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

FORM 10-Q/A
Amendment No. 1

(Mark One)

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

For the quarterly period ended September 30, 2017

or

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

For the transition period from________ to ________

Commission File Number 001-37916

SRAX

SOCIAL REALITY, INC.
(Exact name of registrant as specified in its charter)

Delaware	**45-2925231**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
456 Seaton Street, Los Angeles, CA	**90013**
(Address of principal executive offices)	*(Zip Code)*

(323) 694-9800
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

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 þ NO ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, 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 þ NO ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ¨	Accelerated filer ¨
Non-accelerated filer ¨	Smaller reporting company þ
	Emerging growth company ¨

If an emerging growth company, indicate by checkmark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES ¨ NO þ

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. 8,675,427 shares of Class A common stock are issued and outstanding as of November 13, 2017.

EXPLANATORY NOTE

We are filing this Quarterly Report on Form 10-Q/A, Amendment No. 1 (the “Quarterly Report on Form 10-Q/A”) to amend its Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2017; filed with the Securities and Exchange Commission on November 14, 2017 (the “Original Report”). The purpose of this Quarterly Report on Form 10-Q/A is to amend our disclosure in Part I, Item 2 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of the Original Report to include additional information related to the BIGToken platform. The remainder of the Original Report, including the financial statements and supplementary data, remains unchanged.

Pursuant to Rule 12b-15 under the Securities Exchange Act of 1934, as amended, this Form 10-Q/A also contains new certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, which are attached hereto. Because no financial statements have been included in this Form 10-Q/A and this Form 10-Q/A does not contain or amend any disclosure with respect to Items 307 and 308 of Regulation S-K, paragraphs 3, 4, and 5 of the certifications have been omitted.

We have made no attempt in this Quarterly Report on Form 10-Q/A to modify or update the disclosures presented in the Original Report other than as noted in the previous paragraph. Except as noted above, this Quarterly Report on Form 10-Q/A does not reflect events occurring after the filing of the Original Report. Accordingly, this Quarterly Report on Form 10-Q/A should be read in conjunction with the Original Report, and the Company’s other filings with the Securities and Exchange Commission (“SEC”) subsequent to the filing of the Original Report, including any amendments thereto.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These forward-looking statements that relate to future events or our future financial performance and involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to differ materially from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. Words such as, but not limited to, “believe,” “expect,” “anticipate,” “estimate,” “intend,” “plan,” “targets,” “likely,” “aim,” “will,” “would,” “could,” and similar expressions or phrases identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and future events and financial trends that we believe may affect our financial condition, results of operation, business strategy and financial needs. Forward-looking statements include, but are not limited to, statements about:

- our history of losses;
- our ability to continue as a going concern;
- the obligation under senior secured convertible debentures in the principal amount of $9.525,158 and compliance with the terms and conditions of these obligations;
- our reliance on third party vendors;
- our dependence on revenues from a limited number of customers;
- our ability to maintain our technology platforms and expand our product offerings;
- our ability to manage our relationships with our publishers;
- risks associated with loss to access to the Facebook, Inc. platform;
- risks associated with loss of access to real time bidding inventory buyers and RTB platforms;
- our dependence on our executive officers;
- the continued appeal of Internet advertising;
- risks related to possible future acquisitions;
- the possible cashless exercise and ratchet adjustments of Series A warrants in our January 2017 financing and the Debenture Warrants issued in the April 2017 and October 2017 financing transactions;
- the limited market for our Class A common stock;
- risks associated with securities litigation;
- our failure to meet financial performance guidance;
- risks associated with material weaknesses in our internal control over financial reporting;
- anti-takeover provisions of Delaware law;
- the possible issuance of shares of our Class B common stock;
- limited, inaccurate or unfavorable research about us or our business by securities or industry analysts;
- concentration of ownership by our management;
- dilution to our stockholders from the exercise of outstanding options and warrants, including those with cashless features; and
- the terms of indemnification agreements with our executive officers and directors.

