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

FORM 10-Q/A
(Amendment No. 2)

(Mark One)

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

For the quarterly period ended March 31, 2018

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. 12,546,022 shares of Class A common stock are issued and outstanding as of July 31, 2019.

EXPLANATORY NOTE

This Amendment No. 2 (this "Amendment") to Form 10-Q for the fiscal quarter ended March 31, 2018, amends Social Reality, Inc.'s (the "Company") Quarterly Report on Form 10-Q for the quarter ended March 31, 2018, which was originally filed with the Securities and Exchange Commission on May 15, 2018 (the "Original Filing") and further amended and filed on May 24, 2018.

On April 7, 2019, the Company's management concluded, and the audit committee, concurred, that certain of the Company's previously issued financial statements should no longer be relied upon. The conclusion was reached based on certain warrants issued in 2017, that were previously classified as equity, being required to be classified as liabilities pursuant to the provisions of ASC 815-10.

This amendment is being filed solely to (i) restate the financial statements for the accounting error described above to the financial statements (and make corresponding changes to Risk Factors and the Management's Discussion and Analysis of Financial Condition and results of Operations sections in this Amendment) and (ii) amend Item 4 (Controls and Procedures).

The following sections in the Original Filing (and in Amendment No. 1 in the case of Part I – Item 4) are revised in this Form 10-Q/A to reflect the restatement:

- Part I - Item 1 – Financial Statements (Unaudited)
- Part 1 - Item 2 – Management's Discussion and Analysis of Financial Condition and Results of Operations
- Part I - Item 4 – Controls and Procedures
- Part II - Item 1A - Risk Factors
- Part II – Item 6 - Exhibits

Our principal executive officer and principal financial officer have also provided new certifications as required by Sections 302 and 906 of the Sarbanes-Oxley Act of 2002. The certifications are included in this Form 10-Q/A as Exhibits 31.1, 31.2 and 32.1.

For the convenience of the reader, this Form 10-Q/A sets forth the information in the Original Filing in its entirety, as such information, as well as the information in Amendment No. 1, are modified and superseded where necessary to reflect the restatement and related revisions. Except as provided above, this Amendment No. 2 does not reflect events occurring after the filing of the Original Filing and does not amend or otherwise update any information in the Original Filing. Accordingly, this Form 10-Q/A should be read in conjunction with our filings with the SEC subsequent to the date on which we filed the Original Filing with the SEC.

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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 $6,845,157and 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 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, 2017 as filed with the Securities and Exchange Commission on April 2, 2018 and as amended on Form 10K/A on April 27, 2018 and further amended in our Annual Report on Form 10-K filed on April 16, 2109, as well as 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 BigToken, Inc., a Delaware corporation which we refer to as "BigToken," (collectively, “we,” “us,” “our” or “the Company”). In addition, the "first quarter of 2018" refers to the three months ended March 31, 2018, the "first quarter of 2017" refers to the three months ended March 31, 2017, “2018” refers to the year ending December 31, 2018, and "2017” refers to the year ended December 31, 2017.

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, and www.bigtoken.com are not part of this report and are specifically not incorporated by reference.

PART 1 - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

SOCIAL REALITY, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 2018 (Unaudited)	December 31, 2017 (As Restated)
Assets		
Current assets:		
Cash and cash equivalents	$ 189,888	$ 1,017,299
Accounts receivable, net	1,734,058	4,348,305
Prepaid expenses	540,753	468,336
Other current assets	300,898	300,898
Total current assets	2,765,597	6,134,838
Property and equipment, net of accumulated depreciation	165,898	154,546
Goodwill	15,644,957	15,644,957
Intangibles - net	1,708,349	1,642,760
Other assets	32,043	28,598
Total assets	$ 20,316,844	$ 23,605,699
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable and accrued expenses	$ 4,682,794	$ 5,010,815
Debenture warrant liability	4,847,419	7,256,864
Leapfrog warrant liability	1,243,936	1,873,107
Derivative liability	1,340,951	2,026,031
Total current liabilities	12,115,100	16,166,817
Secured convertible debentures, net	1,960,259	1,524,592
Total liabilities	14,075,359	17,691,409
Commitments and contingencies (Note 13)	—	—
Stockholders' equity		
Preferred stock, authorized 50,000,000 shares, $0.001 par value, no shares issued or outstanding at March 31, 2018 and December 31, 2017, respectively	—	—
Class A common stock, authorized 250,000,000 shares, $0.001 par value, 10,212,738 and 9,910,565 shares issued and outstanding at March 31, 2018 and December 31, 2017, respectively	10,213	9,911
Class B common stock, authorized 9,000,000 shares, $0.001 par value, no shares issued or outstanding at March 31, 2018 and December 31, 2017, respectively	—	—
Common stock to be issued	10,000	879,500
Additional paid in capital	33,732,148	32,546,820
Accumulated deficit	(27,510,876)	(27,521,941)
Total stockholders' equity	6,241,485	5,914,290
Total liabilities and stockholders' equity	$ 20,316,844	$ 23,605,699

See accompanying footnotes to these unaudited condensed consolidated financial statements.

SOCIAL REALITY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
THREE MONTHS ENDED MARCH 31, 2018 AND 2017
(Unaudited)

	Three Months ended March 31,	
	2018	**2017**
	(As Restated)	(As Restated)
Revenues	$ 2,110,850	$ 5,326,163
Cost of revenue	818,105	3,279,120
Gross profit	1,292,745	2,047,043
Operating expense		
General, selling and administrative expense	4,108,093	4,409,807
Write-off of non-compete agreement	—	468,751
Restructuring costs	—	377,961
Total operating expense, net	4,108,093	5,256,519
Loss from operations	(2,815,348)	(3,209,476)
Other income (expense)		
Interest income (expense)	(434,785)	(133,306)
Amortization of debt issuance costs	(435,666)	(578,140)
Total interest expense	(870,451)	(711,446)
Exchange gain or (loss)	(4,664)	—
Change in fair value of warrant liabilities	3,723,696	1,947,466
Other	(22,165)	—
Total other income (expense)	2,826,416	1,236,020
Income (loss) before provision for income taxes	11,068	(1,973,456)
Provision for income taxes	—	—
Net income (loss)	$ 11,068	$ (1,973,465)
Net income (loss) per share, basic and diluted	$ —	$ (0.25)
Weighted average shares outstanding, basic and diluted	10,037,905	7,844,127

See accompanying footnotes to these unaudited condensed consolidated financial statements.

SOCIAL REALITY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTH PERIOD ENDED MARCH 31, 2018 AND 2017
(Unaudited)

	Three Month Period Ended March 31,	
	2018 (As Restated)	2017 (As Restated)
Cash flows from operating activities:		
Net income (loss)	$ 11,068	$ (1,973,456)
Adjustments to reconcile net loss to net cash used by operating activities:		
Stock based compensation	166,130	512,442
Amortization of debt issue costs	93,639	578,140
Amortization of debt discount	342,026	—
Gain (loss) on valuation of warrant derivatives	(3,723,696)	(1,947,466)
Gain on sale of SRAXmd	22,165	—
Write-off of non-compete agreement	—	468,751
Provision for bad debts	(425)	(8,277)
Depreciation expense	9,441	3,234
Amortization of intangibles	166,185	107,720
Changes in operating assets and liabilities:		
Accounts receivable	2,614,671	1,840,549
Prepaid expenses	(72,416)	2,071
Other assets	(3,445)	—
Accounts payable and accrued expenses	(178,022)	(195,150)
Cash used by operating activities	(552,679)	(611,442)
Cash flows from investing activities:		
Purchase of equipment	(20,793)	(5,821)
Development of software	(231,774)	(135,241)
Proceeds from sale of SRAXmd	(22,165)	—
Cash used in investing activities	(274,732)	(141,062)
Cash flows from financing activities:		
Proceeds from the issuance of common stock, net	—	3,820,001
Repayments of note payable and PIK interest	—	(3,996,928)
Net cash provided by financing activities	—	(176,927)
Net decrease in cash and cash equivalents	(827,411)	(929,431)
Cash and cash equivalents, beginning of period	1,017,299	1,048,762
Cash and cash equivalents, end of period	$ 189,888	$ 119,331
Supplemental schedule of cash flow information:		
Cash paid for interest	$ 340,684	$ 550,695
Cash paid for taxes	$ —	$ —
Supplemental Schedule of noncash financing activities:		
Common stock issued for preferred stock conversion and vesting grants	$ —	$ 52
Vesting of common stock award	$ 150,000	$ —
Put liability on issuance of warrants	—	2,500,000
Issuance of common stock to be issued	$ 869,500	$ 100

See accompanying footnotes to these unaudited condensed consolidated financial statements.

SOCIAL REALITY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTH PERIOD ENDED MARCH 31, 2018 AND 2017
(Unaudited)

NOTE 1 – DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

Description of Business

Social Reality, Inc. ("Social Reality" or “SRAX”) is a Delaware corporation formed on August 2, 2011. These unaudited condensed consolidated financial statements include the consolidated results of Social Reality and its wholly owned subsidiary, Big Token, Inc. (“BigToken”) (collectively referred to as “we”, “us”, “our” or the “Company”). We are headquartered in Los Angeles, California.

We are a digital marketing and data management company that delivers our customers the ability to reach and engage with their target audiences

We derive our revenue from:

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

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements and notes thereto are unaudited. The unaudited interim financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). Certain information and note disclosures normally included in the Company’s annual financial statements have been condensed or omitted. The December 31, 2017 condensed balance sheet data was derived from financial statements, but does not include all disclosures required by GAAP. These interim financial statements, in the opinion of management, reflect all normal recurring adjustments necessary for a fair presentation of the financial position, results of operations and cash flows for the interim three month period ended March 31, 2018 and 2017. The results for the three months ended March 31, 2018 are not necessarily indicative of the results to be expected for the year ending December 31, 2018 or for any future period.

These unaudited condensed consolidated financial statements should be read in conjunction with our audited consolidated financial statements and the notes thereto for the year ended December 31, 2017, included in the Company's annual report on Form 10-K filed with the SEC on April 2, 2018, as amended on Form 10-K/A (Amendment No. 1) as filed with the SEC on April 27, 2018 and further amended in our Annual Report on Form 10-K filed on April 16, 2019.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Uses and Sources of Liquidity

Our primary need for liquidity is to fund working capital requirements of our business, development of internally used software and for general corporate purposes, including debt repayment. Our general, selling and administrative expenses decreased from $4,409,807 for the three months ended March 31, 2017 to $4,108,093 for the three months ended March 31, 2018. We net income of $11,068 for the three months ended March 31, 2018 compared to a net loss of $1,973,456 for the three months ended March 31, 2017. At March 31, 2018, we had an accumulated deficit of $27,510,876. As of March 31, 2018, we had $189,888 in cash and cash equivalents and a deficit in working capital of $9,349,503 as compared to $1,017,299 in cash and cash equivalents and a deficit in working capital of $10,031,979 at December 31, 2017. We continue to experience a period of limited liquidity resulting from the complete repayment of senior secured notes associated with a financing agreement previously held by Victory Park Management, LLC and the repurchase of the Series B Warrants, both in April 2017. Additionally, in October 2017 we satisfied all amounts outstanding to Victory Park Management, LLC related to its put right for the repurchase of the Financing Warrant (as defined in Note 8), amounting to $1,500,000 plus accrued interest. See Note 8 for a further discussion of this obligation.

We acknowledge that 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 have historically required funding of cash used in operating and investing activities with cash provided by financing activities. We expect that the actions initiated in the second half of 2017 will enhance our liquidity and financial flexibility in the first half of 2018. In late 2017, we announced several new revenue initiatives that could provide additional revenue growth opportunities anticipated to begin in the second half of 2018. In late 2017, we also announced that we had engaged outside advisors to evaluate potential strategic opportunities for our SRAXmd product group that could ultimately result in a sale of that product line, potentially adding additional liquidity for the Company.

We believe that the actions discussed above are probable of occurring and will enable us to satisfy our estimated liquidity needs 12 months from the issuance of the financial statements. However, we cannot predict, with certainty, the outcome of our actions to generate liquidity or whether such actions would generate the expected liquidity as currently planned. If we continue to experience operating losses, and we are not able to generate additional liquidity through the mechanisms described above or through some combination of other actions, while not expected, we may not be able to access additional funds and we might need to secure additional sources of funds, which may or may not be available to us under terms and conditions that are favorable to our success. Additionally, a failure to generate additional liquidity could negatively impact our access to services that are important to the operation of our business.

Effect of Reverse Stock Split on Presentation

In September 2016, the Company completed a 1 for 5 reverse stock split of our Class A common stock. These unaudited condensed consolidated financial statements give retroactive effect to the reverse stock split for all periods presented, unless otherwise specified.

Principles of Consolidation

The unaudited condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary. All material intercompany transactions and balances have been eliminated in consolidation.

Use of Estimates

The unaudited condensed consolidated financial statements have been prepared in conformity with GAAP and requires management of the Company to make estimates and assumptions in the preparation of these unaudited condensed consolidated financial statements that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting periods. Actual results could differ from these estimates and assumptions.

The most significant areas that require management judgment and which are susceptible to possible change in the near term include the Company's revenue recognition, allowance for doubtful accounts and sales credits, stock-based compensation, income taxes, goodwill, other intangible assets, put rights and valuation of liabilities.

Cash and Cash Equivalents

The Company considers all short-term highly liquid investments with a remaining maturity at the date of purchase of three months or less to be cash equivalents.

Revenue Recognition

The Company recognizes revenue when the following criteria have been met: persuasive evidence of an arrangement exists; no significant Company obligations remain; collection of the related receivable is reasonably assured; and the fees are fixed or determinable. The Company acts as a principal in revenue transactions as the Company is the primary obligor in the transactions. As such, revenue is recognized on a gross basis, and media and publisher expenses that are directly related to a revenue-generating event are recorded as a component of cost of revenue.

Cost of Revenue

Cost of revenue consists of payments to media providers and website publishers that are directly related to either a revenue-generating event or project and application design costs. The Company becomes obligated to make payments related to media providers and website publishers in the period the advertising impressions, click-through, actions or lead-based information are delivered or occur. Such expenses are classified as cost of revenue in the corresponding period in which the revenue is recognized in the accompanying unaudited condensed consolidated statements of operations.

Accounts Receivable

Credit is extended to customers based on an evaluation of their financial condition and other factors. Management periodically assesses the Company's accounts receivable and, if necessary, establishes an allowance for estimated uncollectible amounts. Accounts determined to be uncollectible are charged to operations when that determination is made. The Company does not require collateral. Allowance for doubtful accounts was $59,278 and $59,703 at March 31, 2018 and December 31, 2017, respectively.

Concentration of Credit Risk, Significant Customers and Supplier Risk

Financial instruments that potentially subject the Company to concentration of credit risk consist of cash and cash equivalents and accounts receivable. Cash and cash equivalents are deposited with financial institutions within the United States. The Company has not experienced any loss on these accounts. The balances are maintained in demand accounts to minimize risk.

At March 31, 2018, three customers accounted for more than 10% of the accounts receivable balance for a total of 57.4%. At December 31, 2017, four customers accounted for more than 10% of the accounts receivable balance for a total of 59.5%.

For the three months ended March 31, 2018, two customers accounted for more than 10% of total revenue for a total of 44.9%. For the three months ended March 31, 2017, one customer accounted for 25.9% of total revenue.

Fair Value of Financial Instruments

The accounting standard for fair value measurements provides a framework for measuring fair value and requires disclosures regarding fair value measurements. Fair value is defined 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, based on the Company’s principal or, in absence of a principal, most advantageous market for the specific asset or liability.

The Company uses a three-tier fair value hierarchy to classify and disclose all assets and liabilities measured at fair value on a recurring basis, as well as assets and liabilities measured at fair value on a non-recurring basis, in periods subsequent to their initial measurement. The hierarchy requires the Company to use observable inputs when available, and to minimize the use of unobservable inputs, when determining fair value. The three tiers are defined as follows:

- Level 1—Observable inputs that reflect quoted market prices (unadjusted) for identical assets or liabilities in active markets;

- Level 2—Observable inputs other than quoted prices in active markets that are observable either directly or indirectly in the marketplace for identical or similar assets and liabilities; and

- Level 3—Unobservable inputs that are supported by little or no market data, which require the Company to develop its own assumptions.

The Company's financial instruments, including cash and cash equivalents, net accounts receivable, accounts payable and accrued expenses, are carried at historical cost. At March 31, 2018 and December 31, 2017, the carrying amounts of these instruments approximated their fair values because of the short-term nature of these instruments. Derivative instruments are carried at fair value, generally estimated using the Black Scholes Merton model.

