

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2014

or

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

For the transition period from _____ to _____

MARATHON PATENT GROUP, INC.

(Exact Name of Registrant as Specified in Charter)

Nevada

(State or other jurisdiction
of incorporation)

333-171214

(Commission File Number)

01-0949984

(IRS Employer Identification No.)

11100 Santa Monica Blvd., Ste. 380

Los Angeles, CA

(Address of principal executive offices)

90025

(Zip Code)

Registrant's telephone number, including area code: (800) 804-1690

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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

Large accelerated filer ☐ Accelerated filer ☐

Non-accelerated filer ☐ Smaller reporting company ☒
(Do not check if smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. 6,789,905 shares of common stock are issued and outstanding as of November 7, 2014.

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OTHER PERTINENT INFORMATION

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

Item 1. Financial Statements

MARATHON PATENT GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	September 30, 2014 (Unaudited)	December 31, 2013
ASSETS		
Current assets:		
Cash	\$ 5,556,584	\$ 3,610,262
Accounts receivable - net	10,510,000	270,000
Marketable securities - available for sale securities	-	6,250
Prepaid expenses and other current assets	340,456	752,931
Total current assets	<u>16,407,040</u>	<u>4,639,443</u>
Other assets:		
Property and equipment, net	13,026	13,640
Intangible assets, net	33,514,365	6,157,659
Deferred tax assets	1,949,401	-
Goodwill	1,606,800	2,144,488
Total other assets	<u>37,083,592</u>	<u>8,315,787</u>
Total Assets	<u>\$ 53,490,632</u>	<u>\$ 12,955,230</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$ 5,665,707	\$ 754,945
Clouding IP earn out - current portion	2,148,000	-
Income tax payable	467,997	-
Notes payable	6,062,500	-
Total current liabilities	<u>14,344,204</u>	<u>754,945</u>
Long-term liabilities		
Clouding IP earn out, long-term portion	10,967,000	-
Total long-term liabilities	<u>10,967,000</u>	<u>-</u>
Liabilities of discontinued operations	-	30,664
Total liabilities	<u>25,311,204</u>	<u>785,609</u>
Stockholders' Equity:		
Series A Convertible Preferred Stock, \$.0001 par value, 50,000,000 shares authorized: 1,008,194 and 0 issued and outstanding at September 30, 2014 and December 31, 2013	101	-
Series B Convertible Preferred Stock, \$.0001 par value, 50,000,000 shares authorized: 391,000 and 0 issued and outstanding at September 30, 2014 and December 31, 2013	39	-
Common stock, (\$.0001 par value; 200,000,000 shares authorized; 5,799,448 and 5,489,593 issued and outstanding at September 30, 2014 and December 31, 2013	580	549
Additional paid-in capital	35,709,773	22,673,287
Accumulated other comprehensive income - marketable securities available for sale	-	(6,250)
Accumulated deficits	<u>(7,531,065)</u>	<u>(10,487,469)</u>
Total Marathon Patent Group, Inc. equity	28,179,428	12,180,117
Non-controlling interest in subsidiary	-	(10,496)
Total stockholders' equity	<u>28,179,428</u>	<u>12,169,621</u>
Total liabilities and stockholders' equity	<u>\$ 53,490,632</u>	<u>\$ 12,955,230</u>

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

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

	FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2014 (Unaudited)	FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2013 (Unaudited)	FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014 (Unaudited)	FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013 (Unaudited)
Revenues	\$ 13,455,472	\$ 710,500	\$ 20,059,972	\$ 2,235,479
Cost of revenues (cost of revenue is exclusive of patent amortization expenses)	5,584,542	403,013	8,448,954	687,638
Gross profit	7,870,930	307,487	11,611,018	1,547,841
Expenses				
Amortization of patents and website	1,480,311	384,977	2,872,638	860,657
Compensation and related taxes	824,165	470,786	2,266,283	1,938,814
Consulting fees	785,601	269,012	1,550,155	444,921
Professional fees	408,280	116,373	933,751	564,597
General and administrative	166,216	108,278	380,400	315,260
Total operating expenses	3,664,573	1,349,426	8,003,227	4,124,249
Operating income (loss) from continuing operations	4,206,357	(1,041,939)	3,607,791	(2,576,408)
Other income (expenses)				
Other income	4,187	-	4,187	-
Other expense	(24,994)	-	(25,764)	-
Realized loss - available for sale	-	(38,819)	-	(38,819)
Impairment of goodwill	(2,144,488)	-	(2,144,488)	-
Interest income	138	474	632	1,114
Interest expense	-	(243)	(20)	(702)
Total other income (expenses)	(2,165,157)	(38,588)	(2,165,453)	(38,407)
Income (loss) from continuing operations before benefit for income taxes	2,041,200	(1,080,527)	1,442,338	(2,614,815)
Income tax benefit	1,481,404	-	1,481,404	-
Income (loss) from continuing operations	3,522,604	(1,080,527)	2,923,742	(2,614,815)
Discontinued operations:				
Income from discontinued operations, net of tax	-	145,207	-	263,460
Net Income (loss)	3,522,604	(935,320)	2,923,742	(2,351,355)
Deemed dividends related to beneficial conversion feature of Series A Convertible Preferred Stock	-	-	(1,271,492)	-
Net income (loss) available to common shareholders	3,522,604	(935,320)	1,652,250	(2,351,355)
Income (loss) per common share, basic:				
Income (loss) from continuing operations	\$ 0.61	\$ (0.21)	\$ 0.52	\$ (0.60)
Income from discontinued operations	-	0.03	-	0.06
	<u>\$ 0.61</u>	<u>\$ (0.18)</u>	<u>\$ 0.52</u>	<u>\$ (0.54)</u>
Income (loss) per common share, diluted:				
Income (loss) from continuing operations	\$ 0.44	\$ (0.21)	\$ 0.39	\$ (0.60)
Income from discontinued operations	-	0.03	-	0.06
	<u>\$ 0.44</u>	<u>\$ (0.18)</u>	<u>\$ 0.39</u>	<u>\$ (0.54)</u>
WEIGHTED AVERAGE COMMON SHARES				
OUTSTANDING - Basic	5,750,250	5,227,840	5,598,687	4,330,208
OUTSTANDING - Diluted	7,983,227	5,227,840	7,463,252	4,330,208

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

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

	FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014 (Unaudited)	FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013 (Unaudited)
Cash flows from operating activities:		
Net income (loss)	\$ 2,923,742	\$ (2,351,355)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation	4,357	1,944
Amortization of patents and website	2,872,638	860,657
Amortization of expenses connected to equity to be issued for services	355,711	121,564
Net reversal of expense related to forfeiture of unvested stock	(179,708)	-
Impairment of Goodwill	2,144,488	-
Deferred tax asset	(1,949,401)	-
Income tax payable	467,997	-
Stock based compensation relating to warrants	31,182	94,930
Stock based compensation	2,070,813	1,347,774
Non-cash revenue	-	(1,000,000)
Non-cash other income	(3,930)	-
Realized loss - available for sale	-	38,819
Gain on sale of assets of discontinued operations	-	(168,216)
Other non-cash adjustments	24,994	-
Changes in operating assets and liabilities		
Accounts receivable	(10,182,950)	(330,000)
Assets of discontinued operations - current portion	-	82,145
Prepaid expenses and other current assets	(207,182)	39,000
Accounts payable and accrued expenses	4,860,286	315,394
Net cash provided by (used in) operating activities	3,233,037	(947,344)
Cash flows from investing activities:		
Acquisition of patents	(6,850,800)	(1,950,000)
Purchase of property, equipment, and other intangible assets	(24,903)	(10,000)
Proceeds received from sale of marketable securities	-	129,397
Sale of real estate property (discontinued operations)	-	1,052,320
Capitalized cost related to improvements of real estate property (discontinued operations)	-	(16,750)
Net cash used in investing activities	(6,875,703)	(795,033)
Cash flows from financing activities:		
Payment on note payable in connection with the acquisition of IP Liquidity	(937,500)	-
Payment on note payable in connection with the acquisition of Cyberfone Systems, LLC	-	(500,000)
Proceeds from sale of preferred and common stock, net of issuance costs	6,388,266	5,752,596
Cash received upon exercise of warrant	138,222	-
Net cash provided by financing activities	5,588,988	5,252,596
Net increase in cash	1,946,322	3,510,219
Cash at beginning of period	3,610,262	2,354,169
Cash at end of period	\$ 5,556,584	\$ 5,864,388

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Cash paid for:		
Interest	\$ 20	\$ 702

SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:

Common stock issued in connection with the acquisition of Cyberfone Systems, LLC	\$ -	\$ 2,280,000
Common stock issued in connection with the acquisition of Clouding Corp	\$ 281,000	\$ -
Earn-out liability in connection with the acquisition of Clouding Corp	\$ 13,119,000	\$ -
Common stock granted in connection with the acquisition of TLI Communications, LLC	\$ 817,800	\$ -
Series B Convertible Preferred Stock issued in connection with the acquisition of Dynamic Advances LLC	\$ 1,403,690	\$ -
Series B Convertible Preferred Stock issued in connection with the acquisition of IP Liquidity Ventures, LLC	\$ 1,403,690	\$ -

Common stock issued in connection with the acquisition of Selene Communication Technologies	\$ 980,000	\$ -
Value of warrants pertaining to equity issuance	\$ 11,595	\$ 11,595
Notes payable issued in connection with the acquisition of IP Liquidity Ventures, LLC, Dynamic Advances, LLC, Selene Communication Technologies, LLC, and Clouding Corp	\$ 7,000,000	\$ -
Common Stock issued for prepaid services	\$ (298,301)	\$ 441,256
Acquisition of patents in connection with a non-cash settlement	\$ -	\$ 1,000,000

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

NOTE 1 - ORGANIZATION AND DESCRIPTION OF BUSINESS

Organization

The Company's business is to acquire patents and patent rights and to monetize the value of those assets to generate revenue and profit for the Company. The Company acquires patents and patent rights from their owners, who range from individual inventors to Fortune 500 companies. Part of the Company's acquisition strategy is to acquire or invest in patents and patent rights that cover a wide-range of subject matter, which allows the Company to achieve the benefits of a growing diversified portfolio of assets. Generally, the patents and patent rights that the Company acquires are characterized by having large identifiable companies who are or have been using technology that infringes on the Company's patents and patent rights. The Company generally monetizes its portfolio of patents and patent rights by entering into license discussions, and if that is unsuccessful, initiates enforcement activities against any infringing parties with the objective of entering into a standard form of comprehensive settlement and license agreement that may include the granting of non-exclusive retroactive and future rights to use the patented technology, a covenant not to sue, a release of the party from certain claims, the dismissal of any pending litigation and other terms that are appropriate in the circumstances. The Company's strategy has been developed with the expectation that it will result in a long-term, diversified revenue stream for the Company.

Marathon Patent Group, Inc. (the "Company") was incorporated under the laws of the State of Nevada on February 23, 2010, initially as Verve Ventures, Inc.

