised for cash or on a cashless basis. Exercisability of the Fortress Warrant is limited if, upon exercise, the holder would beneficially own more than 4.99% of the Company’s Common Stock.

As part of the transaction, DBD entered into a lock-up agreement (the “Lock-Up Agreement”) pursuant to which the parties and certain related holders agreed until the earlier of 12 months or acceleration of an Event of Default (as defined in the Fortress Securities Purchase Agreement), that they will not, directly or indirectly, (i) offer, sell, offer to sell, contract to sell, hedge, hypothecate, pledge, sell any option or contract to purchase any option or contract to sell, grant any option, right or warrant to purchase or sell (or announce any offer, sale, offer of sale, contract of sale, hedge, hypothecation, pledge, sale of any option or contract to purchase, purchase of any option or contract of sale, grant of any option, right or warrant to purchase or other sale or disposition), or otherwise transfer or dispose of (or enter into any transaction or device that is designed to, or could be expected to, result in the disposition by any person at any time in the future), the Lock-Up Shares (as defined in the Lock-Up Agreement), beneficially owned, within the meaning of Rule 13d-3 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), by such Holder and his/her Related Group (as such terms are defined in the Lock-Up Agreement) on the date of the Lock-Up Agreement or thereafter acquired or (ii) enter into any swap or other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of the Lock-Up Shares, whether or not any such swap or transaction described in clause (i) or (ii) above is to be settled by delivery of any Lock-Up Shares. The Holders may purchase additional shares of the Company’s Common Stock during the Lock-Up Period (as defined in the Lock-Up Agreement) to the extent that such purchase only increases the net holding of the Holders in the Company.

In connection with the transactions described above, TechDev, Audrey Spangenberg, Erich Spangenberg, and Granicus (the “Spangenberg Holders”) entered into a lock-up agreement (the “Spangenberg Lockup”) with respect to 1,626,924 shares of Common Stock, 48,078 shares of Common Stock underlying warrants, and 782,000 shares of Common Stock underlying preferred stock, pursuant to which the Spangenberg Holders agreed that until payment in full of the Note Obligations (as defined in the Fortress Notes), which shall include but not be limited to all principal and interest on outstanding Notes pursuant to the Purchase Agreement, the Spangenberg Holders and certain related parties agreed that they will not, directly or indirectly, (i) offer, sell, offer to sell, contract to sell, hedge, hypothecate, pledge, sell any option or contract to purchase any option or contract to sell, grant any option, right or warrant to purchase or sell (or announce any offer, sale, offer of sale, contract of sale, hedge, hypothecation, pledge, sale of any option or contract to purchase, purchase of any option or contract of sale, grant of any option, right or warrant to purchase or other sale or disposition), or otherwise transfer or dispose of (or enter into any transaction or device that is designed to, or could be expected to, result in the disposition by any person at any time in the future), more than 5% of the Spangenberg Lockup shares (as defined in the Spangenberg Lock-Up Agreement), beneficially owned, within the meaning of Rule 13d-3 under the Exchange Act, by such Holder and his/her Related Group (as such terms are defined in the Spangenberg Lock-Up Agreement) on the date of the Spangenberg Lock-Up Agreement or thereafter acquired or (ii) enter into any swap or other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of more than 5% of the Spangenberg Lock-Up Shares, whether or not any such swap or transaction described in clause (i) or (ii) above is to be settled by delivery of any Lock-Up Shares. The Spangenberg Holders may purchase additional shares of the Company’s Common Stock during the Lock-Up Period (as defined in the Spangenberg Lock-Up Agreement) to the extent that such purchase only increases the net holding of the Holders in the Company.

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Pursuant to the Fortress Securities Purchase Agreement, as security for the payment and performance in full of the Secured Obligations (as defined in the Fortress Securities Purchase Agreement) in favor of DBD, the Company and certain subsidiaries executed and delivered in favor of DBD a Security Agreement (“Security Agreement”) and a Patent Security Agreement (“Patent Security Agreement”), including a pledge of the Company’s interests in certain of its subsidiaries. As further set forth in the Security Agreement, repayment of the Note Obligations is secured by a first priority lien and security interest in all of the assets of the Company, subject to permitted liens on permitted indebtedness that existed as of January 29, 2015. The security interest does not include a lien on the assets held by Orthophoenix, LLC. Certain subsidiaries of the Company (excluding Orthophoenix) also executed guarantees in favor of the purchasers (each, a “Guaranty”), guaranteeing the Note Obligations. As required by the terms of certain notes issued by the Company in October 2014 (“October Notes”), the October Note holders consented to the transactions described herein.