Property and equipment

Property and equipment is stated at cost less accumulated depreciation. Depreciation is provided on the straight-line basis over the estimated useful lives of the assets of three to seven years.

Expenditures for repair and maintenance which do not materially extend the useful lives of property and equipment are charged to operations. When property or equipment is sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the respective accounts with the resulting gain or loss reflected in operations. Management periodically reviews the carrying value of its property and equipment for impairment.

Intangible assets

Intangible assets consist of intellectual property, a non-complete agreement, and internally developed software and are stated at cost less accumulated amortization. Amortization is provided for on the straight-line basis over the estimated useful lives of the assets of three to six years. During 2016, the Company began capitalizing the costs of developing internal-use computer software, including directly related payroll costs. The Company capitalizes costs incurred during the application development stage of internal-use software and amortize these costs over the estimated useful life. Upgrades and enhancements are capitalized if they result in added functionality which enable the software to perform tasks it was previously incapable of performing. Software maintenance, training, data conversion, and business process reengineering costs are expensed in the period in which they are incurred. The Company capitalizes the costs of developing internal-use computer software, including directly related payroll costs. The Company amortizes costs associated with its internally developed software over periods up to three years, beginning when the software is ready for its intended use.

Business Combinations

For all business combinations (whether partial, full or step acquisitions), the Company records 100% of all assets and liabilities of the acquired business, including goodwill, generally at their fair values; contingent consideration, if any, is recognized at its fair value on the acquisition date and, for certain arrangements, changes in fair value are recognized in earnings until settlement and acquisition-related transaction and restructuring costs are expensed rather than treated as part of the cost of the acquisition.

Goodwill and annual impairment testing period

Goodwill is comprised of the purchase price of business combinations in excess of the fair value assigned at acquisition to the net tangible and identifiable intangible assets acquired. Goodwill is not amortized. The Company assesses goodwill for impairment at least annually, or when events or changes in the business environment indicate the carrying value may not be fully recoverable. The Company also has the option to first assess qualitative factors to determine whether the existence of events or circumstances leads the Company to determine that it is more likely than not (that is, a likelihood of more than 50%) that goodwill is impaired. If the Company chooses to first assess qualitative factors and it is determined that it is not more likely than not goodwill is impaired, the Company is not required to take further action to test for impairment. The Company also has the option to bypass the qualitative assessment and perform only the quantitative impairment test, which the Company may choose to do in some periods but not in others. The Company performs its annual impairment review as of December 31st.

The Company had historically performed its annual goodwill and impairment assessment on September 30th of each year. Due to the seasonal and cyclical nature of advertising sales in general, timing of the Company’s annual budgeting process, and the short-term nature of the Company’s advertising sales contracts, it was determined that it would be more effective and efficient to conduct the annual impairment analysis instead at December 31st of each year. This would also better align the Company with other advertising sales companies who also generally conduct this annual analysis in the fourth quarter. The Company changed the date for its impairment testing during the fourth quarter 2016. The Company does not believe this change had any material impact on its unaudited condensed consolidated financial statements, and continues to evaluate potential interim impairment to goodwill consistent with its historical practices.

When evaluating the potential impairment of goodwill, management first assess a range of qualitative factors, including but not limited to, macroeconomic conditions, industry conditions, the competitive environment, changes in the market for the Company's products and services, regulatory and political developments, entity specific factors such as strategy and changes in key personnel, and the overall financial performance for each of the Company's reporting units. If, after completing this assessment, it is determined that it is more likely than not that the fair value of a reporting unit is less than its carrying value, we then proceed to a two-step impairment testing methodology using the income approach (discounted cash flow method).

In the first step of the two-step testing methodology, we compare the carrying value of the reporting unit, including goodwill, with its fair value, as determined by its estimated discounted cash flows. If the carrying value of a reporting unit exceeds its fair value, we then complete the second step of the impairment test to determine the amount of impairment to be recognized. In the second step, we estimate an implied fair value of the reporting unit's goodwill by allocating the fair value of the reporting unit to 100% of the assets and liabilities other than goodwill (including any unrecognized intangible assets). If the carrying value of a reporting unit's goodwill exceeds its implied fair value, the Company records an impairment loss equal to the difference in that period.

When required, we arrive at our estimates of fair value using a discounted cash flow methodology which includes estimates of future cash flows to be generated by specifically identified assets, as well as selecting a discount rate to measure the present value of those anticipated cash flows. Estimating future cash flows requires significant judgment and includes making assumptions about projected growth rates, industry-specific factors, working capital requirements, weighted average cost of capital, and current and anticipated operating conditions. The use of different assumptions or estimates for future cash flows could produce different results.

The impairment charge represents the excess of the carrying amount of the goodwill recorded in the acquisition over the implied fair value of the goodwill. The implied fair value of the goodwill is the residual fair value based on an income approach that utilized a discounted cash flow model based on revenue and profit forecasts. The Company performed its annual impairment test and no impairment of goodwill has been recorded during the three months ended March 31, 2018 or 2017, respectively.

Long-lived Assets

Management evaluates the recoverability of the Company's identifiable intangible assets and other long-lived assets when events or circumstances indicate a potential impairment exists. Events and circumstances considered by the Company in determining whether the carrying value of identifiable intangible assets and other long-lived assets may not be recoverable include, but are not limited to: significant changes in performance relative to expected operating results; significant changes in the use of the assets; significant negative industry or economic trends; a significant decline in the Company's stock price for a sustained period of time; and changes in the Company's business strategy. In determining if impairment exists, the Company estimates the undiscounted cash flows to be generated from the use and ultimate disposition of these assets. If impairment is indicated based on a comparison of the assets' carrying values and the undiscounted cash flows, the impairment loss is measured as the amount by which the carrying amount of the assets exceeds the fair value of the assets.

No impairments have been recorded regarding its identifiable intangible assets or other long-lived assets during the three months ended March 31, 2018 or 2017, respectively.

Derivatives

The Company analyzes all financial instruments with features of both liabilities and equity under FASB ASC Topic No. 480, *Distinguishing Liabilities From Equity* and FASB ASC Topic No. 815, *Derivatives and Hedging*. Derivative liabilities are adjusted to reflect fair value at each period end, with any increase or decrease in the fair value being recorded in results of operations as adjustments to fair value of derivatives. The effects of interactions between embedded derivatives are calculated and accounted for in arriving at the overall fair value of the financial instruments.

Loss Per Share

We use Accounting Standards Codification ("ASC") 260, "*Earnings Per Share*" for calculating the basic and diluted earnings (loss) per share. We compute basic earnings (loss) per share by dividing net income (loss) by the weighted average number of common shares outstanding. Diluted earnings (loss) per share is computed based on the weighted average number of shares of common stock plus the effect of dilutive potential common shares outstanding during the period using the treasury stock method. Dilutive potential common shares include outstanding stock options and warrants and stock awards. For periods with a net loss, basic and diluted loss per share are the same, in that any potential common stock equivalents would have the effect of being anti-dilutive in the computation of net loss per share.

There were 5,053,258 common share equivalents at March 31, 2018 and 3,619,331 common share equivalents at March 31, 2017. For the three months ended March 31, 2018 and 2017, respectively, these potential shares were excluded from the shares used to calculate diluted earnings per share as their inclusion would reduce net loss per share.

Income Taxes

We utilize ASC 740 "*Income Taxes*" which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the consolidated financial statements or tax returns. Under this method, deferred income taxes are recognized for the tax consequences in future years of differences between the tax bases of assets and liabilities and their financial reporting amounts at year-end based on enacted laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income.

The Company recognizes the impact of a tax position in the consolidated financial statements only if that position is more likely than not of being sustained upon examination by taxing authorities, based on the technical merits of the position. Our practice is to recognize interest and/or penalties related to income tax matters in income tax expense.

Stock-Based Compensation

We account for our stock based compensation under ASC 718 "*Compensation – Stock Compensation*" using the fair value based method. Under this method, compensation cost is measured at the grant date based on the value of the award and is recognized over the service period, which is usually the vesting period. This guidance establishes standards for the accounting for transactions in which an entity exchanges equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments.

We use the fair value method for equity instruments granted to non-employees and use the Black-Scholes model for measuring the fair value of options. The stock based fair value compensation is determined as of the date of the grant or the date at which the performance of the services is completed (measurement date) and is recognized over the vesting periods.

Common stock awards

The Company grants common stock awards to non-employees in exchange for services provided. The Company measures the fair value of these awards using the fair value of the services provided or the fair value of the awards granted, whichever is more reliably measurable. The fair value measurement date of these awards is generally the date the performance of services is complete. The fair value of the awards is recognized on a straight-line basis as services are rendered. The share-based payments related to common stock awards for the settlement of services provided by non-employees is recorded on the consolidated statement of comprehensive loss in the same manner and charged to the same account as if such settlements had been made in cash.

Warrants

In connection with certain financing, consulting and collaboration arrangements, the Company has issued warrants to purchase shares of its common stock. The outstanding warrants are standalone instruments that are not puttable or mandatorily redeemable by the holder and are classified as equity awards. The Company measures the fair value of the awards using the Black-Scholes option pricing model as of the measurement date. Warrants issued in conjunction with the issuance of common stock are initially recorded at fair value as a reduction in additional paid-in capital of the common stock issued. All other warrants are recorded at fair value as expense over the requisite service period or at the date of issuance, if there is not a service period. Warrants granted in connection with ongoing arrangements are more fully described in Note 11, *Stockholders' Equity*.

Business Segments

The Company uses the "management approach" to identify its reportable segments. The management approach designates the internal organization used by management for making operating decisions and assessing performance as the basis for identifying the Company's reportable segments. Using the management approach, the Company determined that it has one operating segment due to business similarities and similar economic characteristics.

NOTE 3 – IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

Adoption of New Accounting Standards

For a discussion of recent accounting pronouncements, please refer to Recently Issued Accounting Standards as contained in Note 1 in the December 31, 2017 audited consolidated financial statements included in the Company's annual report on Form 10-K filed with the SEC on April 2, 2018.

During the three months ended March 31, 2018, the Company adopted no new Accounting Standards.

Accounting Standards Issued But Not Yet Effective

In September 2017, the FASB issued ASU 2017-13, Revenue Recognition (Topic 605), Revenue from Contracts with Customers (Topic 606), Leases (Topic 840), and Leases (Topic 842). The effective date for ASU 2017-13 is for fiscal years beginning after December 15, 2018. The adoption of this ASU will not have a material impact to our consolidated financial statements.

In July 2017, the Financial Accounting Standards Board ("FASB") issued ASU No. 2017-11, *Earnings Per Share (Topic 260), Distinguishing Liabilities from Equity (Topic 480) and Derivatives and Hedging (Topic 815): Part 1 – Accounting for Certain Financial Instruments with Down Round Features and Part 2 – Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interests with Scope Exception* ("ASU No. 2017-11"). Part 1 of ASU No. 2017-11 addresses the complexity of accounting for certain financial instruments with down round features. Down round features are provisions in certain equity-linked instruments (or embedded features) that result in the strike price being reduced on the basis of the pricing of future equity offerings. Current accounting guidance creates cost and complexity for entities that issue financial instruments (such as warrants and convertible instruments) with down round features that require fair value measurement of the entire instrument or conversion option. Part II of ASU No. 2017-11 addresses the difficulty of navigating *Topic 480, Distinguishing Liabilities from Equity,* because of the existence of extensive pending content in the *FASB Accounting Standards Codification®*. This pending content is the result of the indefinite deferral of accounting requirements about mandatorily redeemable financial instruments of certain nonpublic entities and certain mandatorily redeemable noncontrolling interests. For public business entities, the amendments in Part I of this update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. We early adopted the proposed guidance under ASU 2017-11 for the year end December 31, 2017, and recognized warrants issued in the fourth quarter of 2017 with a down round feature as equity. Adjustments to the Company's previously issued financial statements were required for the retrospective application of this standard.

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment* ("ASU No. 2017-04"). ASU No. 2017-04 simplifies the subsequent measurement of goodwill by eliminating Step 2 from the goodwill impairment test. A public business entity that is a SEC filer should adopt the amendments of ASU No. 2017-04 for its annual and interim goodwill impairment tests in fiscal years beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company does not expect any impact from the adoption of this standard on its consolidated financial statements.

In October 2016, the FASB issued ASU No. 2016-16, *Income Taxes: Intra-Entity Transfers of Assets Other Than Inventory* ("ASU No. 2016-16"). ASU No. 2016-16 will require the tax effects of intercompany transactions, other than sales of inventory, to be recognized currently, eliminating an exception under current GAAP in which the tax effects of intra-entity asset transfers are deferred until the transferred asset is sold to a third party or otherwise recovered through use. The guidance will be effective for the first interim period of our 2019 fiscal year, with earlier adoption permitted.

In August 2016, the FASB issued ASU No. 2016-15, *Classification of Certain Cash Receipts and Cash Payments* ("ASU No. 2016-15"). ASU No. 2016-15 provides guidance regarding the classification of certain items within the statements of cash flows. ASU No. 2016-15 is effective for annual periods beginning after December 15, 2017 with early adoption permitted.

In connection with its financial instruments project, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments* in June 2016 and ASU No. 2016-01, *Financial Instruments - Overall: Recognition and Measurement of Financial Assets and Financial Liabilities* in January 2016.

- ASU No. 2016-13 introduces a new impairment model for most financial assets and certain other instruments. For trade and other receivables, held-to-maturity debt securities, loans and other instruments, entities will be required to use a forward-looking "expected loss" model that will replace the current "incurred loss" model and generally will result in earlier recognition of allowances for losses. The guidance will be effective for the first interim period of our 2021 fiscal year, with early adoption in fiscal year 2020 permitted.

- ASU No. 2016-01 addresses certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. Among other provisions, the new guidance requires the fair value measurement of investments in certain equity securities. For investments without readily determinable fair values, entities have the option to either measure these investments at fair value or at cost adjusted for changes in observable prices minus impairment. All changes in measurement will be recognized in net income. The guidance will be effective for the first interim period of our 2019 fiscal year. Early adoption is not permitted, except for certain provisions relating to financial liabilities.

In April 2016, the FASB issued ASU No. 2016-10, *Identifying Performance Obligations and Licensing (Topic 606)*, which amends certain aspects of the FASB's new revenue standard, ASU No. 2014-09, *Revenue from Contracts with Customer (Topic 606)*. ASU No. 2016-10 identifies performance obligations and provides licensing implementation guidance. The effective date for ASU No. 2016-10 is the same as the effective date of ASU No. 2014-09. ASU No. 2015-14*, Revenue from Contracts with Customers (Topic 606): Deferral of Effective Date* defers the effective date of ASU No. 2014-09 by one year, for fiscal years beginning after December 15, 2017. The Company is currently evaluating the impact of the adoption of this standard on its consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-08, *Revenue from Contracts with Customer (Topic 606): Principal versus Agent Considerations - Reporting Revenue Gross versus Net*, (ASU No. 2016-08) that clarifies how to apply revenue recognition guidance related to whether an entity is a principal or an agent. ASU No. 2016-08 clarifies that the analysis must focus on whether the entity has control of the goods or services before they are transferred to the customer and provides additional guidance about how to apply the control principle when services are provided and when goods or services are combined with other goods or services. The effective date for ASU No. 2016-08 is the same as the effective date of ASU No. 2014-09. ASU No. 2015-14 defers the effective date of ASU No. 2014-09 by one year, for fiscal years beginning after December 15, 2017. The Company has performed an evaluation of the impact of the adoption of this standard on its consolidated financial statements, and given its revenue recognition practices already in place, it does not appear this will have a material impact on the Company's future presentation of consolidated financial statements. The Company will continue to evaluate new revenue streams as they develop from future new product launches.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which establishes a new lease accounting model for lessees. The updated guidance requires an entity to recognize assets and liabilities arising from a lease for both financing and operating leases, along with additional qualitative and quantitative disclosures. The amended guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018, with early adoption permitted. The Company is currently evaluating the impact of the adoption of this standard on its consolidated financial statements.

Management does not believe that any other recently issued, but not yet effective, accounting standards if currently adopted would have a material effect on the accompanying unaudited condensed consolidated financial statements.

NOTE 4 – ACQUISITIONS

On October 30, 2014, we acquired 100% of the capital stock of Steel Media from Richard Steel pursuant to the terms and conditions of a stock purchase agreement, dated October 30, 2014, by and among the Company, Steel Media and Mr. Steel (the "Stock Purchase Agreement").

The Company did not engage in any acquisition activity during the three months ended March 31, 2018 or during the twelve months ended December 31, 2017.