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

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Principles of Consolidation

The unaudited consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States of America ("US GAAP") and present the consolidated financial statements of the Company and its wholly-owned subsidiaries. In the preparation of consolidated financial statements of the Company, all intercompany transactions and balances were eliminated. All adjustments (consisting of normal recurring items) necessary to present fairly the Company's consolidated financial position as of September 30, 2014, and the results of operations and cash flows for the three and nine months ended September 30, 2014 have been included. The results of operations for the three and nine months ended September 30, 2014 are not necessarily indicative of the results to be expected for the full year. Other than where noted, the accounting policies and procedures employed in the preparation of these consolidated financial statements have been derived from the audited financial statements of the Company for the year ended December 31, 2013, which are contained in Form 10-K as filed with the Securities and Exchange Commission ("SEC") on March 31, 2014. The consolidated balance sheet as of December 31, 2013 was derived from those financial statements.

Cash and Cash Equivalents

The Company considers all highly liquid debt instruments and other short-term investments with maturity of three months or less, when purchased, to be cash equivalents. The Company maintains cash and cash equivalent balances at one financial institution that is insured by the Federal Deposit Insurance Corporation. The Company's accounts at this institution are insured up to \$250,000 by the Federal Deposit Insurance Corporation ("FDIC"). As of September 30, 2014, the Company had bank balances exceeding the FDIC insurance limit. To reduce its risk associated with the failure of such financial institution, the Company evaluates at least annually the rating of the financial institution in which it holds deposits.

Use of Estimates and Assumptions

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates made by management include, but are not limited to, estimating the useful lives of patent assets, the assumptions used to calculate fair value of warrants and options granted, goodwill impairment, realization of long-lived assets, deferred income taxes, unrealized tax positions and business combination accounting.

Accounts Receivable

The Company has a policy of reserving for questionable accounts based on its best estimate of the amount of probable credit losses in its existing accounts receivable. The Company periodically reviews its accounts receivable to determine whether an allowance is necessary based on an analysis of past due accounts and other factors that may indicate that the realization of an account may be in doubt. Account balances deemed to be uncollectible are charged to the bad debt expense after all means of collection have been exhausted and the potential for recovery is considered remote. At September 30, 2014 and December 31, 2013, the allowance for bad debt was \$0 and \$57,050, respectively. Accounts receivable-net at September 30, 2014 and December 31, 2013, amounted to \$10,510,000 and \$270,000, respectively. All accounts receivable, less taxes and transaction fees, have been received.

Concentration of Revenue and Geographic Area

Patent license revenue from enforcement activities is considered United States revenue as payments are for licenses for United States operations irrespective of the location of the licensee's or licensee's parent home domicile. As of September 30, 2014, two licenses accounted for 100% of the Company's total accounts receivable. Revenues from five licenses accounted for 100% of the Company's operating revenues for the three months ended September 30, 2014, two of which accounted for 99.6% of the Company's revenues for the three months ended September 30, 2014.

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

Revenue Recognition

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

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

Also, due to the fact that the settlement element and license element for past and future use are the major central business, the Company does not present these two elements as different revenue streams in its statement of operations. The Company does not expect to provide licenses that do not provide some form of settlement or release. The Company derived all of its revenues for the three months ended September 30, 2014 from the one-time issuance of non-recurring, non-exclusive, non-assignable licenses to five different entities and their affiliates for certain of the Company's patents.

The Company's subsidiaries entered into five license agreements during the three months ended September 30, 2014.

On July 21, 2014, Cyberfone Systems, LLC ("Cyberfone"), a wholly owned subsidiary of the Company, entered into a Settlement and License Agreement with a single corporate licensee. On July 28, 2014, Selene Communication Technologies, LLC ("Selene"), a wholly owned subsidiary of the Company, entered into a License Agreement with a single corporate licensee. On July 30, 2014, Cyberfone, entered into a Settlement Agreement with a single corporate licensee. On September 30, 2014, Selene entered into a Patent License and License Option Agreement with RPX Corporation, a Delaware corporation ("RPX"). On September 30, 2014, Clouding Corp., a wholly owned subsidiary of the Company, entered into a Patent License and License Option Agreement with RPX.

Cost of Revenue

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

Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets of \$340,456 and \$752,931 at September 30, 2014 and December 31, 2013, respectively, consist primarily of costs paid for future services, which will occur within a year. Prepaid expenses include prepayments in cash and equity instruments for public relation services, business advisory, consulting, and prepaid insurance, which are being amortized over the terms of their respective agreements. In addition, prepaid expenses and other current assets include outstanding litigation bonds, which are bonds entered into in Germany after the first instance of litigation of some of the Company's patents in German courts.

Fair Value of Financial Instruments

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

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

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

Accounting for Acquisitions

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

Income Taxes

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

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

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

The Company has adopted ASC 740-10-25 Definition of Settlement, which provides guidance on how an entity should determine whether a tax position is effectively settled for the purpose of recognizing previously unrecognized tax benefits and provides that a tax position can be effectively settled upon the completion and examination by a taxing authority without being legally extinguished. For tax position considered effectively settled, an entity would recognize the full amount of tax benefit, even if the tax position is not considered more likely than not to be sustained based solely on the basis of its technical merits and the statute of limitations remains open. The federal and state income tax returns of the Company are subject to examination by the Internal Revenue Service and state taxing authorities, generally for three years after they were filed. The Company is in the process of filing the previous year's tax returns. After review of the prior year financial statements and the results of operations through September 30, 2014, the Company has recorded a deferred tax asset in the amount of \$1,949,401, from which the Company expects to realize benefits in the future, and an income tax payable of \$467,997.

Basic and Diluted Net Earnings (Loss) per Share

Net earnings (loss) per common share is calculated in accordance with ASC Topic 260: Earnings Per Share ("ASC 260"). Basic earnings (loss) per share is computed by dividing net earnings (loss) by the weighted average number of shares of common stock outstanding during the period. The computation of diluted net earnings (loss) per share does not include dilutive common stock equivalents in the weighted average shares outstanding, as they would be anti-dilutive. The Company has options to purchase 1,023,846 shares of common stock and warrants to purchase 874,713 shares of common stock (including for those warrants issued in the Private Placement closing on May 1, 2014) outstanding at September 30, 2014, which were excluded from the computation of diluted shares outstanding, as they would have had an anti-dilutive impact on the Company's net loss.

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

	For the Three Months ended September 30, 2014	For the Three Months ended September 30, 2013	For the Nine Months ended September 30, 2014	For the Nine Months ended September 30, 2013
Income (Loss) from Continuing Operations	\$ 3,522,604	\$ (1,080,527)	\$ 2,923,742	\$ (2,614,815)
Income from discontinued Operations	\$ -	\$ 145,207	\$ -	\$ 263,460
Denominator				
Denominator for basic and diluted loss per share				
(Weighted-average shares - Basic)	5,750,250	5,227,840	5,598,687	4,330,208
(Weighted-average shares - Diluted)	7,983,227	5,227,840	7,463,252	4,330,208
Earnings (Loss) per common share, basic:				
Income (Loss) from continuing operations	\$ 0.61	\$ (0.21)	\$ 0.52	\$ (0.60)
Income from discontinued operations	\$ -	\$ 0.03	\$ -	\$ 0.06
Earnings (Loss) per common share, diluted:				
Income (Loss) from continuing operations	\$ 0.44	\$ (0.21)	\$ 0.39	\$ (0.60)
Income from discontinued operations	\$ -	\$ 0.03	\$ -	\$ 0.06

Intangible Assets

Intangible assets include the development of the Company's website and patents purchased and recorded based on the cost to acquire them. These assets are amortized over their remaining estimated useful lives. Useful lives of intangible assets are periodically evaluated for reasonableness and the assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may no longer be recoverable.

Goodwill

Goodwill is tested for impairment at the reporting unit level at least annually, and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. When conducting its annual goodwill impairment assessment, the Company initially performs a qualitative evaluation of whether it is more likely than not that goodwill is impaired. If it is determined by a qualitative evaluation that it is more likely than not that goodwill is impaired, the Company then applies a two-step impairment test. The two-step impairment test first compares the fair value of the Company's reporting unit to its carrying or book value. If the fair value of the reporting unit exceeds its carrying value, goodwill is not impaired and the Company is not required to perform further testing. If the carrying value of the reporting unit exceeds its fair value, the Company determines the implied fair value of the reporting unit's goodwill and if the carrying value of the reporting unit's goodwill exceeds its implied fair value, then an impairment loss equal to the difference is recorded in the consolidated statement of operations. As at September 30, 2014, a qualitative evaluation of the goodwill in accordance with ASC 350 indicated that the fair value of CyberFone was less than its carrying amount, including goodwill. That conclusion was based in the large number of defendants that have already been released from the case and various financial metrics. The Company then conducted an analysis of the revenue forecast of the remaining defendants and discounted for time and risk. This quantitative test indicated that the fair value of CyberFone was less than its carrying value and that there was an implied fair value for goodwill of zero. Consequently the second step of the impairment resulted in the determination of an impairment loss in the amount of \$2,144,488, which was charged to the consolidated statements of operations for the three and nine months ended September 30, 2014.

Other Intangible Assets

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

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

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

Impairment of Long-lived Assets

The Company accounts for the impairment or disposal of long-lived assets according to the ASC 360 "Property, Plant and Equipment". The Company continually monitors events and changes in circumstances that could indicate that the carrying amounts of long-lived assets may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the estimated future net undiscounted cash flows expected to be generated by the asset. When necessary, impaired assets are written down to estimated fair value based on the best information available. Estimated fair value is generally based on either appraised value or measured by discounting estimated future cash flows. Considerable management judgment is necessary to estimate discounted future cash flows. Accordingly, actual results could vary significantly from such estimates. The Company recognizes an impairment loss when the sum of expected undiscounted future cash flows is less than the carrying amount of the asset. The Company did not record any impairment charges on its long-lived assets during the three months ended September 30, 2014 and 2013.

Stock-based Compensation

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

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

Reclassification

The accompanying consolidated balance sheet at September 30, 2014 reflects a reclassification of \$1,271,492 to additional paid-in capital and accumulated deficits. The reclassification had no impact on previously issued net income (loss) or Total Shareholders Equity.

Recent Accounting Pronouncements

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

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

NOTE 3 – ACQUISITIONS

CyberFone

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

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

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

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

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

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

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

Dynamic Advances, IP Liquidity and Sarif Biomedical

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

Dynamic Advances

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

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

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

IP Liquidity

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

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

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

Sarif Biomedical

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

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

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

Dynamic Advances, IP Liquidity and Sarif Biomedical

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

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

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

Selene Communication Technologies

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

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

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

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

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

Clouding Corp.

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

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

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

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

Total consideration paid of the following:

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

Comparative quarterly pro forma combined results were not included as despite the Company’s efforts, interim details could not be obtained from seller. Pursuant to a Form 8-K/A filed concurrently, the Company is providing Carve-Out audits and pro formas for the year ended December 31, 2013 and the period ended August 28, 2014.

TLI Communications LLC

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

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

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

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

NOTE 4 - DISCONTINUED OPERATIONS

During June 2012, the Company decided to discontinue its exploration and potential development of uranium and vanadium minerals business and prior periods have been restated in the Company’s consolidated financial statements and related footnotes to conform to this presentation. Additionally, in November 2012, the Company decided to discontinue its real estate business and disposed of its remaining real estate holdings during fiscal 2013. The Company is now engaged in the acquisition, development and monetization of intellectual property through both the prosecution and licensing of its own patent portfolio, the acquisition of additional intellectual property or partnering with others to defend and enforce their patent rights.