Most of these factors are difficult to predict accurately and are generally beyond our control. You should consider the areas of risk described in connection with any forward-looking statements that may be made herein. Readers are cautioned not to place undue reliance on these forward-looking statements and readers should carefully review this report in its entirety, including the risks described in Part I, Item 1A. - Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2016 as filed with the Securities and Exchange Commission on March 31, 2017, as amended on Form 10-K/A (Amendment No. 1) as filed with the Securities and Exchange Commission on April 28, 2017 and other filings with the Securities and Exchange Commission (the "SEC"). Except for our ongoing obligations to disclose material information under the Federal securities laws, we undertake no obligation to release publicly any revisions to any forward-looking statements, to report events or to report the occurrence of unanticipated events.

OTHER PERTINENT INFORMATION

When used in this report, the terms "Social Reality," refers to Social Reality, Inc., a Delaware corporation, and our subsidiary Steel Media, a California corporation which we refer to as "Steel Media," (collectively, "we," "us," "our" or "the Company"). In addition, the "third quarter of 2017" refers to the three months ended September 30, 2017, the "third quarter of 2016" refers to the three months ended September 30, 2016, "2017" refers to the year ending December 31, 2017, and "2016" refers to the year ended December 31, 2016.

All share and per share information contained in this report gives retroactive effect to the 1:5 reverse stock split of our Class A common stock in September 2016.

The information which appears on our web sites www.SRAX.com, www.sraxmd.com, www.sraxapp.com, www.sraxdi.com, and www.bigtoken.com are not part of this report.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion of our financial condition and results of operations for the three and nine month periods ended September 30, 2017 and 2016 should be read in conjunction with the unaudited condensed consolidated financial statements and the notes to those statements that are included elsewhere in this report. Our discussion includes forward-looking statements based upon current expectations that involve risks and uncertainties, such as our plans, objectives, expectations and intentions. Actual results and the timing of events could differ materially from those anticipated in these forward-looking statements because of several factors, including those set forth under the Part I, Item 1A, Risk Factors, Cautionary Notice Regarding Forward-Looking Statements and Business sections in our Annual Report on Form 10-K for the year ended December 31, 2016, as amended in Form 10-K/A (Amendment No. 1), this report, and our other filings with the Securities and Exchange Commission. We use words such as “anticipate,” “estimate,” “plan,” “project,” “continuing,” “ongoing,” “expect,” “believe,” “intend,” “may,” “will,” “should,” “could,” and similar expressions to identify forward-looking statements. In addition, any statements that refer to projections of our future financial performance, our anticipated growth and trends in our businesses, and other characterizations of future events or circumstances are forward-looking statements. Such statements are based on our current expectations and could be affected by the uncertainties and risk factors described throughout this report.

Overview

We are a digital marketing and data management platform delivering the tools to reach and reveal valuable audiences. Our machine-learning technology analyzes marketing data to identify brands and content owners' core consumers and their characteristics across marketing channels. Through an omnichannel approach that integrates all aspects of the advertising experience into one platform, we discover new and measurable opportunities that amplify campaign performance and maximize profits. We derive our revenues from:

- sales of digital advertising campaigns to advertising agencies and brands;
- sales of media inventory through real-time bidding, or “RTB”, exchanges;
- sale and licensing of our *SRAX Social* platform and related media; and,
- creation of custom platforms for buying media on *SRAX* for large brands.

The core elements of our business are:

- *Social Reality Ad Exchange or "SRAX" – Real Time Bidding sell side and buy side representation* is our technology which assists publishers in delivering their media inventory to the RTB exchanges. The *SRAX* platform integrates multiple market-leading demand sources, including OpenX, Pubmatic and AppNexus. We also build custom platforms that allow our agency partners to launch and manage their own RTB campaigns by enabling them to directly place advertising orders on the platform dashboard and view and analyze results as they occur;

- *SRAXmd* serves ads to both Healthcare Professionals and Patients using patent-pending process and technology. Powerful first and third-party data allow us to reach more than 400,000 Healthcare Professionals and Patients with real-time ad targeting, serving banner and video ads to personal devices. Advertising agencies and pharmaceutical clients contract with us directly to secure ad space and to license the MOSEE ad targeting platform on an annual basis.