Within thirty days, the Company was required to open a cash collateral account into which all Company revenue shall be deposited and which shall be subject to a control agreement outlining the disbursement in accordance with the terms of the Fortress Securities Purchase Agreement of all proceeds.

Pursuant to the Fortress Securities Purchase Agreement, the Company entered into the Fortress Patent License Agreement with DBD pursuant to which the Company agreed to grant to the Licensee certain rights, including right to license certain patents and patent applications, which licensing rights to be available solely upon an acceleration of the Note Obligations, as provided in the Fortress Securities Purchase Agreement.

Critical Accounting Policies and Estimates

The discussion and analysis of our financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with US GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Management believes the following critical accounting policies affect the significant judgments and estimates used in the preparation of the financial statements.

Principles of Consolidation

The consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles and present the financial statements of the Company and our wholly-owned and majority owned subsidiaries. In the preparation of our consolidated financial statements, intercompany transactions and balances are eliminated.

Use of Estimates and Assumptions

The preparation of financial statements in conformity with US GAAP 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 made by management include, but are not limited to, estimating the useful lives of patent assets, the assumptions used to calculate fair value of warrants and options granted, goodwill impairment, realization of long-lived assets, deferred income taxes, unrealized tax positions and business combination accounting.

Revenue Recognition

The Company recognizes revenue in accordance with ASC Topic 605, “Revenue Recognition.” Revenue is recognized when (i) persuasive evidence of an arrangement exists, (ii) all obligations have been substantially performed, (iii) amounts are fixed or determinable and (iv) collectability of amounts is reasonably assured.

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The Company considers the revenue generated from a settlement and licensing agreement as one unit of accounting under ASC 605-25, “Multiple-Element Arrangements” as the delivered items do not have value to customers on a standalone basis, there are no undelivered elements and there is no general right of return relative to the license. Under ASC 605-25, the appropriate recognition of revenue is determined for the combined deliverables as a single unit of accounting and revenue is recognized upon delivery of the final elements, including the license for past and future use and the release.

Also, due to the fact that the settlement element and license element for past and future use are the Company’s major central business, the Company presents these two elements as one revenue category in its statement of operations. The Company does not expect to provide licenses that do not provide some form of settlement or release.

Accounting for Acquisitions

In the normal course of its business, the Company makes acquisitions of patent assets and may also make acquisitions of businesses. With respect to each such transaction, the Company evaluates facts of the transaction and follows the guidelines prescribed in accordance with ASC 805 – Business Combinations to determine the proper accounting treatment for each such transaction and then records the transaction in accordance with the conclusions reached in such analysis. The Company performs such analysis with respect to each material acquisition within the consolidated group of entities.

Intangible Assets - Patents

Intangible assets include patents purchased and patents acquired in lieu of cash in licensing transactions. The patents purchased are recorded based on the cost to acquire them and patents acquired in lieu of cash are recorded at their fair market value. The costs of these assets are amortized over their remaining useful lives. Useful lives of intangible assets are periodically evaluated for reasonableness and the assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may no longer be recoverable.

Goodwill

Goodwill is tested for impairment at the reporting unit level at least annually, and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. When conducting its annual goodwill impairment assessment, the Company initially performs a qualitative evaluation of whether it is more likely than not that goodwill is impaired. If it is determined by a qualitative evaluation that it is more likely than not that goodwill is impaired, the Company then applies a two-step impairment test. The two-step impairment test first compares the fair value of the Company’s reporting unit to its carrying or book value. If the fair value of the reporting unit exceeds its carrying value, goodwill is not impaired and the Company is not required to perform further testing. If the carrying value of the reporting unit exceeds its fair value, the Company determines the implied fair value of the reporting unit’s goodwill and if the carrying value of the reporting unit’s goodwill exceeds its implied fair value, then an impairment loss equal to the difference is recorded in the consolidated statement of operations.