On October 17, 2017, the Company issued a press release announcing it has engaged financial advisors to explore strategic alternatives for the company's SRAXmd business.

NOTE 5 – PROPERTY AND EQUIPMENT, NET

Property and equipment consists of the following at March 31, 2018 and December 31, 2017:

	March 31, 2018	December 31, 2017
Office equipment	$ 272,207	$ 251,415
Accumulated depreciation	(106,309)	(96,869)
Property and equipment, net	$ 165,898	$ 154,546

Depreciation expense for the three months ended March 31, 2018 and 2017 was $9,441 and $3,234, respectively.

NOTE 6 – INTANGIBLE ASSETS, NET

Intangible assets consist of the following:

	March 31, 2018	December 31, 2017
Non-compete agreement	$ 1,250,000	$ 1,250,000
Intellectual property	756,000	756,000
Acquired software - Leapfrog	617,069	617,069
Internally developed software	985,914	754,140
	3,608,983	3,377,209
Accumulated amortization	(1,900,634)	(1,734,449)
Carrying value	$ 1,708,349	$ 1,642,760

During the three months ended March 31, 2018, the Company capitalized $231,774 of costs associated with the development of internal-use software, including directly related payroll costs.

On August 17, 2017, the Company acquired software from Leapfrog Media Trading in exchange for 200,000 shares of Class A common stock and 350,000 warrants with a term of five years and an exercise price of $3.00. This software is currently being integrated into our platform and we estimate launching on July 1, 2018. No other assets, customers, employees, intangibles or business operations were acquired in this transaction.

In connection with a separation and release agreement with Mr. Steel, the Company agreed to reduce the remaining period of the non-compete agreement with Mr. Steel, which was entered into as a result of the acquisition of Steel Media, to a period of eighteen months from the date of his separation from the Company. Accordingly, the Company wrote off $468,750 in value of the non-compete agreement during 2017.

Amortization expense was $37,800 for intellectual property, $52,083 for the non-compete agreement and $76,301 for the internally developed software for the three months ended March 31, 2018. Amortization expense was $37,800 for intellectual property, $52,083 for the non-compete agreement, and $17,837 for the internally developed software for the three months ended March 31, 2017.

The estimated future amortization expense for the remainder of 2018 and the years ended December 31 thereafter, are as follows:

Remainder of 2018	$ 514,592
2019	662,094
2020	205,690
2021	325,973
	$ 1,708,349

NOTE 7 – ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses are comprised of the following:

	March 31, 2018	December 31, 2017
Accounts payable, trade	$ 3,145,279	$ 2,858,871
Accrued expenses	1,440,440	1,800,621
Accrued compensation	94,128	256,164
Accrued commissions	2,947	95,159
Total	$ 4,682,794	$ 5,010,815

NOTE 8 – NOTES PAYABLE

Financing Agreement with Victory Park Management, LLC as agent for the lenders

On October 30, 2014 (the "Financing Agreement Closing Date"), the Company entered a financing agreement (the "Financing Agreement") with Victory Park Management, LLC, as administrative agent and collateral agent for the lenders and holders of notes and warrants issued thereunder (the "Agent"). The initial and subsequent notes issued (the “Financing Notes”) bore interest at a rate per annum equal to the sum of (1) cash interest at a rate of 10% per annum and (2) payment-in-kind (PIK) interest at a rate of 4% per annum for the period commencing on the Financing Agreement Closing Date and extending through the last day of the calendar month during which the Company's financial statements for December 31, 2014 are delivered, and which PIK interest rate thereafter from time to time may be adjusted based on the ratio of the Company's consolidated indebtedness to its earnings before interest, taxes, depreciation and amortization. If the Company achieved a reduction in the leverage ratio as described in the Financing Agreement, the PIK interest rate declined on a sliding scale from 4% to 2%. The Financing Notes issued under the Financing Agreement were scheduled to mature on October 30, 2017.

During 2017, we completely repaid the Financing Notes and made principal and PIK interest repayments in the amount of $3,996,928.

Notes payable consisted of the following at December 31, 2017:

We incurred a total of $3,164,352 of costs related to the Financing Agreement. These costs were amortized to interest expense over the life of the debt. During the three months ended March 31, 2018 and 2017, $0 and $578,140, respectively, of debt issuance costs were amortized as interest expense. As of March 31, 2018, all deferred debt issuance costs have been completely amortized.

During the three months ended March 31, 2018 and 2017, $0 and $0, respectively, were recorded as PIK interest expense.

Pursuant to the Financing Agreement, the Company issued to the lender a five-year warrant to purchase 580,000 shares of its Class A common stock at an exercise price of $5.00 per share (the "Financing Warrant"). The warrant holder was not, however, permitted to exercise the Financing Warrant for shares of Class A common stock that would cause such holder to beneficially own shares of Class A common stock that exceeds 4.99% of the Company's outstanding shares of Class A common stock following such exercise. Pursuant to the Financing Warrant, the warrant holder had the right, at any time after the earlier of April 30, 2016 and the maturity date of the Financing Notes issued, but prior to October 30, 2019, to exercise its put right under the terms of the Financing Warrant, pursuant to which the warrant holder may sell to the Company, and the Company will purchase from the warrant holder, all or any portion of the Financing Warrant that had not been previously exercised. In connection with any exercise of this put right, the purchase price was to equal to an amount based upon the percentage of the Financing Warrant for which the put right is being exercised, multiplied by the lesser of (a) 50% of the total consolidated revenue for the Company for the trailing 12-month period ending with the Company's then-most recently completed fiscal quarter, and (b) $1,500,000. In May 2017, the Company was notified by the warrant holder that it was exercising its put right. We had a period of 45 days from the date of notice to repay the right or negotiate a settlement. If the right remained unpaid after the 45-day period, interest would accrue on the unpaid balance at a rate of 14% per annum. On October 27, 2017, the Company paid the warrant holder $1,567,612, which was comprised of the $1,500,000 warrant value and an additional $67,612 of accrued interest.

As contemplated under the Financing Agreement, the Company also entered a registration rights agreement on the Financing Agreement Closing Date (the "Financing Registration Rights Agreement") with the holder of the Financing Warrant, pursuant to which the Company granted to such holder certain "piggyback" rights to register the shares of the Company's Class A common stock issuable upon exercise of the Financing Warrant. Specifically, the holder of the Financing Warrant had the right, subject to certain allocation provisions set forth in the Financing Registration Rights Agreement, to include the shares underlying the Financing Warrant in registration statements for offerings by the Company of its Class A common stock, as well as offerings of the Company's Class A common stock held by third parties. The shares underlying the Financing Warrant were initially included in a Post-Effective Amendment No. 1 to the registration statement on Form S-1 that was declared effective by the SEC in March 2016.

Financing and Security Agreement with FastPay

In September 2016, the Company executed a Financing and Security Agreement, as amended (collectively, the "FastPay Agreement"). with FastPay Partners, LLC to create an accounts receivable-based credit facility. The FastPay Agreement was further amended in April 2018.

Under the April 2018 amended terms of the FastPay Agreement, FastPay may, at its sole discretion, purchase the Company's eligible accounts receivable. Upon any acquisition of accounts receivable, FastPay will advance the Company up to 80% of the gross value of the purchased accounts, up to a maximum of $4,000,000 in advances. Each account receivable purchased by FastPay will be subject to a factoring fee rate specified in the FastPay Agreement calculated as a percentage of the gross value of the account outstanding and additional fees for accounts outstanding over 30 days. The Company is subject to a concentration limitation on the percentage of debt from any single customer of 25% to the total amount outstanding on its purchased accounts, subject to an increase to 30% for one specific large customer.

The Company is obligated to repurchase accounts remaining uncollected after a specified deadline, and FastPay will generally have full recourse against the Company in the event of nonpayment of any purchased accounts. The Company's obligations under the FastPay Agreement are secured by a first position security interest in its accounts receivable, deposit accounts and all proceeds therefrom.

The FastPay Agreement contains covenants that are customary for agreements of this type and are primarily related to accounts receivable and audit rights. The Company is also required to provide FastPay with 30-day notice of any transaction that result, or would result in, a “change of control” as defined in the FastPay Agreement. The failure to satisfy covenants under the FastPay Agreement or the occurrence of other specified events that constitute an event of default, as defined, could result in the termination of the FastPay Agreement and/or the acceleration of the Company's obligations. The FastPay Agreement contains provisions relating to events of default that are customary for agreements of this type.

The current FastPay Agreement has a term of 18 months and automatically renews thereafter for successive one-year terms, subject to earlier termination by written notice by the Company, provided all obligations are paid, including the payment of an early termination fee.

At March 31, 2018, $1,287,176 of accounts receivable purchased by FastPay remain outstanding and are subject to repurchase under the terms of the FastPay Agreement.

NOTE 9 – WARRANT LIABILITIES

The discussion below relates to the following (collectively, the “Derivative Warrant Instruments”):

1. In January 2017, the Company issued Series A and Series B Warrants in our registered direct and concurrent private placement. In April 2017, the Company repurchased the Series B Warrants for $2,500,000 and recognized a loss on the repurchase amounting to $2,053,975. Accordingly, only the Series A Warrants are currently outstanding; and

2. In April and October 2017, the Company issued the Series A1 Warrants and Series A2 Warrants in connection with the private placement of secured convertible debentures.

The Derivative Warrant Instruments have been accounted for utilizing ASC 815 *“Derivatives and Hedging”.* The Company has incurred a liability for the estimated fair value of Derivative Warrant Instruments. The estimated fair value of the Derivative Warrant Instruments has been calculated using the Black-Scholes fair Option Pricing Model with key input variables provided by management, as of the date of issuance, with the valuation offset against additional paid in capital, and at each reporting date, with changes in fair value recorded as gains or losses on revaluation in other income (expense).

The Derivative Warrant Instruments contain embedded features which require them to be classified as liabilities. These embedded features included the right for the holders to request cash settle of the Derivative Warrant Instruments from the Holder by paying to the Holder an amount of cash equal to the Black-Scholes value of the remaining unexercised portion of the Derivative Warrant Instruments on the date of the consummation of a fundamental transaction. The accounting treatment associated with the Derivative Warrant Instruments requires that the Company treat the instrument as a liability and record the fair value of the instrument as a derivative as of its inception date and subsequently adjust the fair value of the instrument on each subsequent reporting date.

As of January 4, 2017, the issuance date of the Series A and B Warrants, the fair value of the Series A and B Warrants of $3,038,344 was determined using the Black-Scholes Option Pricing Model based on a risk-free interest rate of 2% for both the Series A Warrants and the Series B Warrants, an expected term of 5.5 years for the Series A Warrants and 5 years for the Series B Warrants, an expected volatility of 110% for the Series A Warrants and the Series B Warrants and a 0% dividend yield for the Series A Warrants and the Series B Warrants, respectively. In April 2017, the Company repurchased the Series B Warrants for $2,500,000 and recognized a loss on the repurchase amounting to $2,053,975.

The Series A Warrant's fair value as of March 31 2018 and December 31, 2017 was estimated to be $1,341,000 and $2,026,000 respectively, based on a risk-free interest rates of 2.56% and 2.20%, respectively, an expected term of 3.75 and 4 years, respectively, an expected volatility of 164% and 164%, respectively and a 0% dividend yield. . During the three-month period ending March 31, 2018 and 2017, we recorded a decrease in the fair value of the warrant derivative liability of $685,000 and $989,000. This was recorded as a gain on change in fair value of derivative liability.

As of April 21, and April 28, 2017, the issuance date of the Series A1 Warrants, the Company determined a fair value of $1,228,000 of the Series A1 Warrants. The fair value of the Series A1 Warrants was determined using the Black-Scholes Option Pricing Model based on a risk-free interest rate of 1.875%, an expected term of 5.5 years, an expected volatility of 109% and a 0% dividend yield for each respective date.

The Series A1 Warrant's fair value at March 31, 2018 and December 31, 2017 was estimated to be $1,749,000 and $2,641,000 respectively based on a risk-free interest rate ranging from 2.56 to 2.73, an expected term ranging from 4.125 to 4.375 years, an expected volatility ranging from 164% to 167% and a 0% dividend yield. During the three-month period ending March 31, 2018, we recorded a decrease in the fair value of the warrant derivative liability of $890,000. This was recorded as a gain on change in fair value of derivative liability.

As October 27, 2017, of the issuance date of the Series A2 Warrants, the Company determined a fair value of $2,856,000 of the Series A2 Warrants. The fair value of the Series A2 Warrants was determined using the Black-Scholes Model based on a risk-free interest rate of 2.03%, an expected term of 5.5 years, an expected volatility of 122% and a 0% dividend yield.

The fair value at March 31, 2018 and December 31, 2017 of the Series A2 Warrants was estimated to be $3,097,000 and $4,615,000, respectively based on a risk-free interest rate ranging from 2.56 to 2.46, an expected term ranging from 4.5 to 4.875 years, an expected volatility ranging from 167% to 161% and a 0% dividend yield. During the three-month period ending March 31, 2018, we recorded a decrease in the fair value of the warrant derivative liability of $1,519,000. This was recorded as a gain on change in fair value of derivative liability.

As August 17, 2017, of the issuance date of the Leapfrog Warrants, the Company determined a fair value of $337,069. The fair value of the Leapfrog Warrants was determined using the Black-Scholes Model based on a risk-free interest rate of 1.65%, an expected term of 5.0 years, an expected volatility of 108% and a 0% dividend yield.

The fair value at March 31, 2018 and December 31, 2017 of the Leapfrog Warrants was estimated to be $1,243,000 and $1,873,000 based on a risk-free interest rate of 2.56% and 2.20%, an expected term of 4.38 and 4.63 years, an expected volatility of 164% and 164% and a 0% dividend yield. During the three-month period ending March 31, 2018, we recorded a decrease in the fair value of the warrant derivative liability of $629,000. This was recorded as a gain on change in fair value of derivative liability.

The Warrant liabilities are comprised of the following at March 31:

	Debenture Warrant Liability	Leapfrog Warrant Liability	Derivative Liability
Balance as of beginning of period (December 31, 2017)	7,256,000	1,873,000	2,026,000
Adjustment to fair value	(2,409,000)	(629,000)	(685,000)
Balance as of end of period (March 31, 2018)	4,847,000	1,244,000	1,341,000

NOTE 10 – SECURED CONVERTIBLE DEBENTURES, NET

In April 2017, the Company entered into definitive securities purchase agreements (the “Securities Purchase Agreements”) with certain accredited investors (the “Purchasers”) for the purchase and sale of an aggregate of : (i) $5,000,000 principal amount of 12.5% secured convertible debentures (the “Debentures”); and (ii) five-year Series A warrants (the “Debenture Warrants”) representing the right to acquire up to 833,337 shares of our Class A common stock in a transaction exempt from registration under the Securities Act, in reliance on an exemption provided by Rule 506(b) of Regulation D and Section 4(a)(2) of the Securities Act.

The Debentures, which mature three years from the date of issuance, pay interest in cash at the rate of 12.5% per annum, payable quarterly on January 1, April 1, July 1 and October 1, beginning on July 1, 2017. Our obligations under the Debentures are secured by a second position security interest in our accounts receivable and a first position security interest in the balance of our assets, and we are subject to continued compliance with certain financial covenants. The Debentures are convertible at the option of the holder into shares of our Class A common stock at an initial conversion price of $3.00 per share, subject to adjustment as hereinafter set forth. Subject to our compliance with certain equity conditions set forth in the Debentures, upon 20 trading days' notice to the holders we have the right to redeem the Debentures in cash at a 120% premium during the first year and a 110% premium during the remaining term of the Debentures. Upon any optional redemption, we are obligated to issue the holder five-year warrant Series B warrants, the terms of which will be identical to the Debenture Warrants, to purchase a number of shares of our Class A common stock as shall equal 50% of conversion shares issuable on an as-converted basis as if the principal amount of the Debenture had been converted immediately prior to the optional redemption. In the event of future financings by us, subject to certain exempt issuances, the holders have the right to cause us to allocate 20% of the proceeds we may receive as a mandatory redemption of a portion of the principal amount then outstanding. We are also required to redeem the Debentures upon our failure to maintain certain financial covenants which include a minimum monthly current ratio, a maximum quarterly corporate expense ratio, and maintain minimum quarterly revenue and EBITDA related to *SRAXmd.* As of March 31, 2018, we are in compliance with all financial covenants.

The Debenture also contains certain customary events of default (including, but not limited to, default in payment of principal or interest thereunder, breaches of covenants, agreements, representations or warranties thereunder, the occurrence of an event of default under certain material contracts of the Company, changes in control of the Company and the entering or filing of certain monetary judgments against the Company). Upon the occurrence of any such event of default, the outstanding principal amount of the Debenture, plus liquidated damages, interest and other amounts owing in respect thereof through the date of acceleration, shall become, at the holder’s election, immediately due and payable in cash. The Company is also subject to certain customary non-financial covenants under the Debenture. The Debenture holders were granted board observation rights so long as the lead investor continues to hold the Debentures.