- *SRAX Social* is a social media and loyalty platform that allows brands to launch and manage their social media initiatives. Our team works with customers to identify their needs and then helps them in the creation, deployment and management of their social media presence; and

- *SRAX app,* a recently launched new product, which is a platform that allows publishers and content owners to launch native mobile applications through our *SRAX* platform. The *SRAX app* is a free platform that provides online publishers an opportunity to distribute their content via a branded mobile application that updates automatically as they publish new content to their website. The platform also allows publishers the opportunity to bring in influencer feeds from Facebook, Instagram, YouTube and Twitter that are relevant to their content.

We offer our customers several pricing options including cost-per-thousand-impression, commonly referred to as CPM, whereby our customers pay based on the number of times the target audience is exposed to the advertisement, and on a monthly service fee.

During the first nine months of 2017, our efforts have been focused on the continued expansion of gross margin to generate higher profitability from our sales and marketing efforts across our platform. Our goal is to return our margins to historic levels, and eliminate the dependence on revenues from a previously limited number of customers. During the third quarter of 2017 and for the nine months then ended our gross margin increased to 55.8% and 50.3%, respectively, of revenue as compared to 26.7% and 32.3%, respectively during the comparable periods in 2016. Additionally, we have also concentrated on the reduction of various operating expenses to streamline our business for the future and provide liquidity. In March 2017, we initiated a restructuring program targeted to deliver cost savings in 2017 and beyond. Under the restructuring program, we made certain reductions in staffing and a restructuring of sales management compensation, delayed certain previously budgeted expenditures, eliminated certain operating expenses, simplified our organizational structure, including greater consolidation of our sales force and support functions, and extended payments to certain vendors. As a result of these changes, we recognized one-time costs of $377,961 during the first quarter of 2017 that related to severance accruals, recruiting fees and legal fees and saw a reduction in our overall general, selling and administrative expenses during the third quarter of 2017 of 5.0% from the comparable period in 2016.

We continue to face a challenging competitive environment and while we continue to focus on our overall profitability, including managing expenses, we reported losses and were required to utilize existing cash on hand to fund our operating and investing activities. As described elsewhere herein, during April 2017 we raised $5,000,000 through the sale of convertible debentures and in October 2017 we raised an additional $5,180,178 through the sale of similar convertible debentures. We used a portion of the April 2017 proceeds to satisfy the put obligation of $2,500,000 under the Series B warrants issued in our January 2017 offering and a portion of the October 2017 proceeds to repay amounts due under the Financing Warrant. A portion of the October 2017 convertible debentures were issued in exchange for cancellation of an equivalent dollar value of trade payables. The balance of remaining proceeds from these two transactions was then used to satisfy certain accounts payable and for other general corporate purposes. However, the terms of those debentures will make it more difficult for us to raise capital in future periods while the debt remains outstanding. We expect, however, that the reduction in our operating expenses coupled with our focus to improve the technology tools we offer that enable both publishers and advertisers to maximize their digital advertising initiatives will result in a reduction in our need for outside capital during the balance of 2017.

During the second quarter 2017, we launched a new *SRAX Social* tool for digital marketers and content owners to create posts and promote them beyond their respective Facebook Page communities. This tool is the first of many planned monetization opportunities to be developed and integrated into *SRAX Social*. We also released a new guide entitled “People-Based Advertising: How to Get Bigger Results by Targeting the Most Precise Audience” which we believe will provide support for our expertise as an Internet advertising resource. We also unveiled the Company’s new *SRAX* branding, designed to reflect the breadth and depth of the tools that we offer to digital marketers and content owners.

In the third quarter of 2017, we announced several new product offerings designed to expand our reach for advertisers to other large digital audiences. SRAX Fan is a buyside vertical focused on advertising to sports fans on their mobile devices in stadiums and sports bars. SRAX Auto is another new buyside vertical launched to target car buyers. While SRAX Fan and SRAX Auto have formally launched, they remain very early stage. As such, we do not believe these two new initiatives will be significant contributors to revenue growth for the remainder of 2018.