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Since there was no remaining activity and no expected recovery or cost associated with the business, the remaining liabilities were written off as of September 30, 2014. The carrying historical amounts of the major classes of the assets and liabilities are summarized as follows:

	September 30, 2014	December 31, 2013
Liabilities:		
Accounts payables and accrued expenses	\$ -	\$ 30,664
Liabilities of discontinued operations	\$ -	\$ 30,664

The following table indicates selected financial data of the Company's discontinued operations of its uranium and vanadium minerals business and real estate business.

	For the Three Months ended September 30, 2014	For the Three Months ended September 30, 2013	For the Nine Months ended September 30, 2014	For the Nine Months ended September 30, 2013
Revenues - Real Estate	\$ -	\$ -	\$ -	\$ 1,270,916
Cost of Sales - Real Estate	-	-	-	(1,064,320)
Gross Profit	-	-	-	206,596
Operating and other non-operating expenses	-	(23,009)	-	(111,352)
Gain on sale of assets of discontinued operations	-	168,216	-	168,216
Income from discontinued operations	\$ -	\$ 145,207	\$ -	\$ 263,460

NOTE 5 – INTANGIBLE ASSETS

Intangible assets of the Company consisted of the following:

	September 30, 2014	December 31, 2013
Patent Rights	\$ 37,413,122	\$ 7,204,937
Website	21,160	\$ -
Accumulated Amortization	(3,919,917)	(1,047,278)
Intangible assets, net	\$ 33,514,365	\$ 6,157,659

Other than the website as set forth in the table above, intangible assets are comprised of patents with estimated useful lives between approximately 1 to 15 years. The website was determined to have an estimated useful life of 3 years. Once placed in service, the Company will amortize the costs of intangible assets over their estimated useful lives on a straight-line basis. Costs incurred to acquire patents, including legal costs, are also capitalized as long-lived assets and amortized on a straight-line basis with the associated patent. Amortization of patents is included in operating expenses as reflected in the accompanying consolidated statements of operations. The Company assesses fair market value for any impairment to the carrying values. As of September 30, 2014 and December 31, 2013 management concluded that there was no impairment to the acquired assets.

Patent and website amortization expense for the nine months ended September 30, 2014 and 2013 was \$2,872,638 and \$860,657, respectively. Future amortization of intangible assets, net is as follows:

2014	\$ 1,807,196
2015	7,034,286
2016	6,175,226
2017	4,258,350
2018	3,556,298
2019 and thereafter	10,683,009
Total	\$ 33,514,365

The Company made the following patent purchases:

- On April 16, 2013, the Company through its subsidiary, Relay IP, Inc. acquired a US patent for \$350,000.
- On April 22, 2013, the Company acquired 10 US patents, 27 foreign patents and 1 patent pending from CyberFone Systems valued at \$1,135,512 (see note 3).
- In September 2013, in two transactions, the Company acquired 14 US patents for a total purchase price of \$1,100,000.
- On November 13, 2013, the Company acquired four patents for 150,000 shares of the Company's common stock, which the Company valued at \$718,500 based on the fair market value of the stock issued.
- On December 16, 2013, the Company acquired 15 US and 2 foreign patents from Delphi Technologies, Inc. for \$1,700,000 pursuant to a Patent Purchase Agreement entered into on October 31, 2013 and Amended on December 16, 2013.

In connection with a settlement and license agreement dated June 4, 2013, the Company agreed to settle and release a certain defendant for past and future use of the Company's patents. The defendant agreed to assign and transfer 3 US patents and rights valued at \$1,000,000.

In connection with a settlement and license agreement dated December 22, 2013, the Company agreed to settle and release another defendant for past and future use of the Company's patents, whereby the defendant agreed to assign and transfer 2 US patents and rights to the Company. The Company valued the two patents at an aggregate of \$700,000.

As of September 30, 2014, the Company's patent portfolios consist of 203 U.S. and foreign patents, twenty-two open patent applications and contract rights to 6 patents. During the second quarter of 2013, the Company began to generate revenue from its patent portfolio. In the aggregate, the earliest date for expiration of a patent in the Company's patent portfolio is past (the patent is expired, but patent rules allow for six year look-back for royalties), the median expiration date for patents in the Company's portfolio is June 17, 2017, and the latest expiration date for a patent in any of the Company's patent portfolios is March 9, 2029. A summary of the Company's patent portfolios is as follows:

Subsidiary	Number of Patents	Earliest Expiration Date	Median Expiration Date	Latest Expiration Date	Subject Matter
Bismarck	14	09/15/15	09/15/15	01/22/18	Communication and PBX equipment
Clouding	70	Expired	10/05/21	03/09/29	Network and data management
CRFD Research	4	09/17/21	08/11/22	08/19/23	Web page content translator and device-to-device transfer system
Cyberfone	38	Expired	09/15/15	06/07/20	Telephony and data transactions
Dynamic Advances	4	Expired	10/02/17	03/06/23	Natural language interface
E2E	4	04/27/20	11/17/23	07/18/24	Manufacturing schedules using adaptive learning
Loopback	10	Expired	09/25/17	08/27/22	Automotive
Hybrid	2	11/14/15	09/09/16	07/17/17	Asynchronous communications
IP Liquidity	6	Expired	06/06/15	07/26/20	Pharmaceuticals / tire pressure systems
Relay	1	Expired	Expired	Expired	Multicasting
Sampo	3	03/13/18	03/13/18	11/13/20	Centrifugal communications
Sarif Biomedical	5	09/07/13	09/07/13	09/07/13	Microsurgery equipment
Selene	3	05/05/18	11/23/20	11/28/21	Communications
Signal	7	03/10/14	12/01/15	08/06/22	Automotive
TLI					
Communications	1	06/17/17	06/17/17	06/17/17	Telecommunications
Vantage Point	37	Expired	12/21/16	03/09/18	Computer networking and operations

NOTE 6 - STOCKHOLDERS' EQUITY

On December 7, 2011, the Company filed a Certificate of Amendment to its Articles of Incorporation with the Secretary of State of the State of Nevada in order to increase the Company's authorized capital to 200,000,000 shares of common stock from 75,000,000 shares, change the par value to \$0.0001 per share from \$.001 per share ("Common Stock"), and authorized new 50,000,000 shares of preferred stock, par value \$0.0001 per share. The 50,000,000 shares of preferred stock were undesignated as of December 7, 2011. On April 20, 2014, the Board of Directors designated 1,500,000 of the 50,000,000 undesignated preferred shares to be Series A Convertible Preferred Stock and 500,000 of the 50,000,000 undesignated preferred shares to be Series B Convertible Preferred Stock. On May 1, 2014, the Company issued 1,023,579 shares of Series A Convertible Preferred Stock in a financing and on May 2, 2014, the Company issued 391,000 shares of Series B Convertible Preferred Stock as partial consideration for the purchase of assets. Details of both issuances follow.

Series A Convertible Preferred Stock

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

The terms of the Series A Convertible Preferred Stock are summarized below:

Rank. The Series A Convertible Preferred Stock will rank senior to Common Stock and to all other classes and series of equity securities of the Company which by its terms do not rank on a parity with or senior to the Series A Convertible Preferred Stock.

Dividend. The holders of Series A Convertible Preferred Stock will be entitled to receive dividends at an annual rate equal to 8% based on a value of \$6.50 per share. The Company may pay dividends on the Series A Convertible Preferred Stock in shares of Common Stock, with each share of Common Stock being valued at the higher of \$6.50 per share or the thirty day VWAP (as defined in the Series A Certificate of Designations) as of the trading day immediately prior to the date that the dividend is to be paid. All accrued and unpaid dividends, if any, shall be mandatorily paid immediately prior to the earlier to occur of: (i) a liquidation, dissolution or winding up for the Company, (ii) a voluntary conversion by the holder of the Series A Convertible Preferred Stock, or (iii) a mandatory conversion pursuant to the terms of the Series A Certificate of Designations, and as further described below.

Liquidation Preference. In the event of a liquidation, dissolution or winding up of the Company, the holders of the Series A Convertible Preferred Stock will be entitled to receive \$6.50 per share of the respective preferred stock held, before any payments are made to holders of Common Stock or any other class or series of the Company's capital stock ranking junior as to liquidation rights to Series A Convertible Preferred Stock. After such payment to the holders of Series A Convertible Preferred Stock, holders of shares of Series A Convertible Preferred Stock will not be entitled to any further participation as such in any distribution of the assets of the Company.

Voting Rights. As long as more than 25% of the Series A Convertible Preferred Stock remain outstanding, the Company may not, and may not permit any subsidiary to, without the affirmative vote or consent of the holders of at least a majority of the Series A Convertible Preferred Stock outstanding at the time: (i) incur Indebtedness or authorize, create, issue or increase the authorized or issued amount of any class or series of stock, including but not limited to the issuance of any more shares of previously authorized Preferred Stock, ranking prior to the Series A Convertible Preferred Stock, with respect to the distribution of assets on liquidation, dissolution or winding up; (ii) amend, alter or repeal the provisions of the Series A Convertible Preferred Stock, whether by merger, consolidation or otherwise, so as to adversely affect any right, preference, privilege or voting power of the Series A Convertible Preferred Stock; (iii) repurchase, redeem or pay dividends on (whether in cash, in kind, or otherwise), shares of the Company's stock that are junior to the Series A Convertible Preferred Stock; (iv) amend the Articles of Incorporation or By-Laws of the Company so as to affect materially and adversely any right, preference, privilege or voting power of the Series A Convertible Preferred Stock; (v) effect any distribution with respect to stock junior to or on parity with the Series A Convertible Preferred Stock; or (vi) reclassify the Company's outstanding securities. "Indebtedness" means (a) all obligations for borrowed money, (b) all obligations evidenced by bonds, debentures, notes, or other similar instruments and all reimbursement or other obligations in respect of letters of credit, bankers acceptance, current swap agreements, interest rate swaps, or other financial products, (c) all capital lease obligations (to the extent the same exceed \$500,000 in any fiscal year), (d) all synthetic leases, and (e) any obligation guaranteeing or intended to guarantee (whether directly or indirectly guaranteed, endorsed, co-made, discounted or sold with recourse) any of the foregoing obligations of any other person; provided, however, Indebtedness shall not include (a) a working capital line of credit, containing typical and customary terms and conditions, of up to \$3,000,000 issued by a bank, credit union, governmental agency or similar unaffiliated corporate or institutional lender, (b) usual and customary trade debt incurred in the ordinary course of business (c) indebtedness incurred to fund all or a portion of the purchase price in connection with the acquisition of patent portfolios and/or other intellectual property by the Company and (d) endorsements for collection or deposit in the ordinary course of business. Besides the foregoing voting rights, the Series A Convertible Preferred Stock shall have no voting rights and the Common Stock into which the Series A Convertible Preferred Stock is convertible shall, upon issuance, have all of the same voting rights as other issued and outstanding Common Stock of the Company.

Conversion. Each share of Series A Convertible Preferred Stock may be converted at the holder's option at any time after issuance into one share of Common Stock, provided that the number of shares of Common Stock to be issued pursuant to such conversion does not exceed, when aggregated with all other shares of Common Stock owned by such holder at such time, result in such holder beneficially owning (as determined in accordance with Section 13(d) of the Securities Exchange Act of 1934, as amended, and the rules thereunder) in excess of 9.99% of all of the Common Stock outstanding at such time, unless otherwise waived in writing by the Company with ninety-one (91) days' notice.