The Debenture Warrants are initially exercisable at $3.00 per share and, if at any time after the six-month anniversary of the issuance the underlying shares of our Class A common stock are not covered by an effective resale registration statement, the Debenture Warrants are exercisable on a cashless basis. The conversion price of the Debentures and the exercise price of the Debenture Warrants are subject to adjustments upon certain events, including stock splits, stock dividends, subsequent equity transactions (other than specified exempt issuances), subsequent rights offerings, and fundamental transactions, subject to a floor of $1.40 per share. If we fail to timely deliver the shares of our Class A common stock upon any conversion of the Debentures or exercise of the Debenture Warrants we will be subject to certain buy-in provisions. Pursuant to the terms of the Debentures and Debenture Warrants, a holder will not have the right to convert any portion of the Debentures or exercise any portion of the Debenture Warrants if the holder (together with its affiliates) would beneficially own in excess of 4.99% of the number of shares of Class A common stock outstanding immediately after giving effect to such conversion or exercise, as such percentage ownership is determined in accordance with the terms of the Debentures and the Debenture Warrants; provided that after the Shareholder Approval Date, as defined below, at the election of a holder and notice to us such percentage ownership limitation may be increased or decreased to any other percentage, not to exceed 9.99%; provided that any increase will not be effective until the 61st day after such notice is delivered from the holder to us.

In accordance with the Nasdaq Marketplace Rules, until such time as our stockholders have approved the Securities Purchase Agreements and the transactions thereunder (the "Shareholder Approval Date"), we were not obligated to issue any shares of our Class A common stock upon any conversion of the Debentures and/or exercise of the Debenture Warrants, and the holders had no right to receive upon conversion and/or exercise thereof any shares of our Class A common stock, to the extent the issuance of such shares of Class A common stock would exceed 20% of our outstanding Class A common stock prior to the transaction. We held a special meeting of the shareholders on June 23, 2017 whereby we obtained approval of the Securities Purchase Agreements and the transactions thereunder.

We agreed to file a registration statement registering the resale of the shares of our Class A common stock underlying the Debentures and the Debenture Warrants. Under the terms of the Securities Purchaser Agreements, we also granted the Purchasers of the Debentures the right to purchase an additional $3,000,000 of Debentures upon the same terms and conditions for a period beginning on the Shareholder Approval Date and expiring on earliest of the date that (a) the initial registration statement has been declared effective by the SEC, (b) all of the underlying shares have been sold pursuant to Rule 144 or may be sold pursuant to Rule 144 without the requirement for our company to be in compliance with the current public information required under Rule 144 and without volume or manner-of-sale restrictions, (c) following the one year anniversary of the closing date provided that a holder of the underlying shares is not an affiliate of the Company or (d) all of the underlying shares may be sold pursuant to an exemption from registration under Section 4(a)(1) of the Securities Act. The shares underlying the Debentures and Debenture Warrants were included in a resale registration statement on Form S-3 that was declared effective by the SEC in June 2017.

Chardan Capital Markets, LLC (“Chardan Capital”), Noble Capital Markets, Inc. ("Noble") and Aspenwood Capital (an independent branch of Colorado Financial Services Corporation) (“Aspenwood”), all broker-dealers and members of FINRA, acted as either our placement agent or a finder in connection with the sale of the securities pursuant to the Securities Purchase Agreements. In addition, an affiliate of Noble purchased Debentures amounting to $720,000 and was issued Debenture Warrants to purchase 120,000 shares of our Class A common stock in this offering. We paid aggregate cash commissions amounting to $276,700 to these broker-dealers in connection with the sale of the Debentures. Additionally, we issued Chardan Capital placement agent warrants ("Chardan Placement Agent Warrants") to purchase 100,000 shares of our Class A common stock at an exercise price of $3.75 per share which are exercisable for 5.5 years commencing six months from the issuance date. We issued Noble placement agent warrants (“Noble Placement Agent Warrants”) to purchase up to 66,800 shares of our Class A common stock at an exercise price of $3.00 per share which will become exercisable six months from the date of issuance. We also issued Colorado Financial Service Corporation and its designees warrants (“Aspenwood Warrants”) to purchase 7,700 shares of our Class A common stock at an exercise price of $3.75 per share which are exercisable for 5.5 years commencing six months from the issuance date. We included the shares underlying the Chardan Placement Agent Warrants, the Noble Placement Agent Warrants, and the Aspenwood Warrants in the afore-described resale registration statement that was declared effective by the SEC in June 2017.

The net proceeds to us from the offering, after deducting placement agent fees and estimated offering expenses, were approximately $4,566,405. We utilized $2,500,000 of the net proceeds to satisfy a put obligation under the Series B Warrants issued to investors in a registered direct offering that we conducted in January 2017 as described in Note 11. The balance of the net proceeds was used to pay down accounts payable and satisfy other working capital requirements.

The Series A1 Warrants have been accounted for utilizing ASC 815 *"Derivatives and Hedging".* The Company has determined that the Series A1 Warrants have an embedded feature that cause the Series A1 Warrants to be treated as a derivative liability. The Company has estimated the fair value of the Series A1 Warrant instruments using the Black-Scholes Model with key input variables provided by management, as of the date of issuance, with the fair value treated as a discount to the Series A1 Debenture liability, and at each reporting date, with the changes in fair value of the Series A1 Warrants recorded as gains or losses on revaluation in other income (expense). See Note 9 for further information for the fair value of the Series A1 Warrants.

The Company accounted for the Series A1 Debentures in accordance with ASC 470-20 Debt with Conversion and other options. The net proceeds of $4,639,629 from the issuance of the Series A1 Debentures was allocated between the Series A1 Debentures and the fair value of the Series A1 Warrants. The values allocated to the Series A1 Debentures and Series A1Warrant was $3,408,629 and $1,288,000 respectively. After the allocation between the Series A1 Debentures and Series A1 Warrants, the effective conversion feature was greater than the fair market value of the Company's common stock on the date of issuance, so the adjusted proceeds were not allocated to the conversion feature.

On October 26, 2017, the Company entered into definitive securities purchase agreements (the "Securities Purchase Agreement") with certain prior accredited investors (the "Purchasers") for the purchase and sale of an aggregate of: (i) $5,180,157.78 in principal amount of 12.5% secured convertible debentures (the "Debentures"); and (ii) five year Series A common stock purchase warrants (the "Series A Warrants") representing the right to acquire up to 863,365 shares of our Class A common stock (the "Offering") in a transaction exempt from registration under the Securities Act of 1933, as amended (the "Securities Act"), in reliance on the exemption provided by Rule 506(b) of Regulation D and Section 4(a)(2) of the Securities Act. The Offering includes (i) $2,000,000 of Debentures and Series A Warrants pursuant to the exercise of a green shoe ("Green Shoe") provision contained in the transaction documents for the purchase and sale of the Prior Debentures (as defined below) and (ii) $3,180,157.78 of additional Debentures. The Debentures and Series A Warrants are being sold for a combination of cash and the cancellation of debt or receivables.

The Debentures, which mature on April 21, 2020, pay interest in cash at the rate of 12.5% per annum, payable quarterly on January 1, April 1, July 1 and October 1, beginning on January 1, 2018. Our obligations under the Debentures are secured pari-passu with the debentures previously issued in April 2017 ("Prior Debentures"). The Debentures are convertible at the option of the holder into shares of our Class A common stock ("Common Stock") at an initial conversion price of $3.00 per share, subject to adjustment as hereinafter described.

The Debentures were issued in two series, Series A-1 Debentures ("A-1 Debentures") and Series A-2 Debentures ("A-2 Debentures"). The Company will issue (i) $2,000,000 in A-1 Debentures and (ii) $3,180,157.78 in A-2 Debentures. The A-1 Debentures and A-2 Debentures are substantially the same except that the A-1 Debentures (i) we approved for issuance on June 23, 2017 by the shareholders of the Company pursuant to the Green Shoe and (ii) have a conversion price floor of $1.40 with regard to anti-dilution protection for subsequent equity sales at a price lower than 120% of the then applicable conversion price. The A-2 Debentures have a conversion price floor of $3.00 until such time as the Company receives shareholder approval for the transaction. On December 29, 2007, at our annual meeting of shareholders, we obtained approval of the transaction including the $1.40 floor price of the A-2 Debentures in the event of subsequent equity sales.

Subject to our compliance with certain equity conditions (as more fully set forth in the Debentures), upon 20 trading days' notice to the holders we have the right to redeem the Debentures in cash at a 120% premium during the first year and a 110% premium during the remaining term of the Debentures. Upon any optional redemption, we are obligated to issue the holder Series B Common warrants, the terms of which will be identical to the Series A Warrants, to purchase a number of shares of our Common Stock equal to 50% of the conversion shares issuable on an as-converted basis as if the principal amount of the Debenture had been converted immediately prior to the optional redemption. In the event of future financings by us, subject to certain exempt issuances, the holders have the right to cause us to allocate 20% of the proceeds we receive to redeem a portion of the principal amount of the then outstanding Debentures. We are also required to redeem the Debentures, at the holder’s right, upon our failure to maintain certain financial covenants as further described in the Debentures.

The Debentures also contain certain customary events of default (including, but not limited to, default in payment of principal or interest thereunder, breaches of covenants, agreements, representations or warranties thereunder, the occurrence of an event of default under certain material contracts of the Company, changes in control of the Company and the entering or filing of certain monetary judgments against the Company). Upon the occurrence of any such event of default, the outstanding principal amount of the Debenture for a premium, plus liquidated damages, interest and other amounts owing in respect thereof through the date of acceleration, shall become, at the holder’s election, immediately due and payable in cash. The Company is also subject to certain negative covenants under the Debenture, including but not limited to, the creation of certain debt obligations, liens on Company assets, amending its charter documents, repayment or repurchase of securities or certain debt of the Company, or the payment of dividends.

The Series A Warrants are being issued as follows: (i) 333,335 issued pursuant to the Green Shoe and in connection with A-1 Debentures and (ii) 530,030 are being issued in connection with the A-2 Debentures. The Series A Warrants issued pursuant to the A-1 Debentures and A-2 Debentures have the same form . The Series A Warrants are initially exercisable at $3.00 per share and, are subject to cashless exercise after six months if the shares underlying the warrants are not subject to an effective resale registration statement. The Series A Warrants also contain anti-dilution protection for subsequent equity sales for a price lower than the then applicable exercise price, with a floor of $1.40.

The conversion price of the Debentures and the exercise price of the Series A Warrants are subject to adjustments upon certain events, including stock splits, stock dividends, subsequent equity transactions (other than specified exempt issuances), subsequent rights offerings, and fundamental transactions, subject to the $1.40 and $3.00 floor described above). If we fail to timely deliver the shares of our Common Stock upon any conversion of the Debentures or exercise of the Series A Warrants, we will be subject to certain buy-in provisions. Pursuant to the terms of the Debentures and Series A Warrants, a holder will not have the right to convert any portion of the Debentures or exercise any portion of the Series A Warrants if the holder (together with its affiliates) would beneficially own in excess of 4.99% of the number of shares of Common Stock outstanding immediately after giving effect to such conversion or exercise, as such percentage ownership is determined in accordance with the terms of the Debentures and the Series A Warrants; provided that at the election of a holder and notice to us such percentage ownership limitation may be increased to 9.99%; provided that any increase will not be effective until the 61st day after such notice is delivered from the holder to the Company.

The Company also agreed to use up to approximately $1.57 million in proceeds from the Offering to pay a $1.5 million put obligation of the outstanding Financing Warrant plus $.07 million in accrued interest on the amount outstanding.

As of the date of the Securities Purchase Agreement, the Company had 8,605,018 shares of Common Stock issued and outstanding. As such, under the Nasdaq Market Place Rules, we are authorized to issue up to 19.99% of the issued and outstanding shares, or 1,720,143 shares. The shares of Common Stock underlying the A-2 Debentures and accompanying Series A Warrants are an aggregate of 1,590,081 shares of Common Stock. Notwithstanding, we are obligated to submit the Offering at the Shareholder Meeting for the purpose of reducing the floor conversion price of the A-2 Debentures as discussed above. In connection with this transaction, we will issue to our Placement Agents (as defined below), an aggregate of 183,337 common stock purchase warrants (“PA Warrants”) as follows: (i) 129,176 PA Warrants will have an exercise price of $3.75 per share and (ii) 54,161 PA Warrants will have an exercise price of $4.49 (the consolidated closing bid price of the Common Stock prior to the Securities Purchase Agreement). The PA Warrants are substantially similar to the Series A Warrants, except that the PA Warrants have a term of five and one half (5.5) years, are not exercisable until the six (6) month anniversary of the issuance date, and contain no anti-dilution protection.

Pursuant to a registration rights agreement (“Registration Rights Agreement”), we have agreed to file a registration statement registering the resale of the shares of our common Stock underlying the Debentures and the Series A warrants within thirty (30) days from the date of the Registration Rights Agreement. We also agreed to have the registration statement declared effective within 90 days from the date of the Registration Rights Agreement and keep the registration statement continuously effective until the earlier of (i) the date after which all of the securities to be registered thereunder have been sold, or (ii) the date on which all the securities to be registered thereunder may be sold without volume or manner-of-sale restrictions and without current public information pursuant to Rule 144 under the Securities Act. We are also obligated to pay the Investors, as partial liquidated damages, a fee of 2.0% of each Investor’s subscription amount per month in cash upon the occurrence of certain events, including our failure to file and / or have the registration statement declared effective within the time periods provided. As a result of the registration statement not being declared effective, we have accrued partial liquidated damages of $103,862.16 as of April 30, 2018 (including interest accruing at 18% per annum). We will continue to incur additional liquidated damages on a monthly basis in the event that the registration statement is not declared effective.

Chardan Capital Markets, LLC (“Chardan Capital”) acted as lead placement agent and Aspenwood Capital acted as co-placement agent ("Aspenwood"), in connection with the sale of the securities pursuant to the Securities Purchase Agreement. Pursuant to their respective engagement agreements, we will pay Chardan Capital a cash commission of $149,021.25 and Aspenwood a cash commission of $70,000. Pursuant to the discussion above, we also issued an aggregate of 160,000 PA Warrants to Chardan Capital and an aggregate of 23,337 PA Warrants to Aspenwood. We will include the shares underlying the Placement Agent Warrants in the resale registration statement we expect to file.

The Company identified embedded derivatives related to the Series A Warrants issued. These embedded derivatives included the right for the holders to request for the Company to purchase the Series A Warrant from the Holder by paying to the Holder an amount of cash equal to the black scholes value of the remaining unexercised portion of the Series A2 Warrant on the date of the consummation of a fundamental transaction.

The Series A Warrants have been accounted for utilizing ASC 815 *“Derivatives and Hedging”.* The Company has determined that the Series A Warrants have an embedded feature that cause the Series A Warrants to be treated as a derivative liability. The Company has estimated the fair value of the Series A Warrant instruments using the Black-Scholes Model with key input variables provided by management, as of the date of issuance, with the fair value treated as a discount to the Series A2 Debenture liability, and at each reporting date, with the changes in fair value of the Series A Warrants recorded as gains or losses on revaluation in other income (expense). See Note 9 for further information for the fair value of the Series A Warrants.

The Company accounted for the Series A2 Debentures in accordance with ASC 470-20 Debt with Conversion and other options. The net proceeds of $4,261,684 from the issuance of the Series A2 Debentures was allocated between the Series A2 Debentures and the fair value of the Series A Warrants. The values allocated to the Series A2 Debentures and Series AWarrant was $1,405,540 and $2,856,108 respectively. After the allocation between the Series A2 Debentures and the Series A Warrants, the adjusted value assigned to Series A Debenture created the effected conversion feature to be a rate lower than the current market price for the Company’s common stock on the date of the issuance. The value assigned to the conversion feature was $1,405,540.

Convertible Notes

During the year ended December 31, 2017, certain holders of convertible debentures exercised their rights to convert amounts of principal totaling $3,335,000 into 1,111,667 shares of the Company’s common equity. During the three month period ended March 31, 2018, the Company made no repayments on secured convertible debentures.

During the three month period ended March 31, 2018, the Company recorded interest expense on the convertible debentures totaling $330,952. During the three month period ended March 31, 2018, the Company also recognized $435,666 of amortization of debt discount and deferred financing costs.