During the third quarter of 2017, we also announced the launch of the BIGToken project (“BIGToken”), an advertising-based platform initiative intended to reward consumers through an affinity program, who voluntarily opt-in to allow marketers greater access to their personal information. BIGToken is intended to generate higher quality marketing opportunities for advertisers that we believe will pay a premium to have access to better, consumer self-generated data. BIGToken is currently in the early stages of development. It is anticipated that BIGToken will initially be developed as a wholly owned subsidiary of Social Reality and eventually spun out to our shareholders, as discussed below; although we may also elect to develop it internally. To date, we have not segregated the costs and expenses of BIGToken, we estimate that we have spent an aggregate of approximately $11,000 on the project as of September 30, 2017.

Upon completion of the formation and creation of the BIGToken subsidiary, we anticipate that BIGToken will be financed independently from Social Reality through the sale of the subsidiary’s equity, debt, or equity-linked securities. Based on our current development plans, and assuming there is no revenue for the first twelve months, we estimate that BIGToken will require approximately $5 million and $15 million for the initial and subsequent 12-month periods of operations, respectively, provided however that such capital requirements may increase or decrease based on the speed of development, user adoption rates and revenues.

In the event that BIGToken is not able to secure independent funding, we may nonetheless continue to develop the BIGToken project internally albeit on a reduced scope and extended time frame. In such instance, we do not believe the project will initially result in a material increase to our operating expenses as the majority of BIGToken’s initial expenses are either duplicative administrative expenses or related to customer acquisition once the platform is successfully launched.

In the event that the BIGToken subsidiary is successfully completed, funded and operational, we anticipate spinning out a portion of the subsidiary to our shareholders in addition to issuing securities to users that provide us personal information via an affinity program. In order to accomplish both the spin-out and the affinity program, we will be required to comply with all applicable state and federal laws, including federal securities laws. If we are unable to comply with such regulations, we may not be able to complete the spin-out or undertake the affinity program. There is no guarantee that we will be able to comply with such regulations and accordingly, we may not be able to complete the spin-out or undertake the affinity program as currently planned.

As part of the Company's ongoing evaluation of ways to maximize shareholder value, in October 2017, we announced that we had engaged outside advisors to evaluate strategic options for SRAXmd. Given the recent growth in revenue of SRAXmd as well as heightened merger and acquisition activity elsewhere in the healthcare advertising sector, we determined a thorough evaluation of various options potentially available would be prudent at this time. However, there is no guarantee that we will take any immediate action whatsoever with regard to SRAXmd as a result of this strategic analysis.

Going concern

For the nine months ended September 30, 2017, we reported a net loss of $6,836,958, cash used in operating activities of $2,240,400 and we had an accumulated deficit of $21,226,961 at September 30, 2017. The report of our independent registered public accounting firm on our audited consolidated financial statements at December 31, 2016 and for the year then ended contains an explanatory paragraph regarding substantial doubt of our ability to continue as a going concern based upon our losses from operations, negative cash flows generated from operating activities and accumulated deficit. These factors, among others, raise substantial doubt about our ability to continue as a going concern. Our unaudited condensed consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. There are no assurances we will be successful in our efforts to generate revenues or report profitable operations or to continue as a going concern, in which event investors would lose their entire investment in our company.

Results of operations

Selected Consolidated Financial Data

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2017	2016	change	2017	2016	change
	(unaudited)	(unaudited)		(unaudited)	(unaudited)	
Revenue	$ 5,554,182	$ 9,530,842	(41.7)%	$16,861,033	$24,249,588	(30.5)%
Cost of revenue	2,454,919	6,986,834	(64.9)%	8,378,247	16,430,204	(49.0)%
Gross margin percentage	55.8%	26.7%	109.1%	50.3%	32.3%	56.0%
Operating expense, net	3,659,202	3,851,890	(5.0)%	12,260,165	11,752,581	4.3%
Operating loss	(559,939)	(1,307,882)	(57.1)%	(3,776,963)	(3,933,197)	(4.0)%
Other income (expense)	(3,514,389)	(1,067,964)	229.2%	(3,059,995)	1,028,898	(-397.5)%
Net loss	$ (4,074,328)	$ (2,375,846)	71.5%	$ (6,836,958)	$ (2,904,299)	(135.3)%