Other Intangible Assets

In accordance with ASC 350-30-65, “Intangibles - Goodwill and Others”, the Company assesses the impairment of identifiable intangibles whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors the Company considers to be important which could trigger an impairment review include the following: (1) significant underperformance relative to expected historical or projected future operating results; (2) significant changes in the manner of use of the acquired assets or the strategy for the overall business; and (3) significant negative industry or economic trends.

When the Company determines that the carrying value of intangibles may not be recoverable based upon the existence of one or more of the above indicators of impairment and the carrying value of the asset cannot be recovered from projected undiscounted cash flows, the Company records an impairment charge. The Company measures any impairment based on a projected discounted cash flow method using a discount rate determined by management to be commensurate with the risk inherent in the current business model.

Impairment of Long-lived Assets

The Company accounts for the impairment or disposal of long-lived assets according to the ASC 360 "Property, Plant and Equipment". The Company continually monitors events and changes in circumstances that could indicate that the carrying amounts of long-lived assets, including mineral rights, may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the estimated future net undiscounted cash flows expected to be generated by the asset. When necessary, impaired assets are written down to their estimated fair value based on the best information available. Estimated fair value is generally based on either appraised value or measured by discounting estimated future cash flows. Considerable management judgment is necessary to estimate discounted future cash flows. Accordingly, actual results could vary significantly from such estimates. The Company recognizes an impairment loss when the sum of expected undiscounted future cash flows is less than the carrying amount of the asset.

Stock-based Compensation

Stock-based compensation is accounted for based on the requirements of the Share-Based Payment Topic of ASC 718 which requires recognition in the consolidated financial statements of the cost of employee and director services received in exchange for an award of equity instruments over the period the employee or director is required to perform the services in exchange for the award (presumptively, the vesting period). The ASC also requires measurement of the cost of employee and director services received in exchange for an award based on the grant-date fair value of the award.

Pursuant to ASC Topic 505-50, for share-based payments to consultants and other third parties, compensation expense is determined at the "measurement date." The expense is recognized over the vesting period of the award. Until the measurement date is reached, the total amount of compensation expense remains uncertain. The Company initially records compensation expense based on the fair value of the award at the reporting date. As stock-based compensation expense is recognized based on awards expected to vest, forfeitures are also estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. For the three months ended September 30, 2014, expected forfeitures are immaterial. The Company will re-assess the impact of forfeitures if actual forfeitures increase in future quarters.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers*, or ASU 2014-09, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and shall take effective on January 1, 2017. The standard permits the use of either the retrospective or cumulative effect transition method and the early application of the standard is not permitted. The Company is presently evaluating the effect that ASU 2014-09 will have on its consolidated financial statements and related disclosures and has not yet selected a transition method.

In August 2014, the FASB issued Accounting Standards Update No. 2014-15, *Disclosure of Uncertainties About an Entity's Ability to Continue as a Going Concern*. This standard update provides guidance around management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. The new guidance is effective for all annual and interim periods ending after December 15, 2016. The new guidance will not have an impact on the Company's consolidated financial statements.

Results of Operations

For the Three Months Ended March 31, 2015 and 2014

We generated revenues of \$4,093,869 during the three months ended March 31, 2015 as compared to \$2,780,000 during the three months ended March 31, 2014. For the three months ended March 31, 2015, this represented an increase of \$1,313,869 or 47%. Revenue for the three months ended March 31, 2015 was derived from both the issuance of one-time patent licenses and recurring royalty and for the three months ended March 31, 2014 revenue was derived solely from the issuance of one-time patent licenses. The growth in revenue from 2014 to 2015 resulted from growth in the patent monetization business.

Revenues from the issuance of licenses to certain of the Company's patent portfolios accounted for approximately 95% and 100% of our revenues for the three months ended March 31, 2015 and March 31, 2014, respectively. For the three months ended March 31, 2015, revenues from the five largest settlement and license agreements accounted for approximately 87% of the Company's revenues, whereas revenues from three total settlement and license agreements accounted for 100% of the Company's revenue for the period ending March 31, 2014.

While the Company has a growing portfolio of patents and did generate recurring revenue during the three months ended March 31, 2015, at this time, the Company expects that a significant portion of its future revenues will be based on one-time grants of similar non-recurring, non-exclusive, non-assignable licenses to a relatively small number of entities and their affiliates. Further, with the expected small number of firms with which the Company enters into license agreements, and the amount and timing of such license agreements, the Company also expects that its revenues may be highly variable from one period to the next.