Future minimum principal payments under senior secured convertible notes as of March 31, 2018, were as follows:

Year Ending December 31,	Convertible Notes
2018	$ —
2019	—
2020	6,845,158
Total minimum principal payments	6,845,158
Less: debt discount and deferred debt issuance costs	(4,884,899)
Convertible notes, net	$ 1,960,259

NOTE 11 – STOCKHOLDERS' EQUITY

Common Stock

On January 4, 2017, the Company entered a definitive securities purchase agreement with two fundamental institutional investors (the “Investors”) for the purchase and sale of an aggregate of: (i) 761,905 shares of the Company’s Class A common stock; and (ii) five-year Series B Warrants (the “Series B Warrants”) representing the right to acquire up an additional 380,953 shares of our Class A common stock at an exercise price of $7.00 per share. The shares of our Class A common stock and the Series B Warrants were sold in a registered direct offering and we received gross proceeds of $3,980,001. Simultaneously we conducted a private placement with the same Investors for no additional consideration of Series A Warrants (the “Series A Warrants”) representing the right to acquire up to an additional 380,953 shares of our Class A common stock at an exercise price of $6.70 per share. The Series A Warrants are exercisable for five years commencing 6 months from the date of closing of the private sale of the Series A Warrants to the Investors.

The exercise price of the Series A Warrants is subject to full ratchet adjustment in certain circumstances, subject to a floor price of $1.20 per share. The adjustment provisions under the terms of the Series A Warrants will be extinguished at such time as our Class A common stock trades at or above $10.00 per share for 20 consecutive trading days, subject to the satisfaction of certain equity conditions. In addition, if there is no effective registration statement covering the shares issuable upon the exercise of the Series A Warrants, the warrants are exercisable on a cashless basis. If we fail to timely deliver the shares underlying the warrants, we will be subject to certain buy-in provisions. As a result of the sale of the Debentures, the exercise price of the Series A Warrants issued to investors in our January 2017 private offering were reset to $2.245 per share. (See Note 9 – Warrant Liabilities for further information)

Beginning 100 days after the issuance date of the Series B Warrants, at any time the market price of our Class A common stock is less than $5.25 per share, the holders had the right to exercise the Series B Warrants on a cashless basis for shares of our Class A common stock calculated pursuant to a formula set forth in the Series B Warrants. We had the right, in lieu of delivery of such shares of our Class A common stock, to pay the holder of the Series B Warrants being exercised on a cashless basis, a specified amount in cash, with a maximum cash payment of $2,500,000. The holders of the Series B Warrants exercised their right in April 2017 and we repurchased the Series B Warrants for $2,500,000.

Pursuant to the terms of the warrants, a holder of a warrant will not have the right to exercise any portion of the warrant if the holder (together with its affiliates) would beneficially own in excess of 9.99% of the number of shares of Class A common stock outstanding immediately after giving effect to the exercise, as such percentage ownership is determined in accordance with the terms of the warrants; provided that at the election of a holder and notice to us such percentage ownership limitation may be increased or decreased to any other percentage, not to exceed 9.99%; provided that any increase will not be effective until the 61st day after such notice is delivered from the holder to the Company.

In the event of any extraordinary transaction, as described in the warrants and generally including any merger with or into another entity, sale of all or substantially all of our assets, tender offer or exchange offer, or reclassification of our common stock, the holder will have the right to have the warrants and all obligations and rights thereunder assumed by the successor or acquiring corporation. Also, at the election of the holder of each warrant, in the event of an extraordinary transaction, we or any successor entity may be required to repurchase such warrant for an amount of cash equal to the value of the warrant as determined in accordance with the Black Scholes option pricing model and the terms of the warrants.

Pursuant to an engagement letter dated December 29, 2016 (the “Placement Agent Agreement”) by and between the Company and Chardan Capital Markets, Chardan Capital agreed to act as the Company’s placement agent in connection with both the registered direct offering and a concurrent private placement. Pursuant to the Placement Agent Agreement, the Company paid Chardan Capital a cash fee equal to $160,000 (4% of the gross proceeds), as well as reimbursement of its expenses related to the offering in the amount of $15,000. In addition, the Company granted Chardan Capital a warrant to purchase 76,190 shares of Class A common stock (the “Placement Warrants”). The Placement Warrants have an exercise price of $6.50 per share and are exercisable for 5.5 years commencing six months from the issuance date. The shares underlying the Placement Warrants were included in a resale registration statement on Form S-3 that was declared effective by the SEC in June 2017.

The net proceeds to the Company from the offering, after deducting placement agent fees and estimated offering expenses, were $3,830,000. The proceeds of the offering were used to satisfy the outstanding notes issued under the terms of the Financing Agreement. In connection with the January 2017 capital raise, Victory Park Management, LLC agreed not to exercise the put right under the Financing Warrant prior to May 20, 2017. Victory Park Management, LLC exercised the put right on May 22, 2017. We had had 45 days to satisfy this obligation which remains unpaid. On October 27, 2017, the Company satisfied this obligation in full utilizing a portion of net proceeds from a second debenture financing.

The Class A shares of common stock and Series B Warrants were sold and issued pursuant to the Prospectus Supplement, dated January 4, 2017, to the Prospectus included in the Company’s Registration Statement on Form S-3 (Registration No. 333-214644) filed with the SEC on November 16, 2016 and declared effective on November 28, 2016.

In January 2017, in connection with an advisory agreement with kathy ireland Worldwide LLC ("kiWW"), the Company issued affiliates and designees of kiWW 100,000 shares of its Class A common stock valued at $678,000

In January 2017, we issued 3,858 shares of our Class A common stock valued at $12,500 to Mr. Derek J. Ferguson upon his appointment to our board of directors and the audit committee of the board. He is an accredited investor and the issuance was exempt from registration under the Securities Act pursuant to an exemption provided by Section 4(a)(2) of that act.

In February 2017, the Company issued Mr. Steven Antebi 150,000 shares of our Class A common stock valued at $540,000 as compensation for services under the terms of a consulting agreement. He is a principal stockholder of the Company.

In March 2017, we issued 51,667 shares of Class A common stock for vested stock awards.

In March 2017, we issued 6,510 shares of our Class A common stock valued at $12,500 to Mr. Robert Jordan upon his appointment to our board of directors and the audit committee of the board. He is an accredited investor and the issuance was exempt from registration under the Securities Act pursuant to an exemption provided by Section 4(a)(2) of that act.

In August 2017, we issued 200,000 shares in conjunction with our acquisition of certain intellectual property assets from Leapfrog Media Trading, Inc.

On September 15, 2017, the Company entered an Investor Relations and Consulting Agreement (“Consulting Agreement”) with Al & J Media, Inc. (“Consultant”). The Company engaged the Consultant to provide certain consulting services on behalf of the Company as are more fully described in the Consulting Agreement. Under the terms of this agreement, which expires on December 15, 2017, the Company engaged Al & J Media, Inc. to provide a variety of advisory and consulting services to the Company, including introducing the Company to potential sources of media, marketing agreement(s) and/or other strategic alliances which may benefit the Company in the performance of implementing its business plan(s), including but not limited to radio and television media spots; various media publications; and internet podcasts. As compensation for such services, the Company issued Al & J Media, Inc. 75,000 shares valued at $97,500 of its Class A common stock on September 15, 2017.

Between September 2017 and January 2018, we issued an aggregate of 225,000 shares of Class A common stock valued at $1,137,650 as consideration for media and marketing services.

In October 2017, we issued 70,409 shares of our Class A common stock to Joseph P. Hannan, our chief financial officer, pursuant to his October 2017 employment agreement. The shares were issued pursuant to our 2016 equity compensation plan.

In October 2017, we entered into securities purchase agreements to sell an aggregate of $5,180,158 of our 12.5% secured convertible debentures and issued 863,365 Series A Common Stock Purchase Warrants. The debentures mature on 4/21/2020, bear interest at an annual rate of 12.5%, payable quarterly on January 1, April 1, July 1, and October 1, beginning on January 1, 2018. Pursuant to the greenshoe provision contained in our April 2017 debenture offering, $2,000,000 of debentures were purchased pursuant to the greenshoe provision and the remaining $3,180,157.78 were purchased separately. Of the 863,365 warrants issued, a total of 333,335 were purchased pursuant to the greenshoe provision and 630,030 were purchased separately. The debentures are convertible into shares of our Class A common stock at $3.00 per share, subject to adjustment, and contain anti-dilution protection for subsequent financings and have a conversion price floor of $1.40 per share (pursuant to shareholder vote approving the offering that occurred on December 29, 2017). The warrants have an exercise price of $3.00 per share, subject to adjustment and contain anti-dilution protection for subsequent financings and have an exercise price floor of $1.40 per share. In connection with the offering we issued Chardan Capital Markets 160,000 placement agent warrants, of which: (i) 129,176 have an exercise price of $3.75 and (ii) 54,161 have an exercise price of $4.49 (. We also issued Aspenwood Capital 23,337 placement agent warrants with an exercise price of $3.75. All placement agent warrants have a term of five and a half years (exercisable beginning 6 months after issuance).

In October 2017, multiple investors in the Company's April 2017 debenture financing converted an aggregate of $655,000 of debentures into 218,334 shares of Class A common stock.

In October 2017, one investor in the Company's April 2017 debenture financing exercised 83,334 Series A common stock purchase warrants at an exercise price of $3.00 per share, resulting in gross proceeds to the Company of $250,002.

In January 2018, we issued Colleen DiClaudio, a board member, 7,813 Class A common shares valued at $10,000 as payment for 2017 services on our board of directors. The shares were issued from our 2016 equity compensation plan

In January 2018, we issued Hardy Thomas, a former board member, 7,195 Class A common shares valued at $10,000 as payment for 2017 services on our board of directors. The shares were issued from our 2016 equity compensation plan.

In January 2018, we issued Marc Savas and Malcolm CasSelle each 3,774 Class A common shares valued at $10,000 as payment for their respective 2017 service on our board of directors. The shares were issued from our 2016 equity compensation plan.

In January 2018, we issued Al & J Media an additional 150,000 shares for media consulting services pursuant to an extension of their September 2017 Consulting Agreement.

In March 2018, we issued 6,667 shares of Class A common stock to one employee for vested stock awards.

In March 2018, 122,950 shares of Class A common stock were awarded to one employee for sales performance achievement pursuant to our 2016 equity compensation plan.

As of March 31, 2018, we have accrued as issuable to William Packer 3,774 shares of Class A common shares valued at $10,000 as payment for 2017 services on our board of directors. The shares will be issued from our 2016 equity compensation plan.

Stock Awards

During the three months ended March 31, 2018 and 2017, respectively, there were no new grants of stock awards made nor were any previously issued grants forfeited.

During the three months ended March 31, 2018 and 2017, we recorded stock award expenses of $52,189 and $144,848; respectively.

Stock Options and Warrants

In November 2016, the Company entered an Investor Relations and Consulting Agreement (“Consulting Agreement”) with Market Street Investor Relations, LLC (“Consultant”). The Company engaged the Consultant to provide certain investor relations and public relations services on behalf of the Company as are more fully described in the Consulting Agreement. The term of the Consulting Agreement is for a period of six-months from the effective date and may be extended for an additional six-month term. In lieu of cash payments for the services rendered by the Consultant, the Company issued the Consultant a three year Class A common stock purchase warrant to purchase 400,000 shares of the Company’s Class A common stock at an exercise price of $7.50 per share. The warrants vest based on specific milestones described within the Consulting Agreement. The value of the warrants at the date of grant was $1,390,264. At the direction of the Consultant, a warrant to purchase 200,000 shares was issued to the Consultant and a warrant to purchase 200,000 shares was issued to Steve Antebi (a principal stockholder in the Company). The Company also advanced the Consultant $100,000 on the effective date to cover anticipated expenses regarding the services to be performed by the Consultant. The Company paid the Consultant an additional $50,000 for expenses incurred during the nine months ended September 30, 2017. The Company is recognizing the value of the services rendered over the term of the Consulting Agreement. As of September 30, 2017, the Consultant had not yet attained any of the milestones contained within the Consulting Agreement and the Company reversed $275,637 of expense related to the Consulting Agreement. It was then determined that the Company would not extend the Consulting Agreement with the Consultant.

During the three months ended March 31, 2017, an aggregate of 662,773 Common Stock purchase warrants, having exercise prices of between $5.00 and $10.00, per share, expired.

On January 24, 2018, 176,400 Common Stock purchase warrants, having exercise prices of $7.50, per share, expired.

During the three months ended March 31, 2018 and 2017, we recorded stock option expense of $83,941 and $33,419, respectively.

Reverse Stock Split

In September 2016, the Company completed a reverse stock split whereby each five shares of the Company's Class A common stock issued and outstanding, or held as treasury shares, immediately prior to the effective date of the reverse stock split became one share of its Class A common stock on the effective date of the reverse stock split. No fractional shares of Class A common stock were issued to any stockholder and all fractional shares which might otherwise be issuable because of the reverse stock split were rounded up to the nearest whole share. On the effective date of the reverse stock split, all outstanding options and warrants to purchase shares of the Company's Class A common stock were proportionally adjusted based upon the split ratio and became exercisable into one-fifth of the number of shares of the Company's Class A common stock as it was prior to the reverse stock split at an exercise price which is five times the exercise price prior to the reverse stock split.

After the effective date of the reverse stock split, each certificate representing shares of pre-reverse stock split Class A common stock was deemed to represent one-fifth of a share of the post-reverse stock split Class A common stock, subject to rounding for fractional shares, and the records of the Company's transfer agent, Transfer Online, Inc., were adjusted to give effect to the reverse stock split. Following the effective date of the reverse stock split, the share certificates representing the pre-reverse stock split Class A common stock continue to be valid for the appropriate number of shares of post-reverse stock split Class A common stock, adjusted for rounding.

These unaudited condensed consolidated financial statements give retroactive effect to the reverse stock split for all periods presented, unless otherwise specified.

NOTE 12 – RELATED PARTY TRANSACTIONS

On March 20, 2018, as we began to formally review potential strategic options for SRAXMD, we entered into certain retention and bonus agreements with SRAXMD employees, including Erin DeRuggiero, our chief innovations officer. Pursuant to the terms of the agreements with Ms. DeRuggiero, her employment agreement was terminated, and she became a consultant of the Company. The term of the consultancy expires in the second quarter of 2018, or upon the sale of the assets comprising SRAXmd, but may be extended by the parties. The terms of the consultancy are substantially similar to her prior employment agreement except that in the event of a sale of the SRAXmd business unit or substantially all of the assets thereof within 120 days from March 20, 2018, (i) we (or our assignee) have the right and the obligation to purchase all of Ms. DeRuggiero's outstanding Class A common shares (514,667) at a price of $5.80 per share, or an aggregate of $2,985,069 and (ii) we will pay Ms. DeRuggiero, an amount equal to five percent (5%) of the cash consideration received from the sale of the SRAXmd business. The Company and Ms. DeRuggiero agreed to a customary release from any claims that may have arisen during her employment.

On April 2, 2018, we issued a common stock purchase warrant to Kristoffer Nelson, our Chief Operating Officer and a member of our board of directors. The option entitles Mr. Nelson to purchase 100,000 shares of Class A Common Stock at a price per share of $5.78, has a term of three years and vests quarterly over a three (3) year period.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

Operating Leases

The Company leases offices under operating leases that have expired and now operate on a month-to-month basis, subject to certain notice of termination provisions. Future minimum lease payments required under the operating leases amount to $50,636 for the year ended December 31, 2018.

Rent expense for office space amounted to $68,070 and $40,212 for the three month period ended March 31, 2018 and 2017, respectively.

Other Commitments

In the ordinary course of business, the Company may provide indemnifications of varying scope and terms to customers, vendors, lessors, business partners, and other parties with respect to certain matters, including, but not limited to, losses arising out of the Company's breach of such agreements, services to be provided by the Company, or from intellectual property infringement claims made by third parties. In addition, the Company has entered indemnification agreements with its directors and certain of its officers and employees that will require the Company to, among other things, indemnify them against certain liabilities that may arise due to their status or service as directors, officers or employees. The Company has also agreed to indemnify certain former officers, directors and employees of acquired companies in connection with the acquisition of such companies. The Company maintains director and officer insurance, which may cover certain liabilities arising from its obligation to indemnify its directors and certain of its officers and employees, and former officers, directors and employees of acquired companies, in certain circumstances.

It is not possible to determine the maximum potential amount of exposure under these indemnification agreements due to the limited history of prior indemnification claims and the unique facts and circumstances involved in each agreement. Such indemnification agreements may not be subject to maximum loss clauses.