Revenue

The decrease in our revenue during the three and nine months ended September 30, 2017 from the comparable periods in 2016 reflect our strategic shift in 2017 to focus on higher margin revenue opportunities and the decrease in revenue from one significant legacy customer in 2016. These revenue declines were partially offset by an increase in revenue from our *SRAX* buy side and sell side clients as well as continuing growth in *SRAXmd.* With the growth of our revenues coming from other areas of our business, we do not expect that the loss of low-margin revenues from this legacy customer will adversely impact our expected overall revenue growth for the remainder of 2017. We have, additionally, taken several actions including the reorganization of sales personnel in an effort to broaden our customer base and expand our product offerings to additional buy-side clients and explore new channels of revenue. During the second quarter 2017, we launched a new tool which expanded of product offerings in the *SRAX Social* platform and we unveiled a new branding effort to demonstrate the breadth and depth of the tools that we provide digital marketers and content owners.

Cost of revenue

Cost of revenue consists of certain labor costs, payments to website publishers and others that are directly related to a revenue-generating event and project and application design costs. Approximately 100% of cost of revenue was attributable to payments to website publishers and other media providers for the first nine months 2017 as compared to 99% during the first nine months of 2016. The balance was attributable to labor costs and project and application design costs. Cost of revenue as a percentage of revenue declined to 44.2% for the third quarter of 2017 and 49.7% for the nine months ended September 30, 2017 as compared to 73.3% and 67.8%, respectively, for the comparable periods in 2016. Cost of revenue declined in the third quarter of 2017 due to a strategic shift made by management in the third quarter of 2016 to focus sale efforts on advertising business with substantially higher gross margins. The Company also began eliminating certain legacy customers in its buy-side sales channels that produced low to no gross margin business during that time as well.

Operating expense

Our operating expenses are comprised of salaries, commissions, marketing and general overhead expenses. Overall, our net operating expense decreased 5.0% in the third quarter of 2017 from the comparable period in 2016. Our net operating expense increased 4.3% for the nine months ended September 30, 2017 as compared to the nine months ended September 30, 2016. During the nine months ended September 30, 2017, operating expenses were also impacted by the non-recurring expenses related to the write-off of the non-compete agreement amounting to $468,750 and restructuring costs amounting to $377,961. During the nine months ended September 30, 2016, our operating expenses were also impacted by the impairment of goodwill amounting to $670,000. Since our restructuring program was instituted at the end of the first quarter 2017, we expect that our operating expenses will continue to decline for the remainder of 2017 and into the first quarter of 2018, at a minimum.

Other income (expense)

Other income (expense) in the third quarter 2017 represents factoring fees, the non-cash accretion of our put warrants issued in connection with our January 2017 financing amounting to $419,062 and the accretion of the debenture discount and warrants issued in connection with our April 2017 financing amounting to $2,139,618. Other income (expense) for the third quarter 2016 represents interest under notes issued pursuant to a financing agreement and factoring fees, amortization of debt costs and the accretion of the put liability under a financing agreement, and the accretion and write-off of contingent consideration. Total interest expense decreased 41.9% and 36.8% for the three and nine-month periods ended September 30, 2017, respectively, as compared to the same periods in 2016. We expect that our overall interest expense during the balance of 2017 will increase as a result of the 12.5% secured convertible debentures that we sold in April 2017 and October 2017. As certain of our outstanding securities, including the debentures and three series of warrants, contain reset provisions of the conversion and exercise price of the security, we anticipate that we will recognize other income or expense in future periods based upon the fluctuation of the market price of our Class A common stock in accordance with GAAP. The non-cash income in the first nine months of 2017 materially impacted our results of operations and, while those securities remain outstanding, we may have additional non-cash income or losses in future periods that could materially affect our net loss or net income within those periods. We are, however, unable to estimate the amount of such income or expense in future periods as that income or expense is partly based on the market price of our Class A common stock at the end of a future measurement date. Investors are cautioned to consider the impact of this non-cash accounting treatment on our financial statements.