Mandatory Conversion. On a date which is at least one day after the VWAP of the Company's Common Stock has exceeded \$9.25 per share for a period of four out of eight consecutive trading days, each share of the Series A Convertible Preferred Stock outstanding shall automatically convert into one fully paid and nonassessable shares of Common Stock, as adjusted for stock splits, combinations, certain dividends and distributions.

On May 1, 2014, the Company sold an aggregate of 1,000,502 units (the "Units") to certain accredited investors (the "Investors") pursuant to a securities purchase agreement (the "Securities Purchase Agreement"), resulting in gross proceeds to the Company of \$6,503,264.

Each Unit was sold for a purchase price of \$6.50 per Unit and consisted of: (i) one share of the Company's 8% Series A Convertible Preferred Stock, \$0.0001 par value per share (the "Shares"), and (ii) a two year warrant (the "PIPE Warrants") to purchase shares of the Company's Common Stock in an amount equal to twenty five percent (25%) of the number of Shares purchased pursuant to the Securities Purchase Agreement. The PIPE Warrants have an exercise price of \$7.50 per share, subject to adjustment upon the occurrence of certain events such as stock splits and dividends.

The PIPE Warrants may be exercised on a cashless basis at any time that the registration statement filed pursuant to the PIPE Registration Rights Agreement (as defined below) is not effective after the Effectiveness Date (as defined below). The PIPE Warrants contain limitations on the holder's ability to exercise the PIPE Warrants in the event such exercise causes the holder to beneficially own in excess of 9.99% of the Company's issued and outstanding Common Stock.

Pursuant to a Registration Rights Agreement with the Investors (the “PIPE Registration Rights Agreement”), the Company agreed to file a “resale” registration statement with the SEC covering the Shares and the Common Stock underlying the conversion of the Shares and the exercise of the PIPE Warrants within 60 days of the final closing date of the sale of Units (the “Filing Date”). The Company further agreed to use its best efforts to have the initial registration statement declared effective within 120 days of the Filing Date (or within 135 days of the Filing Date in the event that the registration statement is subject to full review by the SEC) (the “Effectiveness Date”), subject to extension by consent of the Investors. The investors subsequently extended the Effectiveness Date by forty-five (45) days. Since there was only one closing of the private placement, the Final Closing Date was May 1, 2014. The registration statement was deemed effective on October 31, 2014 and except for the shares of one holder for whom the conversion would push the holder’s ownership of Common Stock in excess of 9.99%, the shares of Series A Convertible Preferred Stock were automatically converted to Common Stock on November 7, 2014.

The Company paid a placement fee to Laidlaw & Company (UK) Ltd., as placement agent, in the amount of \$200,000 in connection with the sale of the Units, of which \$100,000 was paid in cash upon the closing of the private placement and \$100,000 was payable in Units. Accordingly, the Company issued 15,385 shares of Series A Convertible Preferred Stock and 3,846 warrants to the placement agent. In addition, the Company paid the lead investors in the offering \$50,000 for due diligence. It was originally contemplated that this fee would be fully paid in Units, however the Company ultimately paid \$25,000 in cash to one lead investor and \$25,000 was paid in Units to the other lead investor in the offering, such that the Company issued 7,692 shares of Series A Convertible Preferred Stock and 1,923 warrants to such lead investor.

In connection with the sale of the Units, the Company issued 1,023,579 shares of Series A Convertible Preferred Stock and Warrants to purchase an aggregate of 255,895 shares of Common Stock.

The holders of Series A Convertible Preferred Stock are entitled to annual dividends at a rate of 8% based on a value of \$6.50 per share, payable quarterly commencing on January 31, 2015.

On August 18, 2014, one holder of 15,385 shares of Series A Convertible Preferred Stock converted their shares into 15,385 shares of Common Stock.

Series B Convertible Preferred Stock

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

The terms of the Series B Convertible Preferred Stock are summarized below:

Rank. The Series B Convertible Preferred Stock will rank junior to the Series A Convertible Preferred Stock.

Dividend. The holders of Series B Convertible Preferred Stock will be entitled to receive such dividends paid and distributions made to the holders of Common Stock, pro rata to the holders of Common Stock to the same extent as if such holders had converted the Series B Convertible Preferred Stock into Common Stock (without regard to any limitations on conversion herein or elsewhere) and had held such shares of Common Stock on the record date for such dividends and distributions.

Liquidation Preference. In the event of a liquidation, dissolution or winding up of the Company, after provision for payment of all debts and liabilities of the Company and the payment of a liquidation preference to the holders of the Company’s Series A Convertible Preferred Stock, any remaining assets of the Company shall be distributed pro rata to the holders of Common Stock and the holders of Series B Convertible Preferred Stock as if the Series B Convertible Preferred Stock had been converted into shares of Common Stock on the date of such liquidation, dissolution or winding up of the Company.

Voting Rights. The Series B Convertible Preferred Stock have no voting rights except with regard to certain customary protective provisions set forth in the Series B Certificate of Designations and as otherwise provided by applicable law.

Conversion. Each share of Series B Convertible Preferred Stock may be converted at the holder's option at any time after issuance into one share of Common Stock, provided that the number of shares of Common Stock to be issued pursuant to such conversion does not exceed, when aggregated with all other shares of Common Stock owned by such holder at such time, result in such holder beneficially owning (as determined in accordance with Section 13(d) of the Securities Exchange Act of 1934, as amended, and the rules thereunder) in excess of 9.99% of all of the Common Stock outstanding at such time, unless otherwise waived in writing by the Company with sixty-one (61) days notice.

On May 1, 2014, the Company issued an aggregate of 391,000 shares of Series B Convertible Preferred Stock valued at \$2,807,380 pursuant to the acquisition of IP Liquidity Ventures, LLC, Dynamic Advances, LLC and Sarif Biomedical, LLC.

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

Common Stock

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

On April 22, 2014, the Company issued 150,000 shares of Restricted Common Stock to TT IP LLC pursuant to the acquisition of patents on November 13, 2013.

On June 2, 2014, the Company issued 24,309 shares of unrestricted Common Stock to an investor in the May 2013 PIPE, pursuant to the exercise of a warrant received in the May 2013 PIPE investment.

On June 30, 2014, the Company issued 100,000 shares of Restricted Common Stock pursuant to the acquisition of Selene Communications Technologies, LLC (see Note 3). In connection with this transaction, the Company valued the shares at the fair market value on the date of grant at \$9.80 per share or \$980,000.

On July 18, 2014, the Company issues a total of 13,361 shares of Common Stock pursuant to the exercise of stock options held by a former member of the Company's Board of Directors and the Company's former Chief Financial Officer.

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On September 16, 2014, the Company issued to two of its independent board members, in lieu of cash compensation, 3,089 shares of Restricted Common Stock. The shares shall vest quarterly over twelve (12) months commencing on the date of grant.

On September 30, 2014, the Company issued 25,000 shares of Restricted Common Stock pursuant to the acquisition of the assets of Clouding IP, LLC (see Note 3). In connection with this transaction, the Company valued the shares at the quoted market price on the date of grant at \$11.24 per share or \$281,000.

For the three months ended September 30, 2014, certain holders of warrants exercised their warrants in a cashless, net exercise basis in exchange for 42,326 shares of the Company's Common Stock.

Common Stock Warrants

On May 1, 2014, the Company issued Warrants to purchase 255,895 shares of Common Stock, at a price of \$7.50 per share of Common Stock, pursuant to the Private Placement described in detail below. The Company reviewed the issuance of warrants, done in conjunction with the financing closed on May 1, 2014, and determined that pursuant to ASC 480 and ASC 815, the warrants met the requirement to be classified as equity and were booked as Additional Paid-in Capital.

During the nine months ended September 30, 2014, the Company recorded stock based compensation expense of \$31,182 in connection with vested warrants. At September 30, 2014, there was a total of \$6,410 of unrecognized compensation expense related to this non-vested warrant-based compensation arrangement. The warrant was valued at the time of grant on January 26, 2012, based on the Black-Scholes model, using the strike and market prices of \$6.50 per share, the term of 10 years, volatility of 191% based on the closing price of the 50 trading sessions immediately preceding the grant and a discount rate as published by the Federal Reserve of 1.96%.

A summary of the status of the Company's outstanding stock warrants is as follows:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Remaining Life
Balance at December 31, 2013	708,260	\$ 6.66	2.74
Granted	255,895	\$ 7.50	-
Cancelled	23,077	-	-
Forfeited	-	-	-
Exercised	66,365	\$ 6.23	-
Balance at September 30, 2014	874,713	6.92	1.76
Warrants exercisable at September 30, 2014	868,367		
Weighted average fair value of warrants granted during the period		\$ -	

Warrant Amendment Letter

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

Common Stock Options

On April 15, 2014, the Company issued a new board member, Edward Kovalik, a five (5) year option to purchase an aggregate of 10,000 shares of the Company's Common Stock with an exercise price of \$6.59 per share, subject to adjustment, which shall vest in twelve (12) monthly installments commencing on the date of grant. The issuance of these securities was deemed to be exempt from the registration requirements of the Securities Act of 1933, as amended, by virtue of Section 4(2) therefore, as a transaction by an issuer not involving a public offering. The option was valued based on the Black-Scholes model, using the strike and market prices of \$6.59 per share, the term of five years, volatility of 55% based on the closing price of the 50 trading sessions immediately preceding the grant and a discount rate as published by the Federal Reserve of 1.63%.

On May 14, 2014, the Company issued existing employees, ten (10) year options to purchase an aggregate of 40,000 shares of the Company's Common Stock with an exercise price of \$8.33 per share, subject to adjustment, which shall vest in three (3) annual installments, with 33% vesting on the first anniversary of the date of grant, 33% on the second anniversary of the date of grant and 34% on the third anniversary of the date of grant. The issuance of these securities was deemed to be exempt from the registration requirements of the Securities Act of 1933, as amended, by virtue of Section 4(2) therefore, as a transaction by an issuer not involving a public offering. The options were valued based on the Black-Scholes model, using the strike and market prices of \$8.33 per share, the term of ten years, volatility of 64% based on the closing price of the 50 trading sessions immediately preceding the grant and a discount rate as published by the Federal Reserve of 1.62%.

On May 14, 2014, the Company issued to consultants, five (5) year options to purchase an aggregate of 80,000 shares of the Company's Common Stock with an exercise price of \$8.33 per share, subject to adjustment, which shall vest in three (3) annual installments, with 33% vesting on the first anniversary of the date of grant, 33% on the second anniversary of the date of grant and 34% on the third anniversary of the date of grant. The issuance of these securities was deemed to be exempt from the registration requirements of the Securities Act of 1933, as amended, by virtue of Section 4(2) therefore, as a transaction by an issuer not involving a public offering. The options were valued based on the Black-Scholes model, using the strike and market prices of \$8.33 per share, the term of five years, volatility of 64% based on the closing price of the 50 trading sessions immediately preceding the grant and a discount rate as published by the Federal Reserve of 1.62%.