Direct cost of revenues during the three months ended March 31, 2015 amounted to \$4,328,165 and for the three months ended March 31, 2014, the direct cost of revenues amounted to \$1,110,579. For the three months ended March 31, 2015, this represented an increase of \$3,217,586 or 290%. Direct costs of revenue include contingent payments to patent enforcement legal costs, patent enforcement advisors and inventors as well as various non-contingent costs associated with enforcing the Company's patent rights and otherwise in developing and entering into settlement and licensing agreements that generate the Company's revenue. For the three months ended March 31, 2015, the Company had higher costs associated with experts and a non-contingent engagement with litigation counsel for numerous enforcement actions with scheduled trial dates over the next three to six months.

We incurred other operating expenses of \$6,065,174 for the three months March 31, 2015 and \$1,951,254 for the three months March 31, 2014. For the three months ended March 31, 2015, this represented an increase of \$4,113,920 or 211%. These expenses primarily consisted of amortization of patents, general expenses, compensation to our officers, directors and employees, professional fees and consulting incurred in connection with the day-to-day operation of our business.

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The operating expenses consisted of the following:

	Total Other Operating Expenses	
	For the Three Months Ended March 31, 2015	For the Three Months Ended March 31, 2014
Amortization of patents and website (1)	2,598,461	455,063
Compensation and related taxes (2)	1,581,074	729,987
Consulting fees (3)	896,543	428,107
Professional fees (4)	769,615	256,855
Other general and administrative (5)	219,481	82,658
Total	6,065,174	1,952,670

Operating expenses for the three months ended March 31, 2015 and March 31, 2014 include non-cash operating expenses totaling \$4,059,413 and \$1,1134,274, respectively. Non-cash operating expenses consisted of the following:

	Non-Cash Operating Expenses	
	For the Three Months Ended March 31, 2015	For the Three Months Ended March 31, 2014
Amortization of patents and website (1)	2,598,461	453,647
Compensation and related taxes (2)	637,308	364,526
Consulting fees (3)	813,248	310,351
Professional fees (4)	8,527	5,750
Other general and administrative (5)	-	-
Total	4,057,544	1,134,274

- (1) Amortization of patents and website: Amortization expenses were \$2,598,461 and \$453,647 during the three months ended March 31, 2015 and 2014, respectively, an increase of \$2,144,814 or 473%. The increase results from the significant number of patents and patent portfolios we have added during the last nine months of 2014. The Company has acquired ownership of or contractual rights to ten patent portfolios during the last nine months of 2014. When the Company acquires patents and patent rights, the Company capitalizes the cost of those assets and amortizes those costs over the remaining useful lives of the assets. All patent amortization expenses are non-cash expenses.
- (2) Compensation expense and related taxes: Compensation expense includes cash compensation and related payroll taxes and benefits, and non-cash equity compensation expenses. For the three months ended March 31, 2015 and 2014, respectively, compensation expense and related payroll taxes were \$1,581,074 and \$729,987, an increase of \$851,087 or 117%. The increase in compensation primarily reflects bonuses paid during the three months ended March 31, 2015, an increase in cash compensation, payroll taxes and benefits to our employees, and an increase in the number of employees. During the three months ended March 31, 2015 and 2014, we recognized non-cash employee and board equity based compensation of \$637,308 and \$364,526, respectively.
- (3) Consulting fees: For the three months ended March 31, 2015 and 2014, we incurred consulting fees of \$896,543 and \$428,107, respectively, an increase of \$468,436 or 109%. Consulting fees include both cash and non-cash related consulting fees primarily for investor relations and public relations services as well as other consulting services. During the three months ended March 31, 2015 and 2014, we recognized non-cash equity based consulting of \$813,248 and \$310,351, respectively. For the three months ended March 31, 2015, \$750,328 of the non-cash equity based consulting expenses are non-recurring.
- (4) Professional fees: For the three months ended March 31, 2015 and 2014, professional fees were \$769,615 and \$256,855, respectively, an increase of \$512,760 or 200%. Professional fees primarily reflect the costs of professional outside accounting fees, legal fees and audit fees. The increase in professional fees for the three months ended March 31, 2015 over the three months ended March 31, 2014 related to professional outside legal, accounting and audit fees resulting from a substantially higher level of activity in the Company's continuing patent acquisition and monetization operations and the costs associated with closing the Fortress transaction. During the three months ended March 31, 2015 and 2014, we recognized non-cash equity based consulting of \$8,527 and \$5,750, respectively.
- (5) Other general and administrative expenses: For the three months ended March 31, 2015 and 2014, other general and administrative expenses were \$219,481 and \$82,658, respectively, an increase of \$136,823 or 166%. General and administrative expenses reflect the other non-categorized operating costs of the Company and include expenses related to being a public company, rent, insurance, technology and other expenses incurred to support the operations of the Company. The increase in general and administrative costs in the three months ended March 31, 2015 over the three months ended March 31, 2014 resulted from an increase in these expenses, including opening an office in Germany, in support of the continued expansion of the operations of the Company.