Non-GAAP financial measures

We use Adjusted net loss to measure our overall results because we believe it better reflects our net results by excluding the impact of non-cash equity based compensation and the accretion of put warrants. We use Adjusted Earnings before Interest, Taxes, Depreciation and Amortization (“Adjusted EBITDA”) to measure our operations by excluding interest and certain additional one-time expenses. We believe the presentation of Adjusted net loss and Adjusted EBITDA enhances our investors' overall understanding of the financial performance of our business.

You should not consider Adjusted net loss and Adjusted EBITDA as an alternative to net loss, determined in accordance with GAAP, as an indicator of operating performance. A directly comparable GAAP measure to Adjusted net loss and Adjusted EBITDA is net loss.

The following is a reconciliation of net loss to Adjusted net loss and Adjusted EBITDA for the periods presented:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net loss	$ (4,074,329)	$ (2,375,846)	$ (6,836,958)	$ (2,904,299)
plus:				
Equity based compensation	326,641	207,248	947,968	984,026
Accretion of put warrants	419,062	—	(1,934,663)	—
Accretion of debenture discount and warrants	2,139,618	—	788,873	—
Accretion of put liability	—	—	—	—
Accretion of other consideration	336,347	—	336,347	(3,744,496)
Adjusted net loss	$ (852,661)	$ (2,168,598)	$ (6,698,433)	$ (5,664,769)
Loss on repurchase of Series B warrants	—	—	2,053,975	—
Loss on repricing of Series A warrants	—	274,695	99,820	274,695
Restructuring costs	—	—	377,961	—
Write-off of non-compete agreement	—	—	468,750	—
Write-off of contingent consideration	—	—	—	—
Impairment of goodwill	—	—	—	670,000
Interest expense	619,362	1,067,964	1,715,643	2,715,598
Depreciation and amortization	140,551	93,859	372,938	286,944
Adjusted EBITDA	$ (92,748)	$ (732,080)	$ (1,609,346)	$ (1,717,532)

Liquidity and capital resources

Liquidity is the ability of a company to generate sufficient cash to satisfy its needs for cash. Our primary need for liquidity is to fund working capital requirements of our business and other general corporate purposes, including debt repayment. At September 30, 2017, we had an accumulated deficit of $21,226,961. As of September 30, 2017, we had $216,409 in cash and cash equivalents and a deficit in working capital of $11,075,405 as compared to $1,048,762 in cash and cash equivalents and a deficit in working capital of $8,276,097 at December 31, 2016. We are currently experiencing a period of limited liquidity resulting from the complete repayment of notes associated with a financing agreement previously held by Victory Park Management, LLC, the repurchase of the Series B Warrants in April 2017, and the satisfaction of amounts due under the Financing Warrant.

During January 2017, we satisfied all outstanding obligations under a financing agreement utilizing proceeds from the factoring of our receivables and sales of our securities. The repayment of these notes has adversely impacted our current liquidity. To address the immediate impact of this decreased liquidity, we developed certain operating plans that focus on increased revenue growth and cost reductions as further described herein. During April 2017, we raised $5,000,000 through the sale of 12.5% convertible debentures. We utilized $2,500,000 of the proceeds of this sale to satisfy the put obligation of the Series B Warrants issued to investors in the January 2017 offering. The balance of the debenture sales proceeds was used to satisfy the payment of accounts payable and other working capital requirements. During October 2017, we raised an additional $5,180,157 through the sale of similar 12.5% convertible debentures. We utilized $1,567,612 of the proceeds of this sale to satisfy obligations due under the Financing Warrant. The balance of the October 2017 debenture sales proceeds were also used to satisfy the payment of accounts payable and other working capital requirements.

As described in Part II, Item 1A. Risk Factors, the terms of both the April 2017 and October 2017 debentures could materially impact our liquidity and results of operations in future periods. If our revenue increases throughout the next twelve months as anticipated, additional liquidity is expected to be readily available under our accounts receivable factoring agreement with FastPay which is now subject to a cap of $4,000,000 that we agreed to as part of the debentures in April 2017.