On May 15, 2014, the Company entered into an executive employment agreement with Francis Knuettel II ("Knuettel Agreement") pursuant to which Mr. Knuettel would serve as the Company's Chief Financial Officer. As part of the consideration, the Company agreed to grant Mr. Knuettel ten (10) year stock options to purchase an aggregate of 145,000 shares of Common Stock, with a strike price of \$8.33 per share, vesting in thirty-six (36) equal installments on each monthly anniversary of the date of the Knuettel Agreement. The issuance of these securities was deemed to be exempt from the registration requirements of the Securities Act of 1933 by virtue of Section 4(2) thereof, as a transaction by an issuer not involving a public offering. The option was valued based on the Black-Scholes model, using the strike and market prices of \$8.33 per share, the term of ten years, volatility of 64% based on the closing price of the 50 trading sessions immediately preceding the grant and a discount rate as published by the Federal Reserve of 1.62%.

On June 15, 2014, the Company issued to a consultant a five (5) year option to purchase an aggregate of 20,000 shares of the Company's Common Stock with an exercise price of \$10.10 per share, subject to adjustment, which shall vest in twenty-four (24) monthly installments commencing on the date of grant. The issuance of these securities was deemed to be exempt from the registration requirements of the Securities Act of 1933, as amended, by virtue of Section 4(2) therefore, as a transaction by an issuer not involving a public offering. The option was valued based on the Black-Scholes model, using the strike and market prices of \$10.10 per share, the term of five years, volatility of 67% based on the closing price of the 50 trading sessions immediately preceding the grant and a discount rate as published by the Federal Reserve of 1.70%.

On May 5, 2014, the Company cancelled options to purchase an aggregate amount of 150,000 shares of Common Stock provided to a former consultant when the consulting agreement was terminated without any vesting having occurred. In addition, the Company cancelled options to purchase an aggregate amount of 199,999 shares of Common Stock provided to two former consultants and one former employee, respectively, whose consulting and employment agreements were previously terminated without any vesting having occurred.

On June 18, 2014, the Company cancelled an option to purchase an aggregate amount of 300,000 shares of Common Stock provided to Kairix Analytics when the consulting agreement was terminated without any vesting having occurred.

On August 29, 2014, the Company entered into an executive employment agreement with Daniel Gelbtuch (“Gelbtuch Agreement”) pursuant to which Mr. Gelbtuch would serve as the Company’s Chief Marketing Officer. As part of the consideration, the Company agreed to grant Mr. Gelbtuch ten (10) year stock options to purchase an aggregate of 145,000 shares of Common Stock, with a strike price of \$11.24 per share, vesting in thirty-six (36) equal installments on each monthly anniversary of the date of the Gelbtuch Agreement. The issuance of these securities was deemed to be exempt from the registration requirements of the Securities Act of 1933 by virtue of Section 4(2) thereof, as a transaction by an issuer not involving a public offering. The option was valued based on the Black-Scholes model, using the strike and market prices of \$11.24 per share, the term of ten years, volatility of 60% based on the average volatility of comparable companies over the prior 10-year period and a discount rate as published by the Federal Reserve of 1.63%.

On September 16, 2014, the Company issued its independent board members five (5) year options to purchase an aggregate of 30,000 shares of the Company’s Common Stock with an exercise price of \$14.89 per share, subject to adjustment, which shall vest monthly over twelve (12) months commencing on the date of grant. The issuance of these securities was deemed to be exempt from the registration requirements of the Securities Act of 1933, as amended, by virtue of Section 4(2) therefore, as a transaction by an issuer not involving a public offering. The option was valued based on the Black-Scholes model, using the strike and market prices of \$14.89 per share, the term of five years, volatility of 49% based on the average volatility of comparable companies over the prior 5-year period and a discount rate as published by the Federal Reserve of 1.78%.

For the nine months ended September 30, 2014 the Company recorded option-based compensation expenses of \$1,364,243 and stock-based compensation expense of \$1,087,711. At September 30, 2014, there was a total of \$6,325,874 of unrecognized compensation expense related to these non-vested option-based compensation arrangements discussed above.

A summary of the stock options as of September 30, 2014 is as follows:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Life
Balance at December 31, 2013	1,338,076	\$ 5.83	5.21
Granted	470,000	\$ 9.68	-
Cancelled	649,999	\$ 5.73	-
Forfeited	120,870	\$ 5.71	-
Exercised	13,361	\$ 5.68	-
Balance at September 30, 2014	<u>1,023,846</u>	<u>\$ 7.60</u>	<u>7.12</u>
Options Exercisable at September 30, 2014	365,094		
Options expected to vest	658,752		
Weighted average fair value of options granted during the period		\$ 7.50	

Stock options outstanding at September 30, 2014 as disclosed in the above table have approximately \$6,968,500 in intrinsic value at September 30, 2014.

Restricted Stock Unit

On November 13, 2013, the Company entered into a two-year consulting agreement with Jeff Feinberg (the “Feinberg Agreement”), pursuant to which the Company agreed to grant Mr. Feinberg a Restricted Stock Unit (“RSU”) for 100,000 shares of the Company’s Restricted Common Stock. On September 9, 2014, the Company terminated the Feinberg Agreement. No vesting of shares occurred and the Company reversed the expenses previously incurred during the six months ended June 30, 2014 and recorded no expense for the three months ended September 30, 2014.

NOTE 7 – COMMITMENTS AND CONTINGENCIES**Office Lease**

In October 2013, the Company entered into a net-lease for its current office space in Los Angeles, California. The lease will commence on May 1, 2014 and runs for seven years through April 30, 2021, with monthly lease payment escalating each year of the lease. In addition, to paying a deposit of \$7,564 and the monthly base lease cost, the Company is required to pay pro rata share of operating expenses and real estate taxes. Under the terms of the lease, the Company will not be required to pay rent for the first five months but must remain in compliance with the terms of the lease to continue to maintain that benefit. In addition, the Company has a one-time option to terminate the lease in the 42th month of the lease. In September, the Company applied \$25,690 of its Tenant Improvement allowance towards additional free rent and has no rent obligation until February 2015. Minimum future lease payments under this lease at September 30, 2014, net of the rent abatement, for the next five years are as follows:

2014 (Three months)	\$ -
2015	55,491
2016	69,216
2017	72,324
2018	75,648
Total	<u>\$ 272,679</u>

NOTE 8 – SUBSEQUENT EVENTS**Issuance of Convertible Notes**

On October 9, 2014, the Company accepted subscriptions for an aggregate of \$5,500,000, subsequently closed on \$5,550,000 on October 17, 2014, of convertible notes due October 9, 2018 (the “Notes”) along with two-year warrants (the “Warrants”, and collectively with the Notes, the “Securities”) to purchase 128,333 shares, subsequently raised to 129,499 shares with the increase in the amount of Notes issued as set forth above, of Common Stock pursuant to a securities purchase agreement (the “Securities Purchase Agreement”). The Notes and Warrants are initially convertible into shares of the Company’s Common Stock at a conversion price of \$15.00 per share and an exercise price of \$16.50 per share, respectively. The conversion and exercise prices are subject to adjustment in the event of certain events, including stock splits and dividends.

The Notes mature on October 9, 2018 and bear interest at the rate of 11% per annum, payable quarterly in cash on each of the three, six, nine and twelve month anniversary of the issuance date and on each conversion date. The Notes may become secured by a security interest granted to the holder in certain future assets under certain circumstances. In the event the Company’s Common Stock trades at a price of at least \$27.00 per share for four out of eight trading days, the Notes will be mandatorily converted into Common Stock of the Company at the then applicable conversion price per share.

The Company has agreed that until the earlier of 36 months or the date the Company’s Common Stock achieves a trading price of at least \$22.00 per share for at least four out of eight trading days, the Company will not, without the consent of a majority in interest of the Notes, enter into any equity line of credit or similar agreement nor issue any Common Stock or securities convertible or exercisable into Common Stock, at a price per share less than \$15.00 per share.

The Company has agreed to file a “resale” registration statement with the Securities and Exchange Commission covering the Common Stock underlying the Notes and the Warrants within 45 calendar days of the Closing Date. The Company has agreed to use its best efforts to have the registration statement declared effective within 120 calendar days of the Closing Date. If there is no effective registration statement available for the Common Stock underlying the Warrants, the Warrants may be exercised by the holder on a cashless basis.

In the event that the Company issues any Common Stock equivalents or rights to purchase stock, warrants, securities or other property pro rata to the record holders of any class of shares of Common Stock (the “Purchase Rights”), then the holders of the Notes will be entitled to acquire, upon the terms applicable to such Purchase Rights, the aggregate Purchase Rights which the holders could have acquired if the holders had held the number of shares of Common Stock acquirable upon complete conversion of the Notes.

Acquisition

On October 10, 2014, the Company entered into an interest sale agreement (the “Interest Sale Agreement”) with MedTech Development, LLC (“MedTech”) and MedTech Group Acquisition Corp., (“NewCo”), a wholly-owned subsidiary of the Company. Pursuant to the Interest Sale Agreement, NewCo agreed to acquire from MedTech certain subsidiaries of MedTech (the “Acquisition”) consisting of 100% of the limited liability membership interests of OrthoPhoenix, LLC (“Orthophoenix”) and TLIF, LLC (“TLIF”) as well as 100% of the shares of MedTech Development Deutschland GmbH (“MedTech GmbH,” and together with Orthophoenix and MedTech GmbH, the “Subsidiaries”). As a result, NewCo became the sole interest holder of Orthophoenix and TLIF as well as the sole shareholder and owner of MedTech GmbH. Each of the Subsidiaries owns certain medical technology patents, including pending litigation, settlement and licensing rights that are being acquired by the Company in the transaction.

In connection with the Interest Sale Agreement, the Company is obligated to paid to MedTech \$1 million at closing and issued a note in the amount of \$9 million, with \$1 million payable on each of the following nine (9) month anniversary dates of the closing (the “Purchase Payments”). The Subsidiaries are also obligated to make certain additional payments (“Participation Payments”) to MedTech from recoveries following the receipt by the Subsidiaries of 200% of the Purchase Payments, plus recovery of out of pocket expenses in connection with patent claims. The Participation Payments may be paid, at the election of Marathon, in common stock of Marathon at the market price on the date of issuance.

In connection with the transaction, the Company entered into a promissory note, common interest agreement and in the event of issuance of common stock to MedTech, will enter into a lockup and registration rights agreement. Approximately forty-five (45%) of MedTech is owned or controlled by Erich Spangenberg or family members or associates.

Registration Statement

The registration statement pursuant to the issuance of Series A Convertible Preferred Stock issued on May 1, 2014 was deemed effective on October 31, 2014 and except for the shares of one holder for whom the conversion would push the holder’s ownership of Common Stock in excess of 9.99%, all of the other shares of Series A Convertible Preferred Stock were automatically converted to Common Stock on November 7, 2014.

Employment Agreement

On October 31, 2014, the Company entered into a two-year executive employment agreement with Umesh Jani pursuant to which Mr. Jani shall serve as the Company’s Chief Technology Officer and SVP Licensing. Pursuant to the terms of the Jani Employment Agreement, Mr. Jani shall receive a base salary at an annual rate of \$225,000.00 and an annual incentive compensation of up to 100% of the base salary, as determined by the Compensation Committee. As further consideration for Mr. Jani’s services, the Company agreed to issue him ten year stock options under the Company’s 2014 Equity Incentive Plan, subject to shareholder approval, to purchase an aggregate of 50,000 shares of common stock, with an exercise price of \$12.80 per share. The options shall vest in thirty-six (36) equal installments on each monthly anniversary of the date of the Jani Employment Agreement, provided Mr. Jani is still employed by the Company on each such date.