Operating Income (Loss)

We reported operating income (loss) of \$(6,299,470) for the three months ended March 31, 2015 and operating income (loss) of \$(281,833),

for the three months ended March 31, 2014. For the three months ended March 31, 2015, this represented a decrease of \$6,017,637. The increased loss from operations in 2015 relative to 2014 was primarily attributable to the increase in enforcement costs as a result of increased revenues, preparation for upcoming trials and a fixed fee engagement arrangement with litigation counsel associated with a portfolio that the Company acquired in June 2014.

Other Income (Expense)

Total other income (expenses) was \$(970,940) for the three months ended March 31, 2015 and \$227 for the three months ended March 31, 2014. For the three months ended March 31, 2015, this represented a decrease in other income of \$971,167. The principal component of the decrease in the other income (loss) for the three months ended March 31, 2015 was cash and non-cash interest expenses associated with debt incurred by the Company.

Income Tax Benefit

We recognized an income tax benefit in the amount of \$2,488,839 for the three months ended March 31, 2015. There were no income tax benefits for the three months ended March 31, 2014.

Net Income (Loss)

We reported net income (loss) of \$(4,781,571) for the three months ended March 31, 2015 and net income (loss) of \$(281,606) for the three months ended March 31, 2014. For the three months ended March 31, 2015, this represented a reduction in net income of \$4,499,965.

Non-GAAP Reconciliation

The Company incurred total net non-cash expenses in the amount of \$2,190,246 and \$852,668 for the three months ended March 31, 2015 and March 31, 2014, respectively. The details of those expenses and non-GAAP reconciliation of these non-cash items are set forth below:

	For the Three Months Ended March 31, 2015	For the Three Months Ended March 31, 2014
Net loss attributable to Common Shareholders	(4,781,571)	(281,606)
Non-GAAP		
Amortization of intangible assets & depreciation	2,600,330	455,063
Equity-based compensation	1,459,083	680,627
Non-cash interest expense	613,719	-
Deferred tax benefit	(2,488,839)	-
Other	(3,063)	-
Non-GAAP profit (loss)	(2,600,341)	854,084

The following table sets forth the computation of basic and diluted loss per share on a Non-GAAP basis:

	For the Three Months Ended March 31, 2015	For the Three Months Ended March 31, 2014
Non-GAAP net income (loss)	\$ (2,600,341)	\$ 854,084
Denominator		
Denominator for basic and diluted loss per share (weighted-average shares)	13,868,811	10,979,186
Non-GAAP earnings (Loss) per common share, basic and diluted:		
Non-GAAP income (Loss)	<u>\$ (0.19)</u>	<u>\$ 0.08</u>

Liquidity and Capital Resources

Liquidity is the ability of a company to generate funds to support its current and future operations, satisfy its obligations, and otherwise operate on an ongoing basis. At March 31, 2015, the Company's cash and cash equivalents balances totaled \$9,477,969 compared to \$5,082,569 at March 31, 2014. The increase in the cash balances of \$4,395,400 resulted primarily from cash received from net proceeds of the transaction entered into with Fortress on January 29, 2015, offset by use of cash in operations.

Net working capital improved by \$11,038,146 to \$(3,223,447) at March 31, 2015 from \$(14,261,593) at December 31, 2014. The improvement in net working capital resulted primarily from the replacement of short-term acquisition debt associated with the purchase of the Medtech Entities with long term debt associated with the Fortress transaction.

Cash provided (used) in operating activities was \$(1,145,055) during the three months ended March 31, 2015 and cash provided (used) in operating activities of \$1,800,367 during the three months ended March 31, 2014.