Employment agreements

We have entered employment agreements with key employees. These agreements may include provisions for base salary, guaranteed and discretionary bonuses and option grants. The agreements may contain severance provisions if the employees are terminated without cause, as defined in the agreements.

<u>Litigation</u>

From time to time, the Company may become subject to legal proceedings, claims and litigation arising in the ordinary course of business. In addition, the Company may receive letters alleging infringement of patent or other intellectual property rights. The Company is not currently a party to any material legal proceedings, nor is the Company aware of any pending or threatened litigation that would have a material adverse effect on the Company's business, operating results, cash flows or financial condition should such litigation be resolved unfavorably.

NOTE 14 – RESTATEMENT

Financial Information (As Restated)

- The Company has presented restated 2018 financials as of March 31, 2018 and for the three-month period ended March 31, 2018 and 2017, below.
- In addition to the restatement of the financial statements, certain information within the following notes to the financial statements and financial statement schedule has been restated to reflect the corrections of misstatements discussed previously.

The individual restatement matter that underlies the restatement adjustments is described below.

Classification of Warrants

The Company has concluded that the certain Warrants issued in 2017 were required to be classified as liabilities pursuant to the provisions of ASC 815-10 since all of the characteristics of a derivative instrument were met and the Warrants do not qualify for the equity classification scope exception in ASC 815-40-25-10 from derivative accounting, primarily because the Company may be required to cash settle the warrants in circumstances where holders of the Company’s common stock would not be entitled to cash, which is inconsistent with ASC 815-40-55-2 through 55-6. The warrant agreements include a fundamental transaction clause whereby, in the unlikely event that another person becomes the beneficial owner of 50% of the outstanding shares of the Company’s common stock, and if other conditions are met, the Company may be required to purchase the warrants from the holders by paying cash in an amount equal to the Black Scholes Option Pricing Model value of the remaining unexercised portion of the warrants on the date of such fundamental transaction.

Impact of the Restatement

Below we've presented the first quarter 2018 Financial Statements as previously reported with a reconciliation to the restated financials:

Summary of Restatement Condensed Consolidated Balance Sheet 2018

	March 31, 2018 Originally reported	Adjustments	March 31, 2018 As Restated
Assets			
Current assets:			
Cash and cash equivalents	$ 189,888	$	$ 189,888
Accounts receivable, net	1,734,058		1,734,058
Prepaid expenses	540,753		540,753
Other current assets	300,898		300,898
Total current assets	2,765,597		2,765,597
Property and equipment, net	165,898		165,898
Goodwill	15,644,957		15,644,957
Intangible assets, net	1,708,349		1,708,349
Other assets	32,043		32,043
Total assets	$ 20,316,844	$ —	$ 20,316,844
Liabilities and stockholders' equity			
Current liabilities:			
Accounts payable and accrued expenses	$ 4,682,794	$ —	$ 4,682,794
Debenture warrant liability	—	4,847,419	4,847,419
Leapfrog warrant liability		1,243,936	1,243,936
Derivative liability		1,340,951	1,340,951
Total current liabilities	4,682,794	7,432,306	12,115,100
Non-current liabilities:			
Secured convertible debentures, net	2,043,804	(83,545)	1,960,259
Total liabilities	6,726,598	7,348,761	14,075,359
Commitments and contingencies (Note 11)			
Stockholders' equity:			
Preferred stock, authorized 50,000,000 shares, $0.001 par value, no shares issued or outstanding at March 31, 2018			
Class A common stock, authorized 250,000,000 shares, $0.001 par value, 10,037,905 shares issued and outstanding at March 31, 2018	10,213		10,213
Class B common stock, authorized 9,000,000 shares, $0.001 par value, no shares issued or outstanding at March 31, 2018	—		—
Common stock to be issued	10,000		10,000
Additional paid in capital	38,328,359	(4,596,211)	33,732,148
Accumulated deficit	(24,758,326)	(2,752,550)	(27,510,876)
Total stockholders' equity	13,590,246	(7,348,761)	6,241,485
Total liabilities and stockholders' equity	$ 20,316,844	$ —	$ 20,316,844

Summary of Restatement Condensed Consolidated Statement of Operations Adjustments 2018

	March 31, 2018 Originally Reported	Adjustments	March 31, 2018 As Restated
Revenue	$ 2,110,850	$ —	$ 2,110,850
Cost of revenue	818,105		818,105
Gross profit	1,292,745	—	1,292,745
Operating expense:			
General, selling and administrative expense	4,130,258	(22,165)	4,108,093
Operating expense	4,130,258	(22,165)	4,108,093
Loss from operations	(2,837,513)	22,165	(2,815,348)
Other income (expense):			
Interest expense	(434,785)	—	(434,785)
Amortization of debt issuance costs	(332,658)	(103,008)	(435,666)
Total Interest Expense	(767,443)	(103,008)	(870,451)
Gain on sale of assets		(22,165)	(22,165)
Exchange gain or (loss)	(4,664)		(4,664)
Loss on settlement			—
Change in fair value of derivative liabilities		3,723,696	3,723,696
Other non operating income (expense)	(4,664)	3,701,531	3,696,867
Total other income (expense)	(772,107)	3,598,523	2,826,416
Income (Loss) before provision for income taxes	(3,609,620)	3,620,688	11,068
Provision for income taxes	—	—	—
Net income (loss)	$ (3,609,620)	$ 3,620,688	$ 11,068
Net income (loss) per share, basic and diluted	$ (0.36)	0.35	$ 0.00
Weighted average shares outstanding			
Basic and diluted	10,037,905	—	10,037,905

Summary of Restatement Condensed Consolidated Statement of Cash Flows Adjustments 2018

	March 31, 2018 Originally Reported	Adjustments	March 31, 2018 As Restated
Cash flows from operating activities			
Net Income (loss)	$ (3,609,620)	$ 3,620,688	$ 11,068
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:	—		
Stock based compensation	166,130	—	166,130
Amortization of debt issuance costs	93,639	—	93,639
Accretion of debenture discount and warrants	239,018	103,008	342,026
Change in fair value of derivative liabilities	—	(3,723,696)	(3,723,696)
Gain on sale of SRAXmd	—	22,165	22,165
Provision for bad debts	(425)	—	(425)
Depreciation expense	9,441	—	9,441
Amortization of intangibles	166,185	—	166,185
Changes in operating assets and liabilities:	—	—	
Accounts receivable	2,614,671	—	2,614,671
Prepaid expenses	(72,416)	—	(72,416)
Other assets	(3,445)	—	(3,445)
Accounts payable and accrued expenses	(178,022)	—	(178,022)
Net cash used in operating activities	(574,844)	22,165	(552,679)
Cash flows from investing activities			
Purchase of equipment	(20,793)	—	(20,793)
Development of software	(231,774)	—	(231,774)
Proceeds from sale of SRAXmd	—	(22,165)	(22,165)
Net cash (used in) provided by investing activities	(252,567)	(22,165)	(274,732)
Cash flows from financing activities			
Net cash provided by financing activities	—		—
Net increase / (decrease) in cash and cash equivalents	(827,411)	—	(827,411)
Cash and cash equivalents, beginning of period	1,017,299	—	1,017,299
Cash and cash equivalents, end of period	$ 189,888		$ 189,888
Supplemental schedule of cash flow information			
Cash paid for interest	$ 340,684		$ 340,684
Cash paid for taxes	$ —		$ —
Supplemental schedule of noncash financing activities			
Vesting of common stock award	$ 150,000		$ 150,000
Issuance of common stock to be issued	$ 869,500		$ 869,500

Summary of Restatement Condensed Consolidated Statement of Operations Adjustments 2017

	Three Months Ended March 31, 2017 As Previously Reported	Adjustments	Three Months Ended March 31, 2017 As Restated
Revenue	$ 5,326,163	$ —	$ 5,326,163
Cost of revenue	3,279,120	—	3,279,120
Gross profit	2,047,043	—	2,047,043
Operating expense:			
General, selling and administrative expense	4,409,807	—	4,409,807
Impairment of goodwill		—	
Write off of non-compete agreement	468,751	—	468,751
Restructuring Costs	377,961	—	377,961
Operating expense	5,256,519	—	5,256,519
Loss from operations	(3,209,476)	—	(3,209,476)
Other income (expense):			
Interest expense	(133,306)	—	(133,306)
Amortization of debt issuance costs	(578,140)	—	(578,140)
Total Interest Expense	(711,446)	—	(711,446)
Other expense	—	—	—
Change in Fair Value of Warrant Liability	1,894,563	52,903	1,947,466
Other non operating income / (expense)	1,894,563	52,903	1,947,466
Total other income / (expense)	1,183,117	52,903	1,236,020
Income / (Loss) before provision for income taxes	(2,026,359)	52,903	(1,973,456)
Provision for income taxes	—	—	—
Net income / (loss)	$ (2,026,359)	$ 52,903	$ (1,973,456)
Net income / (loss) per share, basic and diluted	$ (0.26)	0.00	$ (0.25)
Weighted average shares outstanding			
Basic and diluted	7,844,127	7,844,127	7,844,127

Summary of Restatement Condensed Consolidated Statement of Cash Flows Adjustments 2017

	March 31, 2017 As Previously Reported	Adjustments	March 31, 2017 As Restated
Cash flows from operating activities			
Net Income (loss)	$ (2,026,359)	$ 52,903	$ (1,973,456)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:			
Stock based compensation	512,442	—	512,442
Amortization of debt issuance costs	578,140	—	578,140
Change in fair value of derivative liabilities	(1,894,563)	(52,903)	(1,947,466)
Write off of non-compete agreement	468,751	—	468,751
Provision for bad debts	(8,277)	—	(8,277)
Depreciation expense	3,234	—	3,234
Amortization of intangibles	107,720	—	107,720
Changes in operating assets and liabilities:			
Accounts receivable	1,840,549	—	1,840,549
Prepaid expenses	2,071	—	2,071
Accounts payable and accrued expenses	(195,150)	—	(195,150)
Net cash used in operating activities	(611,442)	—	(611,442)
Cash flows from investing activities			
Purchase of equipment	(5,821)	—	(5,821)
Development of software	(135,241)	—	(135,241)
Net cash (used in) provided by investing activities	(141,062)	—	(141,062)
Cash flows from financing activities			
Proceeds from the issuance of common stock units	3,820,001	—	3,820,001
Repayments of notes payable and PIK interest	(3,996,928)	—	(3,996,928)
Net cash provided by financing activities	(176,927)		(176,927)
Net increase (decrease) in cash and cash equivalents	(929,431)	—	(929,431)
Cash and cash equivalents, beginning of period	1,048,762	—	1,048,762
Cash and cash equivalents, end of period	$ 119,331	—	$ 119,331
Supplemental schedule of cash flow information			
Cash paid for interest	$ 550,695	$ —	$ 550,695
Cash paid for taxes	$ —	$ —	$ —
Supplemental schedule of noncash financing activities			
Initial warrant & put liability created	$ —	$ —	$ 3,038,344
Vesting of common stock award	$ 150,000	$ —	150,000
Issuance of common stock to be issued	$ 869,500	$ —	$ 869,500

NOTE 15 – SUBSEQUENT EVENTS

On May 13, 2019, the Company entered into a securities purchase agreement with an accredited investor whereby the investor purchased 200,000 shares of the Company's Class A common stock at a price per share of $5.00. The Company received aggregate gross proceeds of $1,000,000. Pursuant to the terms of the securities purchase agreement, the investor has piggyback registration rights with respect to the shares.

Please refer to the Company's 2018 Annual report filed on Form 10-K on April 16th, 2019 and the March 31, 2019 Quarterly report filed on Form 10-Q on May 15th, 2019 for additional subsequent events.

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-month periods ended March 31, 2018 and 2017 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, 2017, 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.

Restatement of Previously Issued Financial Statements . As discussed further in Note 14 of the Notes to the condensed consolidated financial statements contained in this Form 10-Q/A, we are restating herein our unaudited quarterly condensed consolidated financial statements for the quarters ended March 31, 2018 and 2017. The following discussion has been updated to reflect the effects of the restatement.

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

- *SRAXfan* tools enable brands and agencies to connect with sports fans at home, the stadium or out-of-home at gathering locations, such as bars, restaurants, and universities, during live sporting events.

- *SRAXauto* tools enable targeting and engagement with potential auto buyers at dealerships, auto shows, and at home across desktop and mobile environments.

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 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 2017, we also 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.

In late 2017, we also announced the launch of the BIGToken project. Presently we are developing BIGToken as a wholly owned subsidiary of Social Reality and eventually anticipate spinning the company out to our shareholders. In March of 2018, we announced the Alpha launch of the BIG platform to a select group of individuals and entities. Users participating in our BIGToken Alpha will be able to create an account, integrate third party accounts and answer serves in order to create an initial data graph. Participants in the Alpha will be awarded points as opposed to a BIGToken. Although the Alpha launch was a major milestone for the BIGToken project, there can be no assurance that we will complete final development of the BIGToken project or if developed, that it will be successful.

At present, we anticipate commencing a closed Beta of the BIGToken platform during the second quarterly of 2018 and then commencing an open Beta during the third quarter of 2018 with the BIGToken platform becoming generally available in early 2019. Notwithstanding the foregoing anticipated development dates, to fully launch BIGToken, not only will we be required to complete development and testing of the platform, but we will also need to comply with both state and federal securities laws and regulations with regard to certain aspects of the platform. There can be no assurances that we will be able to comply with such laws or regulations on a timely basis, if at all. Our failure to adequately comply with such laws and regulations, or comply with them on a timely basis, will greatly impact the value and utility of the BIGToken platform.

Results of operations

Selected Consolidated Financial Data

	Three Months Ended March 31,		
	2018	**2017**	**change**
	(unaudited) (restated)	**(unaudited) (restated)**	
Revenue	$ 2,110,850	5,326,163	(60.4)%
Cost of revenue	818,105	3,279,120	(75.1)%
Gross margin percentage	61.2%	38.4%	59.3%
Operating expense, net	4,108,093	5,256,519	(21.8)%
Operating loss	(2,815,348)	(3,209,476)	(12.3)%
Other income (expense)	2,826,416	1,236,020	89.8%
Net income (loss)	$ 11,068	(1,973,456)	100.6%

Revenue

The decrease in our revenue during the three months ended March 31, 2018 from the comparable period in 2017 reflect our strategic shift that began in 2017 to focus on higher margin revenue opportunities from buy-side clients as well as decreases in revenue from our SRAXReach product. These revenue declines were partially offset by an increase in revenue from our *SRAXmd* clients.

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 three months 2018 as compared to 100% during the first three months of 2017. Cost of revenue as a percentage of revenue declined to 38.8% for the first quarter of 2018 from 61.6% for the three months ended March 31, 2017. Cost of revenue declined in the first quarter of 2018 due to a strategic shift made by management in the prior year to focus sale efforts on advertising business with substantially higher gross margins.

Operating expense

Our operating expenses are comprised of salaries, commissions, marketing and general overhead expenses. Overall, our net operating expense decreased 21.4% in the first quarter of 2018 from the comparable period in 2017. Since our expense restructuring program was instituted at the end of the first quarter 2017, we expect that our operating expenses will continue to be flat to slightly higher for the remainder of 2018 as we make additional expense investments necessary to expand our new revenue initiatives.

Other income (expense)

Other income (expense) in the first quarter of 2018 represents interest expense on factored receivables and convertible debentures, factoring fees, amortization of deferred debt issuance costs and income (expense) for change in fair value of warrant liabilities. Total interest expense (for factored receivables, convertible debentures, factor fees and amortization of deferred debt cost) increased to approximately $871,000, or 22.3%, for the three-month period ended March 31, 2018 as compared to the same period in 2017. We expect that our overall interest expense during the balance of 2018 will continue to decease as a result of lower carrying levels of 12.5% secured convertible debentures resulting from conversions that occurred in the third and fourth quarter of 2017. For the first quarter of 2018, the Company recorded income of approximately $3,724,000 based on the change in fair value of warrant labilities, as compared to approximately $1,948,000 for the first quarter of 2017.

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:

	For the Three Month Period Ended March 31,	
	2018	2017
Net income (loss)	$ 11,068	$ (1,973,456)
plus		
Equity Based compensation	166,130	512,442
Accretion of debenture discount and warrants	9,885	—
Adjusted net income (loss)	$ 187,083	$ (1,461,014)
Restructuring Costs	—	377,961
Write-off of non-compete agreement	—	468,751
Other income (loss)	4,664	—
Gain on sale	22,165	—
Change in fair value of warrant liabilities	(3,723,696)	(1,947,466)
Interest Expense	870,451	711,446
Depreciation and amortization	175,626	110,954
Adjusted EBITDA	$ (2,463,707)	$ (1,739,368)

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 March 31, 2018, we had an accumulated deficit of $27,510,876. As of March 31, 2018, we had $189,888 in cash and cash equivalents and a net working capital deficit of $9,349,503 as compared to $1,017,299 in cash and cash equivalents and net working capital deficit of $10,031,979 at December 31, 2017. 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 (as defined in Note 8 of the footnotes to the Financial Statements).