On November 3, 2014, the Company entered into a two-year executive employment agreement with Rick Sanchez, effective October 31, 2014, pursuant to which Mr. Sanchez shall serve as the Company’s Senior Vice President of Licensing. Pursuant to the terms of the Sanchez Employment Agreement, Mr. Sanchez shall receive a base salary at an annual rate of \$215,000.00 and an annual incentive compensation of up to 100% of the base salary, as determined by the Compensation Committee. As further consideration for Mr. Sanchez’s services, the Company agreed to issue him ten year stock options under the Company’s 2014 Equity Incentive Plan, subject to shareholder approval, to purchase an aggregate of 80,000 shares of common stock, with an exercise price of \$12.80 per share. The options shall vest in thirty-six (36) equal installments on each monthly anniversary of the date of the Sanchez Employment Agreement, provided Mr. Sanchez is still employed by the Company on each such date.

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

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

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

Overview

We were incorporated in the State of Nevada on February 23, 2010 under the name "Verve Ventures, Inc." On December 7, 2011, we changed our name to "American Strategic Minerals Corporation" and were engaged in exploration and potential development of uranium and vanadium minerals business. During June 2012, we decided to discontinue our uranium and vanadium minerals business and engaged in the business of acquiring, renovating, and selling real estate properties located within the areas of Southern California. On November 14, 2012, we decided to discontinue our real estate business.

Our current business is to acquire patents and patent rights and to monetize the value of those assets to generate revenue and profit for the Company. We acquire patents and patent rights from their owners, who range from individual inventors to Fortune 500 companies. Part of our acquisition strategy is to acquire or invest in patents and patent rights that cover a wide-range of subject matter, which allows us to achieve the benefits of a growing diversified portfolio of assets. Generally, the patents and patent rights that we acquire are characterized by having large identifiable companies who are or have been using technology that infringes our patents and patent rights. We generally monetize our portfolio of patents and patent rights by entering into license discussions, and if that is unsuccessful, initiating enforcement activities against any infringing parties with the objective of entering into a standard form of comprehensive settlement and license agreement that may include the granting of non-exclusive retroactive and future rights to use the patented technology, a covenant not to sue, a release of the party from certain claims, the dismissal of any pending litigation and other terms that are appropriate in the circumstances. Our strategy has been developed with the expectation that it will result in a long-term, diversified revenue stream for the Company.

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

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

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

Company Acquisition

CyberFone

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

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

Pursuant to the terms of the CyberFone Merger Agreement, CyberFone Systems merged with and into CyberFone Acquisition Corp with CyberFone Systems surviving the merger as our wholly owned subsidiary. The Company (i) issued 461,538 post-split (6,000,000 pre-split) shares of common stock to the CyberFone Sellers, (ii) paid the CyberFone Sellers \$500,000 cash and (iii) issued a \$500,000 promissory note to TechDev. On June 21, 2013, the Company paid \$500,000 to TechDev in satisfaction of the note.

Dynamic Advances, IP Liquidity and Sarif Biomedical

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

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

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

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

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

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

On May 2, 2014, the Company issued TechDev and SFF a promissory note in order to evidence the second cash payment due under the terms of the DA Agreement in the amount of \$2,375,000 due on or before September 30, 2014, with such amount due under the terms of the promissory note being subject to increase to \$2,850,000 if the Company's payment pursuant to the terms of the DA Agreement are not made on or before June 30, 2014. The promissory note matured on September 30, 2014, on which date, TechDev and SFF extended the maturity date to March 31, 2015.

On May 2, 2014, the Company issued Granicus and SFF a promissory note in order to evidence the second cash payment due under the terms of the IP Liquidity Agreement in the amount of \$2,375,000 due on or before September 30, 2014, with such amount due under the terms of the promissory note being subject to increase to \$2,850,000 if the Company's payment pursuant to the terms of the IP Liquidity Agreement are not made on or before June 30, 2014. The promissory note matured on September 30, 2014, on which date, Granicus and SFF extended the maturity date to March 31, 2015.

On May 2, 2014, the Company issued TechDev a promissory note in order to evidence the second cash payment due under the terms of the Sarif Agreement in the amount of \$250,000 due on or before September 30, 2014, with such amount due under the terms of the promissory note being subject to increase to \$300,000 if the Company's payment pursuant to the terms of the Sarif Agreement are not made on or before June 30, 2014. The promissory note matured on September 30, 2014, on which date, TechDev extended the maturity date to March 31, 2015.

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

Selene Communication Technologies

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

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

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

Clouding Corp.

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

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

TLI Communications LLC

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

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

Patent Acquisitions

On April 16, 2013, the Company through its subsidiary, Relay IP, Inc. acquired a US patent for \$350,000.

On June 4, 2013, in connection with the closing of a settlement and license agreement, the Company agreed to settle and release a certain defendant for past and future use of the Company's patents. The defendant agreed to assign and transfer 3 US patents and rights valued at \$1,000,000 in lieu of an additional cash payment.

In September 2013, the Company, in two transactions, acquired 14 US patents for a total purchase price of \$1,100,000.

On November 13, 2013, the Company acquired four patents for 150,000 shares of the Company's common stock, which the Company valued at \$718,500 based on the fair market value of the stock issued.

On December 16, 2013, the Company acquired 15 US and 2 foreign patents from Delphi Technologies, Inc. for \$1,700,000 pursuant to a Patent Purchase Agreement entered into on October 31, 2013 and Amended on December 16, 2013.

On December 22, 2013, in connection with a settlement and license agreement, the Company agreed to settle and release another defendant for past and future use of the Company's patents, whereby the defendant agreed to assign and transfer 2 U.S. patents and rights to the Company. The Company valued the two patents at an aggregate of \$700,000.

Critical Accounting Policies and Estimates

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

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

Principles of Consolidation

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

Use of Estimates and Assumptions

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates made by management include, but are not limited to, estimating the useful lives of patent assets, the assumptions used to calculate fair value of warrants and options granted, goodwill impairment, realization of long-lived assets, deferred income taxes, unrealized tax positions and business combination accounting.

Revenue Recognition

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

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

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

Accounting for Acquisitions

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

Intangible Assets - Patents

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

Goodwill

Goodwill is tested for impairment at the reporting unit level at least annually, and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. When conducting its annual goodwill impairment assessment, the Company initially performs a qualitative evaluation of whether it is more likely than not that goodwill is impaired. If it is determined by a qualitative evaluation that it is more likely than not that goodwill is impaired, the Company then applies a two-step impairment test. The two-step impairment test first compares the fair value of the Company's reporting unit to its carrying or book value. If the fair value of the reporting unit exceeds its carrying value, goodwill is not impaired and the Company is not required to perform further testing. If the carrying value of the reporting unit exceeds its fair value, the Company determines the implied fair value of the reporting unit's goodwill and if the carrying value of the reporting unit's goodwill exceeds its implied fair value, then an impairment loss equal to the difference is recorded in the consolidated statement of operations. As at September 30, 2014, a qualitative evaluation of the goodwill in accordance with ASC 350 indicated that the fair value of CyberFone was less than its carrying amount, including goodwill. That conclusion was based in the large number of defendants that have already been released from the case and various financial metrics. The Company then conducted an analysis of the revenue forecast of the remaining defendants and discounted for time and risk. This quantitative test indicated that the fair value of CyberFone was less than its carrying value and that there was an implied fair value for goodwill of zero. Consequently the second step of the impairment resulted in the determination of an impairment loss in the amount of \$2,144,488, which was charged to the consolidated statements of operations for the three and nine months ended September 30, 2014.

Other Intangible Assets

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

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

Impairment of Long-lived Assets

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

Stock-based Compensation

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

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

Recent Accounting Pronouncements

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

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

Other accounting standards that have been issued or proposed by the FASB that do not require adoption until a future date are not expected to have a material impact on the financial statements upon adoption.

Results of Operations

For the Three Months and Nine Ended September 30, 2014 and 2013

We generated revenues of \$13,455,472 and \$20,059,972 during the three months and nine ended September 30, 2014, respectively as compared to \$710,500 and \$2,235,479 during the three and nine months ended September 30, 2013, respectively. For the three and nine months ended September 30, 2014, this represented an increase of \$12,744,972 or 1,794% and \$17,824,493 or 797%, respectively. Revenue for both the three and nine months ended September 30 for both 2013 and 2014 was derived from the patent monetization business and the increase in revenue from 2013 to 2014 resulted from growth in the patent monetization business.

Revenues from the issuance of licenses to certain of the Company's patent portfolios accounted for 100% of our revenues for the three and nine months ended September 30, 2014 and September 30, 2013, respectively. For the three months ended September 30, 2014, revenues from five settlement and license agreement accounted for 100% of the Company's revenues. The Company derived \$13.46 million in revenues from the one-time issuance of non-recurring, non-exclusive, non-assignable licenses to five different entities and their affiliates for certain of the Company's patents. Licenses to two of those entities accounted for 99.6% of the Company's revenues for the three months ended September 30, 2014.

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

Direct cost of revenues during the three and nine months ended September 30, 2014 amounted to \$5,584,542 and \$8,448,954, respectively and for the three and nine months ended September 30, 2013, the direct cost of revenues amounted to \$403,013 and \$687,638, respectively. For the three and nine months ended September 30, 2014, this represented an increase of \$5,181,529 or 1,286% and \$7,761,316 or 1,129%, respectively. Direct costs of revenue include contingent payments to patent enforcement legal costs, patent enforcement advisors and inventors. Direct costs of revenue also includes various non-contingent costs associated with enforcing the Company's patent rights and otherwise in developing and entering into settlement and licensing agreements that generate the Company's revenue. Such costs include other legal fees and expenses, consulting fees, data management costs and other costs. Our gross profit margin during the three and nine months ended September 30, 2014 was approximately 58% and 58%, respectively and 43% and 69%, respectively, for the three and nine months ended September 30, 2013.

We incurred operating expenses of \$3,664,573 and \$8,003,228 for the three months and nine months ended September 30, 2014 and \$1,349,426 and \$4,124,249 for the three and nine months ended September 30, 2013. For the three and nine months ended September 30, 2014, this represented an increase of \$2,315,147 or 172% and \$3,878,979 or 94%, respectively. These expenses primarily consisted of amortization of patents, general expenses, compensation to our officers, directors and employees, professional fees and consulting incurred in connection with the day-to-day operation of our business. The operating expenses for the nine months ended September 30, 2014 and September 2013, respectively, include non-cash expenses totaling \$5,328,949 and \$2,305,305, respectively. These non-cash operating expenses are discussed below and set forth in detail at the end of this section.