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Cash used in investing activities was \$37,147 for the three months ended March 31, 2015 versus \$0 cash used in invested activities for the three months ended March 31, 2015. The use of cash during the three months ended March 31, 2015 was solely related to the purchases of property, equipment and other non-patent intangible assets.

Cash provided by financing activities was \$5,568,750 during the three months ended March 31, 2015 versus \$0 during the three months ended March 31, 2014. Cash provided by financing activities for the three months ended March 31, 2015 resulted from the transaction entered into with Fortress on January 29, 2015, less repayment of general and patent portfolio acquisition debt, of equal or shorter terms, incurred during 2014.

Management believes that the balance of cash and cash equivalents of \$9,477,969 at March 31, 2015 is sufficient to continue to fund the Company's current operations. However, the Company's operations are subject to various risks and there is no assurance that changes in the operations of the Company will not require the Company to raise additional cash sooner than planned in order to continue uninterrupted operations. In that event, the Company would seek to raise additional capital from the sale of the Company's securities, from borrowing or from other sources. Should the Company seek to raise capital from the issuances of its securities, such transactions would be subject to the risks of the market for the Company's securities at the time.

Off-balance Sheet Arrangements

We have not entered into any other financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our shares and classified as stockholder's equity or that are not reflected in our consolidated financial statements. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Not required for smaller reporting companies.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures.

We maintain "disclosure controls and procedures," as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act"), that are designed to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, management recognized that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the disclosure controls and procedures are met. Additionally, in designing disclosure controls and procedures, our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. The design of any disclosure controls and procedures also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

We conducted an evaluation of the effectiveness of our "disclosure controls and procedures" ("Disclosure Controls"), as defined by Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of March 31, 2015, the end of the period covered by this Quarterly Report on Form 10-Q. The Disclosure Controls evaluation was done under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, due to our limited internal audit function, our Disclosure Controls were not effective as of March 31, 2015, such that the information required to be disclosed by us in reports filed under the Securities Exchange Act of 1934 is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) accumulated and communicated to the President and Treasurer, as appropriate to allow timely decisions regarding disclosure.

Management is in the process of determining how best to change our current system and implement a more effective system to insure that information required to be disclosed in this quarterly report on Form 10-Q has been recorded, processed, summarized and reported accurately. Our management acknowledges the existence of this problem, and intends to develop procedures to address them to the extent possible given limitations in financial and manpower resources. While management is working on a plan, no assurance can be made at this point that the implementation of such controls and procedures will be completed in a timely manner or that they will be adequate once implemented.

Changes in Internal Controls.

There have been no changes in our internal control over financial reporting during the quarter ended March 31, 2015 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

In the ordinary course of business, we actively pursue legal remedies to enforce our intellectual property rights and to stop unauthorized use of our technology. There are no proceedings in which any of our directors, officers or affiliates, or any registered beneficial shareholder are an adverse party or has a material interest adverse to us.

On August 14, 2014, Dominion Harbor Group, LLC, a former vendor to the Company, filed a complaint against the Company in the Northern District of Texas for breach of contract, unjust enrichment and fraudulent inducement. The Company denies these allegations and believes that this claim is entirely without merit and intends to vigorously defend itself in this action. Other than as disclosed herein, we know of no other material, active or pending legal proceedings against us, nor are we involved as a plaintiff in any material proceedings or pending litigation other than in the normal course of business.

On March 13, 2015, the Company settled a dispute with a former consultant whereby the Company issued the consultant 60,000 shares of Common Stock for a full release of all claims.

Item 1A. Risk Factors.

None.

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

All unregistered sales of equity securities during the quarter ended March 31, 2015 have been reported on Forms 8-K file with the SEC.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

None.

Item 5. Other Information.

None.

Item 6. Exhibits.