During the third quarter of 2017 we launched the BigToken project. To date, we have not segregated the costs and expenses of BigToken from our other operating expenses. We estimate that we have incurred an aggregate of approximately $491,530 of operating expenses related to this project as of March 31, 2018. In addition, we have capitalized software development costs of $51,922 related to BigToken, as of March 31, 2018. 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.

As previously disclosed in October 2017, we engaged outside advisors to review strategic alternatives for SRAXmd. As a result, in late 2017, we commenced an auction process with regard to the SRAXmd assets. We believe that we are now entering the final stage of the auction process. Although management is optimistic regarding the successful completion of the auction process, there can be no assurances that the process will be completed, will be successful, or that if such process is completed, that it will be on terms favorable to us.

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 $552,679 during the three months ended March 31, 2018 compared to net cash used in operating activities of $611,442 for the comparable period in 2017. During the three months ended March 31, 2018, the Company's accounts receivable decreased by $2,614,671 from the accounts receivable balance at December 31, 2017. Accounts payable and accrued liabilities during the three months ended March 31, 2018 decreased by $178,022 from the period ending December 31, 2017.

Cash flows from investing activities

During the three months ended March 31, 2018 net cash used in investing activities was $274,732 as compared to $141,062 during the three months ended March 31, 2017. Our principal use of cash in investing activity is to acquire equipment and develop internally used software.

Cash flows from financing activities

During the three months ended March 31, 2018 net cash provided by financing activities was $0. During the comparable period in 2017, net cash in the amount of $176,927 was used in financing activities which primarily consisted of proceeds from the sale of common stock of $3,820,001 offset by a $3,996,928 repayment 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 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not applicable for a smaller reporting company.

ITEM 4. CONTROLS AND PROCEDURES.

Background: As reported in the Current Report on Form 8-K filed by the Company with the SEC on April 7, 2019, on April 6, 2019, the Audit Committee (the "Audit Committee") of the Company's Board of Directors completed and made its findings and conclusions with respect to the classification of certain warrants as equity rather than as liabilities. The Audit Committee and management included performing procedures to assess the Company's recording of warrants and the corresponding impact on the Company's financial reporting. As a result of the review, certain errors in the Company's recording of derivative liabilities related to the issuance of warrants were identified, as are described in more detail below under "Material Weaknesses." The identified errors also resulted in the restatement of our condensed consolidated financial statements as described in Note 14 to the Notes to condensed consolidated financial statements included in this Form 10-Q/A.

Evaluation of Disclosure Controls and Procedures . We maintain "disclosure controls and procedures" as such term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934. In designing and evaluating our disclosure controls and procedures, our 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 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. Based on their evaluation as of the end of the period covered by this report, our Chief Executive Officer and our Chief Financial Officer have concluded that our disclosure controls and procedures were not effective to ensure that the information relating to our company, required to be disclosed in our SEC reports (i) is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and (ii) is accumulated and communicated to our management, including our Chief Executive Officer, to allow timely decisions regarding required disclosure as a result of continuing material weaknesses in our internal control over financial reporting identified in our Annual Report on Form 10-K for the year ended December 31, 2017.

Subsequent to the aforementioned evaluation and in connection with the preparation of this Form 10-Q/A, in view of the Company's determination to restate its unaudited condensed consolidated financial statements for the quarter ended March 31, 2018 and 2017, and based on the related identified material weaknesses described below under "Material Weaknesses," our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has re-evaluated the effectiveness of the design and operation of our "disclosure controls and procedures" as defined in Rule 13a-15(e) promulgated by the Commission under the Exchange Act of 1934, as amended (the "Exchange Act"), as of the end of the period covered by this Report and has concluded that our disclosure controls and procedures were not effective as of that date. Notwithstanding the ineffectiveness of our disclosure controls and procedures as of March 31, 2018 and the material weaknesses in our internal control over financial reporting that as of that date as described below, management believes that (i) this Form 10-Q/A 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 they were made, not misleading with respect to the period covered by this Report and (ii) the condensed consolidated financial statements, and other financial information, included in this Report fairly present in all material respects in accordance with generally accepted accounting principles ("GAAP") our financial condition, results of operations and cash flows as of, and for, the dates and periods presented.

Material Weaknesses

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. Management concluded that we did not maintain effective internal control over financial reporting as of March 31, 2018 because of certain material weaknesses in our internal control over financial reporting as of March 31, 2018, as follows:

- *Sufficiency of Accounting Department Resources* –The Company has a lack of certain appropriate resources in the Company 's accounting department led to control deficiencies in the Company's financial reporting process and contributed significantly to the Company 's inability to properly identify and assess derivative liabilities related to the issuance of warrants as described below.

- *Warrant Liabilities* – The Company's internal controls were not designed to: (i) appropriately identify and assess the accounting impact of certain clauses within the issued warrants. The Company has also insufficiently trained its accounting department involved in the recording of complex financial instruments. As a result of these design defects, our policies and controls related to the Company's practices over recording complex financial instruments were not effective in ensuring that such instruments were recorded properly in our financial statements.

The control deficiencies described above resulted in errors to our product and services revenues and deferred revenues (current and non-current) and necessitated the restatement of our unaudited condensed consolidated financial statements for the quarter ended March 31, 2018. Additionally, these control deficiencies could result in a material misstatement of our annual and interim consolidated financial statements that would not be prevented or detected. Accordingly, we have determined that these control deficiencies constitute material weaknesses.

Remediation Efforts to Address Newly Identified Material Weaknesses

Our management has worked, and continues to work, to strengthen our internal control over financial reporting. We are committed to ensuring that such controls are designed and operating effectively. Since identifying the material weaknesses in our internal control over financial reporting, we have corrected the identified errors in the financial statements. We have developed and are continuing to develop remediation plans to fully address these control deficiencies. If not remediated, these control deficiencies could result in further material misstatements to our financial statements. Our Board of Directors and management take internal controls over and the integrity of the Company's financial statements seriously and believe that the remediation steps described below, including with respect to personnel changes, are essential to maintaining a strong and effective internal controls over financial reporting and a strong internal control environment. The following steps are among the measures that have been implemented or will be implemented as soon as practicable after the date of this filing:

Control Environment

- We have a new CFO who started in January of 2019.

- We plan to continue to enhance the Company's finance and accounting department staff, in terms of both number and competency of personnel and particularly in the area of complex financial instruments.

- We have engaged outside consultants to assist our finance and accounting department team in SEC and GAAP reporting matters.

In addition, under the direction of the Audit Committee, management will continue to review and make necessary changes to the overall design of our internal control environment, as well as to our policies and procedures in order to improve the overall effectiveness of internal control over financial reporting. We are committed to maintaining a strong internal control environment, and believe that these remediation actions will represent significant improvements in our controls when they are fully implemented. Additional remediation measures may be required, which may require additional implementation time. We will continue to assess the effectiveness of our remediation efforts in connection with our evaluations of internal control over financial reporting.

We continue to work toward full remediation of these material weaknesses. We expect that the remediation of these material weaknesses in our internal control over financial reporting will remediate the weakness in our disclosure controls and procedures.

Changes in Internal Control over Financial Reporting. There have been no changes in our internal control over financial reporting during our last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

None

ITEM 1A. RISK FACTORS.

In addition to the other information set forth in this report, you should carefully consider the risk factors discussed in Part I, Item 1A in our Annual Report on Form 10-K for the year ended December 31, 2017 and our subsequent filings with the SEC, which could materially affect our business, financial condition or future results, subject to the new or modified risk factors appearing below that should be read in conjunction with the risk factors disclosed in such Form 10-K. These cautionary statements are to be used as a reference in connection with any forward-looking statements. The factors, risks and uncertainties identified in these cautionary statements are in addition to those contained in any other cautionary statements, written or oral, which may be made or otherwise addressed in connection with a forward-looking statement or contained in any of our subsequent filings with the SEC.

Our management and audit committee have determined the need to restate certain of our consolidated financial statements for the year ending December 31, 2017 and quarters ending March 31, 2017, June 30, 2017, September 30, 2017, December 31, 2017, March 31, 2018, June 30, 2018 and September 30, 2018 as a result of the improper accounting treatment of certain warrants.

On April 7, 2019, management and the audit committee of our board of directors determined that our previously issued quarterly and year-to-date unaudited consolidated financial statements for March 31, 2017, June 30, 2017, September 30, 2017, December 31, 2017, March 31, 2018, June 30, 2018 and September 30, 2018 and our audited consolidated financial statements for the year ending December 31, 2017 should no longer be relied upon. In addition, we determined that related press releases, earnings releases, and investor communications describing our financial statements for these periods should no longer be relied upon. The errors identified are all non-cash and primarily related to our classification of certain outstanding warrants with provisions that allow the warrant holder to force cash redemption under certain circumstances. Accordingly, we plan to restate the annual, quarterly and year-to-date audited and unaudited consolidated financial statements for the foregoing periods.

Accordingly, although we previously disclosed that we had ineffective controls, investors in our securities may lose confidence in our financial statements and management, which could result in a decrease in our stock price and negative sentiment in the investment community.

The restatement of certain of our financial statements may subject us to additional risks and uncertainties, including the increased possibility of legal proceedings and shareholder litigation.

As a result of the plan to restate our previously issued quarterly and year-to-date unaudited consolidated financial statements for March 31, 2017, June 30, 2017, September 30, 2017, December 31, 2017, March 31, 2018, June 30, 2018 and September 30, 2018 and our audited consolidated financial statements for the year ending December 31, 2017, we may become subject to additional risks and uncertainties, including, among others, the increased possibility of legal proceedings, shareholder lawsuits or a review by the SEC and other regulatory bodies, which could cause investors to lose confidence in our reported financial information and could subject us to civil or criminal penalties, shareholder class actions or derivative actions. We could face monetary judgments, penalties or other sanctions that could have a material adverse effect on our business, financial condition and results of operations and could cause our stock price to decline.

Our failure to maintain an effective system of internal control over financial reporting, has resulted in the need for us to restate previously issued financial statements. As a result, current and potential stockholders may lose confidence in our financial reporting, which could harm our business and value of our stock.

Our management has determined that, as of March 31, 2018, we did not maintain effective internal controls over financial reporting based on criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control-Integrated Framework as a result of identified material weaknesses in our internal control over financial reporting. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. As of December 31, 2018, management has determined that we have yet to fully remediate the previously identified material weaknesses.

We believe our failure to maintain effective systems of internal controls over financial reporting have resulted in our need to restate the following previously issued quarterly and year-to-date unaudited consolidated financial statements for March 31, 2017, June 30, 2017, September 30, 2017, December 31, 2017, March 31, 2018, June 30, 2018 and September 30, 2018 and our audited consolidated financial statements for the year ending December 31, 2017

We have concluded that certain of our previously issued financial statements should not be relied upon and have restated certain of our previously issued financial statements, which may lead to, among other things, shareholder litigation, loss of investor confidence, negative impact on our stock price and certain other risks.

We have determined that certain financial statements should no longer be relied upon and that certain financial statements need to be restated. As a result of these misstatements, we have become subject to a number of additional risks and uncertainties, including unanticipated costs for accounting and legal fees in connection with or related to the restatement, shareholder litigation and government investigations. Any such proceeding could result in substantial defense costs regardless of the outcome of the litigation or investigation. If we do not prevail in any such litigation, we could be required to pay substantial damages or settlement costs.

We are remediating certain internal controls and procedures, which, if not successful, could result in additional misstatements in our financial statements negatively affecting our results of operations.

Our management has concluded that our internal controls are not effective. We are in the process of implementing certain remediation actions. To the extent these steps are not successful, not sufficient to correct our material weakness in internal control over financial reporting or are not completed in a timely manner, future financial statements may contain material misstatements and we could be required to restate our financial results. Any of these matters could adversely affect our business, reputation, revenues, results of operations, financial condition and stock price and limit our ability to access the capital markets through equity or debt issuances.

The terms of the Debentures could materially impact our liquidity and results of operations in future periods.

Certain terms of the Debentures that we issued in April 2017 and October 2017 could materially impact our liquidity and results of operations in future periods, including:

- Interest on the Debentures is payable on a quarterly basis in cash at 12.5% per annum beginning July 1, 2017;
- The Debentures are secured by a second position security interest in our accounts receivable, second only to FastPay, and a first position security interest in the balance of our assets, including our intellectual property;
- We are subject to continued compliance with certain financial covenants, including a minimum monthly current ratio, a maximum quarterly corporate expense ratio, and minimum quarterly revenue and EBITDA related to *SRAXmd*;
- The Debentures are subject to a mandatory redemption by us;
- In the event of future financings by us, subject to certain exempt issuances, the holders of the Debentures have the right to cause us to allocate 20% of the proceeds we may receive as a mandatory redemption of a portion of the principal amount then outstanding;
- While we are able to redeem the Debentures in cash at a 120% premium during the first year and a 110% premium during the remaining term of the Debentures, our ability to undertake an optional redemption of the Debentures is subject to our compliance with certain equity conditions;
- Our ability to incur additional indebtedness is limited, as is our ability to issue additional equity;
- We have agreed to a cap of $4,000,000 on the sale of our accounts receivable to FastPay under the FastPay factoring agreement;

Our failure to conduct our business within the confines of these contractual restrictions could result in an event of default under the Debentures. The Debentures also contain various other events of default, among others, including failure to pay principal or interest, breach or misrepresentation of covenants, representations or warranties, filing of or proceedings for bankruptcy, ineligibility of listings or quotations on the trading market for our Class A common stock, a change in control of the Company, and the false or inaccurate certification regarding our compliance with any equity conditions.

Upon default, remedies range from notice and cure, to acceleration of both principal and interest. Our operations may not generate sufficient cash to enable us to service our debt. Upon an event of default under the debentures, if we were unable to cure the default within the prescribed periods, if at all, the holders could accelerate all amounts then due. If we were unable to repay these obligations, the holders could foreclose on our assets, in which case our ability to continue our business and operations as then conducted would be in jeopardy. If the holders should foreclose on our assets, it is likely you would lose your entire investment in our company. These obligations may further adversely impact our business and operations in other areas, including making it more difficult to satisfy our other obligations, increasing our vulnerability in the event of a downturn in our business prospects and limiting our flexibility to plan for, or react to, changes in our markets and possibly placing us at a competitive disadvantage when compared to our competitors who have less debt. We are currently in compliance with the provisions of the debt covenants and are current with our interest payments as of November 5, 2017.

Failure to meet the financial performance guidance or other forward-looking statements we have provided to the public could result in a decline in our stock price.

We have previously provided, and may provide in the future, public guidance on our expected financial results for future periods. Although we believe that this guidance provides investors with a better understanding of management's expectations for the future and is useful to our stockholders and potential stockholders, such guidance is comprised of forward-looking statements subject to the risks and uncertainties. Our actual results may not always be in line with or exceed the guidance we have provided. For example, we did not meet our 2017 revenue guidance. If our financial results for a particular period do not meet our guidance or if we reduce our guidance for future periods, the market price of our Class A common stock may decline.

Risks Related to the BIG Platform and BIGToken Project

There can be no assurance that BIGTokens will ever be issued.

The Company recently announced its intent to develop the BIGToken Platform as a means of securing higher quality user data. The Company anticipates that a material part of the platform will be the issuance of BIGTokens to users. There can be no assurance that it will do so. Should the Company fail to issue the BIGTokens, the attractiveness of the BIGToken Platform may be materially affected and we will not recognize the benefits of the project.

There is currently no trading market for BIGTokens, and a trading market may never develop.

If the BIGTokens are ultimately issued, there is currently no trading market available for the BIGTokens, no Designated Exchange, and peer-to-peer transfers will not be permitted unless and until holders are notified otherwise by the Company and informed of the requirements to and conditions to do so. As a result of recent regulatory developments, conventional crypto exchanges are currently unwilling to list securities tokens, such as the proposed BIGTokens. As a result, if and when issued and they become transferable, BIGTokens may only be tradable on very limited range of venues, including U.S. registered exchanges or regulated alternative trading systems for which a Form ATS has been properly submitted to the SEC. Currently, the Company is unaware of any operational ATS or exchange capable of supporting secondary trading in BIGTokens, if and when issued. Additionally, even if the BIGTokens are issued and become transferable, we may rely on technology, including smart contracts, to implement certain restrictions on transferability in accordance with federal or state securities laws. There can be no assurances that such technology will function properly, which could result in technological limitations on transferability and expose the Company to legal and regulatory issues. As a result of these technological, legal and regulatory considerations, a market for the BIGToken may never be developed and, if developed, may, for a variety of technological, legal and regulatory reasons, never become operational or efficient. In the event that a market for BIGTokens does not develop, the value of the BIGTokens would be materially adversely affected which could also have a materially adverse effect on our BIGToken Platform and the anticipated benefits therefrom.