The operating expenses consisted of the following:

	For the Three Months ended September 30, 2014	For the Three Months ended September 30, 2013	For the Nine Months ended September 30, 2014	For the Nine Months ended September 30, 2013
Amortization of intangibles (1)	1,480,311	384,977	2,872,638	860,657
Compensation and related taxes (2)	824,165	470,786	2,266,283	1,938,814
Consulting fees (3)	785,601	269,012	1,550,155	444,921
Professional fees (4)	408,280	116,373	933,751	564,597
Other general and administrative (5)	166,216	108,278	380,400	315,260
Total	3,664,573	1,349,426	8,003,227	4,124,249

- (1) Amortization of patents: Amortization expenses were \$2,872,638 and \$860,657 during the nine months ended September 30, 2014 and 2013, respectively, an increase of \$2,011,981 or 234%. The increase results from the significant number of patents and patent portfolios we have added during the first nine months of 2014. The Company has acquired ownership of or contractual rights to seven patent portfolios during the first nine months of 2014. When the Company acquires patents and patent rights, the Company capitalizes those assets and amortizes the costs over the remaining useful lives of the assets. All patent amortization expenses are non-cash expenses.
- (2) Compensation expense and related taxes: Compensation expense includes cash compensation and related payroll taxes and benefits, and also non-cash compensation. For the nine months ended September 30, 2014 and 2013, compensation expense and related payroll taxes were \$2,266,283 and \$1,938,814, respectively, an increase of \$327,469 or 17%. The increase in compensation primarily reflects an increase in cash compensation, payroll taxes and benefits to our employees, offset slightly by reduced non-cash compensation expenses. During the nine months ended September 30, 2014 and 2013, we recognized non-cash employee and board equity based compensation of \$1,163,462 and \$1,203,678, respectively.
- (3) Consulting fees: For the nine months ended September 30, 2014 and 2013, we incurred consulting fees of \$1,550,155 and \$444,921, respectively, an increase of \$1,105,234 or 248%. Consulting fees include both cash and non-cash related consulting fees primarily for investor relations and public relations services as well as other consulting services. During the nine months ended September 30, 2014 and 2013, we recognized non-cash equity based consulting of \$1,288,492 and \$294,262, respectively.
- (4) Professional fees: For the nine months ended September 30, 2014 and 2013, professional fees were \$933,751 and \$564,597, respectively, an increase of \$369,154 or 65%. Professional fees primarily reflect the costs of professional outside accounting fees, legal fees and audit fees. The increase in professional fees for the nine months ended September 30, 2014 over that of the prior period are predominately related to professional outside legal, accounting and audit fees resulting from a substantially higher level of activity in the Company's continuing patent acquisition and monetization operations and also a higher level of activity as a public company.
- (5) Other general and administrative expenses: For the nine months ended September 30, 2014 and 2013, other general and administrative expenses were \$380,401 and \$315,260, respectively, an increase of \$65,141 or 21%. General and administrative expenses reflect the other non-categorized operating costs of the Company and include expenses related to being a public company, rent, insurance, technology and other expenses incurred to support the operations of the Company. The increase in general and administrative costs in the nine months ended September 30, 2014 over the nine months ended September 30, 2013 resulted from an increase in these expenses in support of the continued development of our operations of the Company.

Operating Income from Continuing Operations

We reported operating income (loss) from continuing operations of \$4,206,357 and \$3,607,791 for the three and nine months ended September 30, 2014 and operating (losses) of \$(1,041,939) and \$(2,576,408), respectively, for the three and nine months ended September 30, 2013. For the three and nine months ended September 30, 2014, this represented an improvement of \$5,248,296 and \$6,184,199, respectively. The transition from operating losses in 2013 to operating income in 2014 was primarily attributable due to the increase in gross profit as a result of increased revenues during the three and nine months ended September 30, 2014.

Other Income

Total other income (expenses) was \$(2,165,157) and \$(2,165,453) for the three months and nine months ended September 30, 2014 and \$(38,588) and \$(38,407), respectively, for the three and nine months ended September 30, 2013. For the three and nine months ended September 30, 2014, this represented a decrease of \$2,216,569 and \$2,127,046, respectively. The principal component of the increase in the loss for the three and nine months ended September 30, 2014 was the impairment of goodwill associated with the CyberFone portfolio in the amount of \$2,144,488.

Income Tax Benefit

We recognized an income tax benefit in the amount of \$1,481,404 for the three and nine months ended September 30, 2014. There were no income tax benefits for the three and nine months ended September 30, 2013.

Discontinued Operations

During June 2012, we decided to discontinue our exploration and potential development of uranium and vanadium minerals business and prior periods have been retroactively restated in our consolidated financial statements and related footnotes to conform to this presentation. Subsequently, in November 2012, we decided to discontinue our real estate business and we intend to sell and dispose our remaining real estate holdings during fiscal 2013. We are now engaged in the acquisition, development and monetization of intellectual property through both the prosecution and licensing of our own patent portfolio, the acquisition of additional intellectual property or partnering with others to defend and enforce their patent rights.

The following table indicates selected financial data of our discontinued operations of our uranium and vanadium minerals business and real estate business.

	For the Three Months ended September 30, 2014	For the Three Months ended September 30, 2013	For the Nine Months ended September 30, 2014	For the Nine Months ended September 30, 2013
Revenues - Real Estate	\$ -	\$ -	\$ -	\$ 1,270,916
Cost of Sales - Real Estate	-	-	-	(1,064,320)
Gross Profit	-	-	-	206,596
Operating and other non-operating expenses	-	(23,009)	-	(111,352)
Gain on sale of assets of discontinued operations	-	168,216	-	168,216
Income (loss) from discontinued operations	\$ -	\$ 145,207	\$ -	\$ 263,460

Net Income and Net Income Available to Common Shareholders

We reported net income (loss) of \$3,522,604 and \$2,923,742 for the three and nine months ended September 30, 2014 and net loss of \$(935,320) and \$(2,351,355), respectively, for the three and nine months ended September 30, 2013. For the three and nine months ended September 30, 2014, this represented an improvement of \$4,457,924 and \$5,275,097 respectively. The transition to net income was primarily attributable due to the increase in gross profit as a result of increased revenues during the three and nine months ended September 30, 2014.

Additionally, for the three and nine months ended September 30, 2014, we recorded an expense of \$0 and \$1,271,492 respectively, for a deemed dividend related to the beneficial conversion feature of the Series A Convertible Preferred Stock issued on May 1, 2014. Net income available to common stockholders for the three and nine months ended September 30, 2014 was \$3,522,604 and \$1,652,250, respectively. Net loss attributable to the common stockholders for the three and nine months ended September 30, 2013 was unaffected.

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The Company incurred net non-cash expenses in the amount of \$7,263,525 and \$2,305,305 for the nine months ended September 30, 2014 and September 30, 2013, respectively. The details of those expenses are set forth below:

	For The Nine Months Ended 9/30/13	For The Nine Months Ended 9/30/14
Net Income	(2,351,355)	1,652,250
Non-GAAP		
Provision for Income Taxes	-	(1,481,404)
Amortization of Intangible Assets	860,657	2,872,638
Equity-based Compensation	1,442,704	2,451,954
BCF	-	1,271,492
Impairment of Goodwill	-	2,144,488
Depreciation	1,944	4,357
Non-GAAP Net Income	(46,050)	8,915,775

Liquidity and Capital Resources

Liquidity is the ability of a company to generate funds to support its current and future operations, satisfy its obligations, and otherwise operate on an ongoing basis. At September 30, 2014, the Company's cash and cash equivalents balances totaled \$5,556,584 compared to \$3,610,262 at December 31, 2013. The increase in the cash balances of \$1,946,322 resulted primarily from cash received during the nine month period from revenues generated from patent enforcement activities and from the private placement closed on May 1, 2014, the proceeds of which exceeded the initial payment for the entities acquired on May 2, 2014. We collected revenues of \$2,945,472 during the three months ended September 30, 2014 and recorded accounts receivable from two licensees in the amount of \$10,510,000 at September 30, 2014.

Net working capital declined by \$1,821,662 to \$2,062,836 at September 30, 2014 from \$3,884,498 at December 31, 2013. The decrease in net working capital resulted primarily from the addition of notes payable related to the acquisition of entities closed on May 2, 2014, fees payable related to the revenue generated in the three months ended September 30, 2014 and the current portion of an earn out related to the purchase of the patents from Clouding IP, LLC in the amount of \$2,148,000, offset by an increase in cash and receivables of \$12,186,322.

Cash provided by operating activities was \$3,233,037 during the nine months ended September 30, 2014 versus cash used in operating activities of \$947,344 during the nine months ended September 30, 2013.

Cash used in investing activities was \$6,875,703 for the nine months ended September 30, 2014 versus cash used in the amount of \$795,033 in the nine months ended September 30, 2013. The higher level of cash used during the nine months ended September 30, 2014 was primarily the purchases of patents and patents rights in transactions entered into on May 2, 2014, June 17, 2014, August 29, 2014 and September 19, 2014.

Cash provided by financing activities was \$5,588,988 during the nine months ended September 30, 2014 versus \$5,252,596 during the nine months ended September 30, 2013. Cash provided by financing activities for the nine months ended September 30, 2014 resulted from the private placement of securities issued on May 1, 2014.

Management believes that the balance of cash and cash equivalents of \$5,556,584 at September 30, 2014 is sufficient to continue to fund the Company's current operations at least through October 2015. However, the Company's operations are subject to various risks and there is no assurance that changes in the operations of the Company will not require the Company to raise additional cash sooner than planned in order to continue uninterrupted operations. In that event, the Company would seek to raise additional capital from the sale of the Company's securities, from borrowing or from other sources. Should the Company seek to raise capital from the issuances of its securities, such transactions would be subject to the risks of the market for the Company's securities at the time.

Off-balance Sheet Arrangements

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Not required for smaller reporting companies.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures.

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

With respect to the quarterly period ended September 30, 2014, under the supervision and with the participation of our management, we conducted an evaluation of the effectiveness of the design and operations of our disclosure controls and procedures. Based upon this evaluation, the Company's management has concluded that certain disclosure controls and procedures were not effective as of September 30, 2014 due to the Company's limited internal resources and lack of ability to have multiple levels of transaction review. However, to the extent possible, we will implement procedures to assure that the initiation of transactions, the custody of assets and the recording of transactions will be performed by separate individuals. We believe that the foregoing steps will remediate the significant deficiency identified above, and we will continue to monitor the effectiveness of these steps and make any changes that our management deems appropriate.

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

Changes in Internal Controls.

There have been no changes in our internal control over financial reporting during the quarter ended September 30, 2014 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

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

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

Item 1A. Risk Factors.

We have recently consummated the acquisition of certain assets, and in connection therewith, we issued three promissory notes and filed two certificates of designation with the Secretary of State of Nevada.

In connection with the issuance of the Series A Convertible Preferred Stock, the Series B Convertible Preferred Stock and the PIPE Warrants, holders of the Company's Common Stock will experience immediate and substantial dilution upon the conversion of such preferred stock and the exercise of such warrants.

In connection with the transaction contemplated in this Current Report on Form 8-K, the Company issued 1,023,579 shares of Series A Convertible Preferred Stock, 391,000 shares of Series B Convertible Preferred Stock and PIPE Warrants to purchase an aggregate of 255,895 shares of Common Stock. Upon conversion of the preferred stock and the warrants, the Company's Common Stock holders will experience dilution. We currently have 5,613,902 shares of Common Stock outstanding. Assuming full conversion of the preferred stock and the exercise of the PIPE Warrants, the number of shares of our Common Stock outstanding will increase 1,641,628 shares from 5,613,902 shares of Common Stock outstanding to 7,284,376 shares of Common Stock outstanding.

The rights of the holders of the Company's Common Stock will be subordinate to our creditors and to the holders of our preferred stock in a liquidation and the Series A Certificate of Designation contains certain covenants against the incurrence of indebtedness which could affect our business.

In connection with the transaction contemplated in this Current Report on Form 8-K, the Company issued three promissory notes in the aggregate principal amount of \$5,000,000 (which increased to \$6,000,000 as such promissory notes were not paid in full on or prior to September 30, 2014) and preferred stock and warrants. The promissory notes were scheduled to mature on September 30, 2014, but the holder of the notes agreed to extend the maturity date to March 31, 2015 in exchange for a fee of \$525,000.