10.1	Revenue Sharing and Securities Purchase Agreement by and among Marathon Patent Group, Inc. and its subsidiaries and DBD Credit Funding LLC dated January 29, 2015 (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on February 3, 2015).+
10.2	Note due July 29, 2018 (Incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed with the SEC on February 3, 2015).
10.3	Warrant to Purchase Common Stock dated January 29, 2015 (Incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K filed with the SEC on February 3, 2015).
10.4	Subscription Agreement between Marathon Patent Group, Inc. and DBD Credit Funding LLC dated January 29, 2015 (Incorporated by reference to Exhibit 10.4 to the Current Report on Form 8-K filed with the SEC on February 3, 2015).
10.5	Security Agreement by and among Marathon Patent Group, Inc. and certain of its subsidiaries and DBD Credit Funding LLC dated January 29, 2015 (Incorporated by reference to Exhibit 10.5 to the Current Report on Form 8-K filed with the SEC on February 3, 2015).+
10.6	Patent Security Agreement by Marathon Patent Group, Inc. and certain of its subsidiaries in favor of DBD Credit Funding LLC dated January 29, 2015 (Incorporated by reference to Exhibit 10.6 to the Current Report on Form 8-K filed with the SEC on February 3, 2015).+
10.7	Lockup Agreement by and between DBD Credit Funding LLC and Marathon Patent Group, Inc. dated January 29, 2015 (Incorporated by reference to Exhibit 10.7 to the Current Report on Form 8-K filed with the SEC on February 3, 2015).
10.8	Lockup Agreement by and between TechDev Holdings, LLC, Audrey Spangenberg, Erich Spangenberg, Granicus IP, LLC and Marathon Patent Group, Inc. dated January 29, 2015 (Incorporated by reference to Exhibit 10.8 to the Current Report on Form 8-K filed with the SEC on February 3, 2015).
10.9	Patent License Agreement by and among Marathon Patent Group, Inc. and certain of its subsidiaries and DBD Credit Funding LLC dated January 29, 2015 (Incorporated by reference to Exhibit 10.9 to the Current Report on Form 8-K filed with the SEC on February 3, 2015).+
10.10	Guaranty Agreement by certain subsidiaries of Marathon Patent Group, Inc. in favor of DBD Credit Funding LLC dated January 29, 2015 (Incorporated by reference to Exhibit 10.10 to the Current Report on Form 8-K filed with the SEC on February 3, 2015).
31.1	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
31.2	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
32.1	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*
32.2	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*
101.ins	XBRL Instance Document
101.sch	XBRL Taxonomy Schema Document
101.cal	XBRL Taxonomy Calculation Document
101.def	XBRL Taxonomy Linkbase Document
101.lab	XBRL Taxonomy Label Linkbase Document
101.pre	XBRL Taxonomy Presentation Linkbase Document

* Filed herein

+ Portions of these exhibits have been omitted pursuant to a confidential treatment request. This exhibit omits the information subject to this confidentiality request. Omitted portions have been filed separately with the SEC.

SIGNATURES

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

Date: May 14, 2015

MARATHON PATENT GROUP, INC.

By: /s/ Doug Croxall

Name: Doug Croxall

Title: Chief Executive Officer and Chairman
(Principal Executive Officer)

By: /s/ Francis Knuettel II

Name: Francis Knuettel II

Title: Chief Financial Officer
(Principal Financial and Accounting Officer)

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER AND
PRINCIPAL FINANCIAL AND ACCOUNTING OFFICER
PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002**

I, Doug Croxall, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Marathon Patent Group, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly for the period in which this quarterly report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal controls which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Dated: May 14, 2015

By: /s/ Doug Croxall

Doug Croxall
Chief Executive Officer and Chairman (Principal
Executive Officer)

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER AND
PRINCIPAL FINANCIAL AND ACCOUNTING OFFICER
PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002**

I, Francis Knuettel II, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Marathon Patent Group, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly for the period in which this quarterly report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal controls which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Dated: May 14, 2015

By: /s/ Francis Knuettel II
Francis Knuettel II
Chief Financial Officer (Principal Financial
and Accounting Officer)

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Marathon Patent Group, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Doug Croxall, Chief Executive Officer and Chairman (Principal Executive Officer) of the Company, certifies, pursuant to 18 U.S.C. section 1350 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 14, 2015

By: /s/ Doug Croxall
Doug Croxall
Chief Executive Officer and Chairman (Principal
Executive Officer)

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Marathon Patent Group, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Francis Knuettel II, Chief Financial Officer, Secretary and Director (Principal Financial Officer) of the Company, certifies, pursuant to 18 U.S.C. section 1350 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934;
and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 14, 2015

By: /s/ Francis Knuettel II

Francis Knuettel II
Chief Financial Officer (Principal Financial and
Accounting Officer)

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.