Regulatory authorities may never permit a trading system to become operational on which BIGTokens could trade.

Numerous regulatory authorities, including FINRA and the SEC, would need to permit a trading system on which the BIGToken could trade to become operational. If FINRA, the SEC or any other regulatory authority objected to such system or exchange, such regulatory authorities could prevent the system or exchange from ever becoming operational. Any such regulatory issues would have a material adverse impact on our BIGToken Platform project.

The potential application of U.S. laws regarding investment securities to the tokens is unclear.

Securities, such as the BIGToken are novel and the application of U.S. federal and state securities laws is unclear in many respects. Because of the differences between securities such as the BIGToken and traditional investment securities, there is a risk that issues that might have easily been resolved by existing law if traditional securities were involved may not be easily resolved for securities such as BIGToken, if and when issued. In addition, because of the novel risks posed by securities such as BIGToken, it is possible that securities regulators may interpret laws in a manner that adversely effects their value. For example, if applicable securities laws restrict the ability for BIGTokens to be transferred, this would have a material adverse effect on the value of the BIGToken, which could result in a material impact on the BIG Platform project.

The regulatory regime governing blockchain technologies, cryptocurrencies, digital assets, and offerings of digital assets, such as the BIGToken, is uncertain, and new regulations or policies may materially adversely affect the development and the value of the BIG Platform.

Regulation of digital assets, like the anticipated BIGTokens, cryptocurrencies, blockchain technologies and cryptocurrency exchanges, (i) is currently undeveloped and likely to rapidly evolve as government agencies take greater interest in them, (ii) varies significantly among international, federal, state and local jurisdictions and (iii) is subject to significant uncertainty. Various legislative and executive bodies in the United States and in other countries may in the future adopt laws, regulations, or guidance, or take other actions, which may severely impact the permissibility of securities such as the BIGToken, tokens generally and, in each case, the technology behind them or the means of transaction in or transferring them. Our failure to comply with any laws, rules and regulations, some of which may not exist yet or that are subject to interpretations that may be subject to change, could result in a variety of adverse consequences, including civil penalties and fines.

Cryptocurrency networks, distributed ledger technologies, and coin and token offerings also face an uncertain regulatory landscape in many foreign jurisdictions such as the European Union, China and Russia. Various foreign jurisdictions may in the near future, adopt laws, regulations or directives that affect securities such as the proposed BIGToken. Such laws, regulations or directives may conflict with those of the United States or may directly and negatively impact our BIGToken Platform. The effect of any future regulatory change is impossible to predict, but such change could be substantial and materially adverse to the adoption and value of BIGTokens, when and if issued, and the financial performance of our BIGToken Platform, when and if developed.

The further development and acceptance of blockchain networks, which are part of a new and rapidly changing industry, are subject to a variety of factors that are difficult to evaluate. The slowing or stopping of the development or acceptance of blockchain networks and blockchain assets would have an adverse material effect on the successful development and adoption of BIGTokens.

The growth of the blockchain industry in general, as well as the blockchain networks on which the BIG Platform and BIGTokens will rely, are subject to a high degree of uncertainty. The factors affecting the further development of the cryptocurrency and cryptosecurity industry, as well as blockchain networks, include, without limitation:

- worldwide growth in the adoption and use of cryptocurrencies, cryptosecurities and other blockchain technologies;
- government and quasi-government regulation of cryptocurrencies, cryptosecurities and other blockchain assets and their use, or restrictions on or regulation of access to and operation of blockchain networks or similar systems;
- the maintenance and development of the open-source software protocol of cryptocurrency or cryptosecurities networks;
- changes in consumer demographics and public tastes and preferences;
- the availability and popularity of other forms or methods of buying and selling goods and services, or trading assets including new means of using government-backed currencies or existing networks;
- general economic conditions and the regulatory environment relating to cryptocurrencies and cryptosecurities; and
- a decline in the popularity or acceptance of cryptocurrencies or other blockchain-based tokens would adversely affect BIGTokens, when and if issued, and have a materially adverse effect on the BIGToken Platform.

The cryptocurrency and cryptosecurities industries as a whole have been characterized by rapid changes and innovations and are constantly evolving. Although they have experienced significant growth in recent years, the slowing or stopping of the development, general acceptance and adoption and usage of blockchain networks and blockchain assets may deter or delay the acceptance and adoption of the tokens.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

The following information is given with regard to unregistered securities sold since January 1, 2018. The following securities were issued in private offerings pursuant to the exemption from registration contained in the Securities Act of 1933, as amended (the “Securities Act”) and the rules promulgated thereunder in reliance on Section 4(2) thereof, relating to offers of securities by an issuer not involving any public offering:

In January 2018, we issued Al & J Media an additional 150,000 shares for media consulting services pursuant to an extension of their September 2017 Consulting Agreement.

In January 2018, we issued Colleen DiClaudio, a board member, 7,813 Class A common shares valued at $10,000 as payment for 2017 services on our board of directors. The shares were issued from our 2016 equity compensation plan.

In January 2018, we issued Hardy Thomas, a former board member, 7,195 Class A common shares valued at $10,000 as payment for 2017 services on our board of directors. The shares were issued from our 2016 equity compensation plan.

In January 2018, we issued Marc Savas and Malcolm CasSelle each 3,774 Class A common shares valued at $10,000 as payment for their respect 2017 service on our board of directors. The shares were issued from our 2016 equity compensation plan.

On March 31, 2018, 122,950 shares of Class A common stock were awarded to one employee for sales performance achievement pursuant to our 2016 equity compensation plan.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable to our company’s operations.

ITEM 5. OTHER INFORMATION.

On March 20, 2018, as we began to formally review potential strategic options for SRAXMD, we entered into certain retention and bonus agreements with SRAXMD employees, including Erin DeRuggiero, our chief innovations officer. Pursuant to the terms of the agreements with Ms. DeRuggiero, her employment agreement was terminated, and she became a consultant of the Company. The term of the consultancy expires in the second quarter of 2018, or upon the sale of the assets comprising SRAXmd, but may be extended by the parties. The terms of the consultancy are substantially similar to her prior employment agreement except that in the event of a sale of the SRAXmd business unit or substantially all of the assets thereof within 120 days from March 20, 2018, (i) we (or our assignee) have the right and the obligation to purchase all of Ms. DeRuggiero’s outstanding Class A common shares (514,667) at a price of $5.80 per share, or an aggregate of $2,985,069 and (ii) we will pay Ms. DeRuggiero, an amount equal to five percent (5%) of the cash consideration received from the sale of the SRAXmd business. The Company and Ms. DeRuggiero agreed to a customary release from any claims that may have arisen during her employment.

ITEM 6. EXHIBITS.

Exhibit No.	Description	Filed/ Furnished Herewith	Incorporated by Reference Form	Exhibit No.	File No.	Filing Date
3.01(i)	Certificate of Incorporation, filed on 8/3/11		S-1	3.01(i)	333-179151	1/24/12
3.02(i)	Certificate of Correction to Certificate of Incorporation, filed on 8/31/11		S-1	3.01(ii)	333-179151	1/24/12
3.03(i)	Certificate of Amendment to Certificate of Incorporation authorizing 1:5 reverse stock split		8-K	3.5	000-54996	9/19/16
3.04(i)	Certificate of Designation of Series 1 Preferred Stock		8-K	3.4	000-54996	8/22/13
3.05(ii)	Bylaws of Social Reality, Inc. adopted in August 2011		S-1	3.03	333-179151	1/24/12
4.01	Specimen of Class A Common Stock Certificate		8-A12B	4.1	001-37916	10/12/16
4.02	Class A Common Stock Purchase Warrant Issued to Investors in October 2014		8-K	4.7	000-54996	11/4/14
4.03	Class A Common Stock Purchase Warrant issued in Steel Media Transaction dated October 30, 2014		8-K	4.8	000-54996	11/4/14
4.04	Class A Common Stock Warrant issued in September 2016 Offering		8-K	4.6	000-54996	10/6/16
4.05	Class A Common Stock Warrant issued to October 2013 Offering		8-K	4.7	000-54996	10/24/13
4.06	Class A Common Stock Warrant issued to T.R. Winston & Company issued 8/22/13		10-Q	4.5	000-54996	11/13/13
4.07	Class A Common Stock Warrant issued to Investors in January 2014 Offering		8-K	4.6	000-54966	1/27/14
4.08	Class A Common Stock Warrant issued to Investors in September 2016		8-K	4.6	000-54966	10/6/16
4.09	Class A Common Stock Warrant issued to Investors in January 2017 Offering		8-K	4.1	001-37916	1/4/17
4.10	Class A Common Stock Warrant issued to Investors in January 2017 Offering (2nd Warrant)		8-K	4.2	001-37916	1/4/17
4.11	Class A Common Stock Placement Agent Warrant issued in January 2017 Offering		8-K	4.3	001-37916	1/4/17
4.12	Class A Common Stock Placement Agent Warrant issued in October 2016 Offering		10-K	4.12	001-37916	3/31/17
4.13	Class A Common Stock Warrant issued in Leapfrog Media Trading Acquisition		10-K	4.13	001-37916	4/2/18
4.14	Form of 12.5% Secured Convertible Debenture issued in April 2017 Offering		8-K	4.2	001-33672	4/21/17
4.15	Class A Common Stock Warrant issued in April 2017 Offering		8-K	4.1	001-33672	4/21/17

4.16	Form of Class A Common Stock Placement Agent Warrant issued in April 2017 Offering	8-K	4.3	001-33672	4/21/17
4.17**	2016 Equity Compensation Plan	1/20/17	A-1	001-37916	1/20/17
4.18**	2014 Equity Compensation Plan	8-K	10.33	000-54996	11/10/14
4.19	2012 Equity Compensation Plan	S-1	4.02	333-179151	1/24/12
4.20	Form of Stock Option Agreement for 2012, 2014 and 2016 Equity Compensation Plan	S-1	4.03	333-179151	1/24/12
4.21	Form of Restricted Stock Unit Agreement for 2012, 2014 and 2016 Equity Compensation Plan	8-K	4.04	333-179151	1/24/12
4.22	Form of Restricted Stock Award Agreement for 2012, 2014 and 2016 Equity Compensation Plan	8-K	4.05	333-179151	1/24/12
4.23	Form of 12.5% Secured Convertible Debenture issued in October 2017 Offering	8-K	4.01	001-37916	10/27/17
4.24	Class A Common Stock Warrant Issued to Investors and Placement Agents in October 2017 Offering	8-K	4.02	001-37916	10/27/17
10.01	Purchase Agreement among Richard Steel, Steel Media, and Social Reality, dated 10/30/14	8-K	2.1	000-54996	11/4/14
10.02	Asset Purchase Agreement with LeapFrog Media Trading dated 4/20/17	10-K	10.02	001-37916	4/2/18
10.03	Amendment to Asset Purchase Agreement with Leapfrog Media Trading dated 8/17/17	10-K	10.03	001-37916	4/2/18
10.04	Transition Services Agreement in Leapfrog Media Trading Transaction	10-K	10.04	001-37916	4/2/18
10.05	Sample Leakout Agreement in Leapfrog Media Trading Transaction	10-K	10.05	001-37916	4/2/18
10.06	Form of Securities Purchase Agreement for April 2017 Offering	8-K	10.1	001-37916	4/21/17
10.07	Form of Security Agreement for April 2017 Offering	8-K	10.2	001-37916	4/21/17
10.08	Form of Registration Rights Agreement for April 2017 Offering	8-K	10.3	001-37916	4/21/17
10.09	Form of Securities Purchase Agreement for October 2017 Offering	8-K	10.01	001-37916	10/27/17
10.10	Form of Registration Rights Agreement for October 2017 Offering	8-K	10.02	001-37916	10/27/17
10.11**	Employment Agreement with Christopher Miglino dated 1/1/12	S-1	10.01	333-179151	1/24/12
10.12**	Employment Agreement with Erin DeRuggiero dated 10/19/15	10-K	10.3	000-54996	2/26/16
10.13**	Employment Agreement with Joseph P. Hannan dated 10/17/16	10-Q	10.48	001-37916	11/14/16
10.14**	Employment Agreement with Richard Steel dated 10/30/14	8-K	10.27	000-54996	11/4/14
10.15**	Employment Agreement with Chad Holsinger dated 10/30/14	8-K	10.28	000-54996	11/4/14
10.16	Employment Agreement with Adam Bigelow dated 10/30/14	8-K	10.29	000-54996	11/4/14
10.17**	Separation Agreement and Release with Richard Steel dated 1/25/17	8-K	10.1	333-215791	1/27/17

10.18**	Employment Agreement with Dustin Suchter dated 12/19/14	8-K	10.36	000-54996	12/22/14
10.16**	Form of Proprietary Information, Inventions and Confidentiality Agreement	S-1	10.03	333-179151	1/25/12
10.17**	Form of Indemnification Agreement with Officers and Directors	S-1	10.04	333-179151	1/25/12
10.18	Indemnification Agreement with Richard Steel dated 10/30/14	8-K	10.30	333-215791	11/4/14
10.19	Sublease for principal executive offices dated 8/12/12 with TrueCar, Inc.	S-1	10.16	333-193611	1/28/14
10.20	Services Agreement with Servicios y Asesorias Planic, S.A. de cv dated 1/25/13	10-K	10.9	000-54996	3/31/15
10.21	Sublease Agreement with Amarcore, LLC dated 1/1/15	S-1	10.17	333-206791	9/4/15
10.22	Advisory Agreement with Kathy Ireland Worldwide, LLC dated 11/14/16	10-Q	10.49	001-37916	11/14/16
10.23	Financing and Security Agreement with FastPay Partners, LLC	8-K	10.41	000-54996	9/23/16
10.24	Share Acquisition and Exchange Agreement with Five Delta, Inc.	8-K	10.34	000-54996	12/22/14
10.25	Secured Subordinated Promissory Note to Richard Steel dated 10/30/14	8-K	10.18	000-54996	11/4/14
10.27	Subordination Agreement with Richard Steel and Victory Park Management, LLC dated 10/30/14	8-K	10.22	000-54996	11/4/14
10.28	Securities Purchase Agreement for January 2017 Offering	8-K	10.1	001-37916	1/4/17
10.29	Placement Agent Agreement for January 2017 Offering with Chardan Capital Markets	8-K	10.2	001-37916	1/4/17
10.30	Financing Agreement with certain Lenders and Victory Park Management, LLC	8-K	10.23	000-54996	11/4/14
10.31	First Amendment to Financing Agreement dated 5/14/15	10-Q	10.38	000-54996	5/15/15
10.32	Pledge and Security Agreement with Steel Media and Victory Park Management, LLC dated 10/30/14	8-K	10.25	000-54996	11/4/14
10.33	Registration Rights Agreement dated 10/30/14	8-K	10.26	000-54996	11/4/14
10.34	Forbearance Agreement with Steel Media, Five Delta, Inc, Lenders and Victory Park Management, LLC dated 8/22/16	8-K	10.46	000-54996	8/24/16
10.36	Letter Agreement dated 1/5/17	10-K	10.35	001-37916	3/31/17
10.37	Insider Trading Policy adopted as of 2/23/16	10-K	10.36	001-37916	3/31/17
10.38**	Agreements with Erin DeRuggiero dated March 20, 2018	10-Q	10.38	001-37916	5/15/18
10.39	Amendment to Registration Rights Agreement associated with October 2017 Debenture Financing	10-Q/A	10.39	001-37916	5/24/18
18.01	Preference Letter regarding Change in Accounting Principle	10-Q	18.1	001-37916	11/14/16

31.1 / 31.2	Certification of the Principal Executive Officer and Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	*
32.1 / 32.2	Certification of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. § 1350	*
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	*

** Management contracts or compensation plans or arrangements in which directors or executive officers are eligible to participate.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Amendment No. 2 to the Quarterly Report on Form 10-Q/A to be signed on its behalf by the undersigned thereunto duly authorized.

SOCIAL REALITY, INC.

August 7, 2019	By:	/s/ Christopher Miglino Christopher Miglino, Chief Executive Officer, principal executive officer
August 7, 2019	By:	/s/ Michael Malone Michael Malone, Chief Financial Officer, principal financial and accounting officer