Cash flows from operating activities

Net cash used in operating activities was $2,240,400 during the nine months ended September 30, 2017 compared to net cash provided by operating activities of $867,122 for the comparable period in 2016. During the nine months ended September 30, 2017, the Company's accounts receivable increased by $1,377,870 which compares with a decrease in accounts receivable of $2,767,590 for the comparable period in 2016. Accounts payable and accrued liabilities during the nine months ended September 30, 2017 decreased by $721,272 which compares to an increase in accounts payable and accrued liabilities of $6,355,103 for the comparable period in 2016.

Cash flows from investing activities

During the nine months ended September 30, 2017 net cash used in investing activities was $551,655 as compared to $4,816 during the nine months ended September 30, 2016. During the nine months ended September 30, 2017, we used cash to acquire equipment and develop internally used software.

Cash flows from financing activities

During the nine months ended September 30, 2017 net cash provided by financing activities was $1,959,702 which represented the net proceeds from the sale of securities amounting to $3,820,001 and the proceeds from debentures amounting to $2,136,629 offset by the complete repayment of our notes payable of $3,996,928 and the repurchase of the Series B warrants of $2,500,000 directly paid by the debenture holder on behalf of the Company. During the comparable period in 2016, net cash in the amount of $2,287,738 was used in financing activities which primarily consisted of proceeds from the sale of common stock of $3,550,815 and proceeds from notes payable of $2,100,000 offset by a $1,600,000 payment of contingent consideration and $1,763,077 in repayments of notes payable.

Critical accounting policies

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenue and expenses during the reported periods. The more critical accounting estimates include estimates related to revenue recognition and accounts receivable allowances. We also have other key accounting policies, which involve the use of estimates, judgments and assumptions that are significant to understanding our results, which are described in Note 2 to our unaudited condensed consolidated financial statements appearing elsewhere in this report.

Recent accounting pronouncements

The recent accounting standards that have been issued or proposed by the FASB or other standards-setting bodies that do not require adoption until a future date are not expected to have a material impact on our financial statements upon adoption.

Off balance sheet arrangements

As of the date of this report, we do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors. The term "off-balance sheet arrangement" generally means any transaction, agreement or other contractual arrangement to which an entity unconsolidated with us is a party, under which we have any obligation arising under a guarantee contract, derivative instrument or variable interest or a retained or contingent interest in assets transferred to such entity or similar arrangement that serves as credit, liquidity or market risk support for such assets.

ITEM 6. EXHIBITS.

No.	Description
4.1	Form of (Series A-1 and Series A-2) 12.5% Senior Secured Convertible Debenture (incorporated by reference to Exhibit 4.01 to the Current Report on Form 8-K filed October 27, 2017)
4.2	Form of Series A Common Stock Purchase Warrant (incorporated by reference to Exhibit 4.02 to the Current Report on Form 8-K filed October 27, 2017)
10.1	Form of Securities Purchase Agreement (incorporated by reference to Exhibit 10.01 to the Current Report on Form 8-K filed October 27, 2017)
10.2	Form of Registration Rights Agreement (incorporated by reference to Exhibit 10.02 to the Current Report on Form 8-K filed October 27, 2017)
31.1	Rule 13a-14(a)/ 15d-14(a) Certification of Chief Executive Officer*
31.2	Rule 13a-14(a)/ 15d-14(a) Certification of Chief Financial Officer*
32.1	Section 1350 Certification of Chief Executive Officer and Chief Financial Officer*
101.INS	XBRL Instance Document**
101.SCH	XBRL Taxonomy Extension Schema**
101.CAL	XBRL Taxonomy Extension Calculation Linkbase**
101.DEF	XBRL Taxonomy Extension Definition Linkbase**
101.LAB	XBRL Taxonomy Extension Label Linkbase**
101.PRE	XBRL Taxonomy Extension Presentation Linkbase**

* Filed herewith

** Previously filed

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.

SOCIAL REALITY, INC.

February 7, 2018	By: /s/ Christopher Miglino Christopher Miglino, Chief Executive Officer, principal executive officer
February 7, 2018	By: /s/ Joseph P. Hannan Joseph P. Hannan, Chief Financial Officer, principal financial and accounting officer