Accordingly, the holders of Common Stock will rank junior to such indebtedness and to the liquidation rights of the holders of our Series A Convertible Preferred Stockholders as well as to other non-equity claims on us and our assets, including claims in our liquidation.

Additionally, the Series A Convertible Preferred Stock places restrictions on our ability to incur indebtedness or engage in any transactions, subject to the voting right referred to above in the description of the Series A Certificate of Designations for the Series A Convertible Preferred Stock.

The Company is required to pay dividends on its Series A Convertible Preferred Stock; if we fail to pay such dividends in cash and pay such dividends in shares of our Common Stock then the holders of our Common Stock will be further diluted.

The holders of Series A Convertible Preferred Stock are entitled to annual dividends at a rate of 8% based on a value of \$6.50 per share, payable quarterly commencing on January 31, 2015. If the Company fails to pay such dividends in cash and pays the holders of Series A Convertible Preferred Stock their annual dividends in stock, you will experience further dilution.

In July 2014, share of our common stock have been approved for uplisting to The NASDAQ Stock Market LLC.

Our common stock may be delisted from The NASDAQ Stock Market LLC if we fail to comply with continued listing standards.

Our common stock is currently traded on The NASDAQ Stock Market LLC under the symbol “MARA.” If we fail to meet any of the continued listing standards of The NASDAQ Stock Market LLC, our common stock could be delisted from The NASDAQ Stock Market LLC. These continued listing standards include specifically enumerated criteria, such as:

- a \$1.00 minimum closing bid price;
- stockholders’ equity of \$2.5 million;
- 500,000 shares of publicly-held common stock with a market value of at least \$1 million;
- 300 round-lot stockholders; and
- compliance with NASDAQ’s corporate governance requirements, as well as additional or more stringent criteria that may be applied in the exercise of NASDAQ’s discretionary authority.

We could fail in future financing efforts or be delisted from NASDAQ if we fail to receive stockholder approval when needed.

We are required under the NASDAQ rules to obtain stockholder approval for any issuance of additional equity securities that would comprise more than 20% of the total shares of our common stock outstanding before the issuance of such securities sold at a discount to the greater of book or market value in an offering that is not deemed to be a “public offering” by NASDAQ. Funding of our operations and acquisitions of assets may require issuance of additional equity securities that would comprise more than 20% of the total shares of our common stock outstanding, but we might not be successful in obtaining the required stockholder approval for such an issuance. If we are unable to obtain financing due to stockholder approval difficulties, such failure may have a material adverse effect on our ability to continue operations.

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

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

None.

Item 5. Other Information.

On September 16, 2014, the board of directors (the “Board”) of the Company approved and adopted, subject to shareholder approval on or prior to September 16, 2015, the Company’s 2014 Equity Incentive Plan (the “2014 Plan”). The 2014 Plan authorizes the issuance of up to an aggregate maximum of 1,500,000 shares of the Company’s common stock, subject to adjustment as described in the 2014 Plan. The 2014 Plan shall be administered by a committee appointed by the Board (the “Committee”), which shall consist of two or more directors who qualify as (i) “Independent Directors” (as such term is defined under the rules of The NASDAQ Stock Market LLC), (ii) “Non-Employee Directors” (as such term is defined in Rule 16b-3 of the Securities Exchange Act of 1934, as amended) and (iii) “Outside Directors” (as such term is defined in Section 162(m) of the United States Internal Revenue Code of 1986, as amended). The Committee, in its discretion, selects the individuals to whom awards may be granted, the time or times at which such awards are granted, and the terms of such awards. The 2014 Plan authorizes the Company to grant stock options, restricted stock, preferred stock, other stock based awards, and performance awards that may be denominated in stock or cash and may be paid in stock or cash. Awards may be granted to the Company’s directors, officers, consultants, advisors and employees. Unless earlier terminated by the Board, the 2014 Plan will terminate, and no further awards may be granted, after September 16, 2024.

Item 6. Exhibits.

10.1	Executive Employment Agreement by and between Marathon Patent Group, Inc. and Daniel Gelbtuch dated September 9, 2014 (Incorporated by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K, filed with the SEC on September 15, 2014)
10.2	Consulting Agreement by and between Marathon Patent Group, Inc. and GRQ Consultants, Inc. dated September 17, 2014 (Incorporated by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K, filed with the SEC on September 19, 2014)
10.3	Marathon Patent Group, Inc. 2014 Equity Incentive Plan, dated September 16, 2014 (Incorporated by reference to Exhibit 10.2 to the Company’s Current Report on Form 8-K, filed with the SEC on September 19, 2014)
10.4	Marathon Patent Group, Inc. 2014 Non-Employee Director Compensation Plan, as amended, dated September 16, 2014 (Incorporated by reference to Exhibit 10.3 to the Company’s Current Report on Form 8-K, filed with the SEC on September 19, 2014).
10.5	Patent Purchase Agreement by and between Marathon Patent Group, Inc., Clouding Corp. and Clouding IP, LLC dated August 29, 2014*
31.1	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
31.2	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
32.1	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*
32.2	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*
101.ins	XBRL Instance Document
101.sch	XBRL Taxonomy Schema Document
101.cal	XBRL Taxonomy Calculation Document
101.def	XBRL Taxonomy Definition Linkbase Document
101.lab	XBRL Taxonomy Label Linkbase Document
101.pre	XBRL Taxonomy Presentation Linkbase Document

* Filed herein

SIGNATURES

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

Date: November 12, 2014

MARATHON PATENT GROUP, INC.

By: /s/ Doug Croxall

Name: Doug Croxall

Title: Chief Executive Officer and Chairman

(Principal Executive Officer)

By: /s/ Francis Knuettel II

Name: Francis Knuettel II

Title: Chief Financial Officer

(Principal Financial and Accounting Officer)

PATENT PURCHASE AGREEMENT

This PATENT PURCHASE AGREEMENT (the “*Agreement*”) is entered into on August 29, 2014 (the “*Effective Date*”) by and between Clouding IP, LLC (f/k/a Stec IP, LLC), a Delaware limited liability company, of _____ (the “*Seller*”); Clouding Corp., a Delaware corporation, of _____ (the “*Purchaser*”) and Marathon Patent Group, Inc., a corporation organized under the laws of Nevada, with an address at _____ (“*Marathon*”) (each a “*Party*” and collectively the “*Parties*”). The Parties hereby agree as follows:

1. Background

- 1.1 Seller is the sole and exclusive owner of certain Patents (as defined in Section 2.5).
- 1.2 Seller wishes to sell to Purchaser all right, title and interest in the Patents and any and all rights associated therewith, including, for the avoidance of doubt and without limitation (i) the right to make, use and sell products under, and otherwise to practice, the Patents; (ii) the exclusive right to grant licenses to third parties under the Patents, including without limitation, licenses to make, use and sell products under, and otherwise to practice, the Patents; and (iii) exclusive enforcement rights under the Patents including, without limitation, the sole and exclusive rights to sue and to pursue damages, injunctive relief, and any other rights and remedies of any kind for past, current and future infringement of the Patents.
- 1.3 Purchaser wishes to purchase from Seller all right, title and interest in the Patents and any and all rights associated therewith, including, for the avoidance of doubt and without limitation (i) the right to make, use and sell products under, and otherwise to practice, the Patents; (ii) the exclusive right to grant licenses to third parties under the Patents, including without limitation, licenses to make, use and sell products under, and otherwise to practice, the Patents; and (iii) exclusive enforcement rights under the Patents including, without limitation, the sole and exclusive rights to sue and to pursue damages, injunctive relief, and any other rights and remedies of any kind for past, current and future infringement of the Patents.

2. Definitions

- 2.1 “*Affiliate*” means, with respect to any Person, any Entity in any country that controls, is controlled by or is under common control with such Person. The term “control” means possession directly or indirectly of the power to direct or cause the direction of the management and policies of an Entity, whether through the ownership of voting securities, by trust, management agreement, contract or otherwise; provided, however, that beneficial ownership of more than fifty percent (50%) of the voting equity interests of an entity shall be deemed to be control.
- 2.2 “*Assigned Patent Rights*” means all right, title and interest in the Patents and (a) all causes of action (whether currently pending, filed, or otherwise) and the exclusive enforcement rights under the Patents including, without limitation, the sole and exclusive rights to sue, to countersue and to pursue damages, injunctive relief, and any other remedies of any kind for past, current and future infringement; (b) all rights to recover and collect settlement arrangements, license payments (including lump sum payments), royalties and other payments due now or hereafter due or payable with respect thereto, under or on account of any of the Patents or any of the foregoing; (c) the right to practice the Patents, including without limitation, the right to make, use and sell products and services under the Patents; and (d) any and all rights related to the Patents and all of Seller’s rights therein.
- 2.3 “*Entity*” means any corporation, partnership, limited liability company, association, joint stock company, trust, joint venture, unincorporated organization, governmental entity (or any department, agency, or political subdivision thereof) or any other legal entity.
- 2.4 “*Executed Assignment*” means an executed original of the Patent Assignment Agreement in Exhibit 2.4.
- 2.5 “*Patents*” means each and all of the patents and patent applications listed on Exhibit 2.5 hereto.
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- 2.6 “**Person**” means any individual or Entity.
- 2.7 “**Symantec PPA**” means that Amended and Restated Patent Purchase Agreement dated as of August 11, 2014 with an effective date of February 28, 2012 by and between the Seller and Symantec Corporation.
- 2.8 For the purposes of Sections 3.4.1 and 3.4.2:

“**Cash**” shall mean cash and Cash Equivalents.

“**Cash Equivalents**” shall mean debt and/or equity securities (including, but not limited to stocks, warrants, options or ADRs) and/or any real or personal property, received by Purchaser, that is reducible to cash (net of taxes required to be paid by Purchaser on Seller’s portion in order to take possession of the same) but only at such time as such debt securities, equity securities, real or personal property have been converted to cash. Purchaser shall convert Cash Equivalents to cash as soon as commercially practical and legally permissible.

“**Net Revenues**” shall mean the gross (prior to any deductions for taxes) Cash compensation received by the Purchaser or any of its Affiliates in consideration for the licensing and/or enforcement by the Purchaser or any of its Affiliates of the Patents, in the form of Cash licensing fees and Cash litigation and settlement fees actually collected and retained by the Purchaser or any of its Affiliates from the Closing Date (as defined in Section 5.1), LESS (i) any contingency fee awards, hourly or contract rates, commissions, brokerage commissions, costs, expenses, bonuses, compensation, payments, reimbursements or any other sums (including, but not limited to, expert witness fees, deposition expenses, trial costs, document management charges or other similar fees, expenses or charges paid by Purchaser or any of its Affiliates to third parties who are legal counsel, outside contractors, experts, specialists, advisors, representatives or agents, in connection with the licensing and/or enforcement by the Purchaser or any of its Affiliates of the Patents and (ii) all amounts payable to Symantec Corporation under Section 3 of the Symantec PPA.

3. Document Delivery; Consideration and Reports

- 3.1 Document Delivery. As of the Effective Date, Seller shall send to Purchaser, via Federal Express or other reliable overnight delivery service or by hand delivery, the originals of the patent prosecution files and all other documents, communications and files (electronic or otherwise) relating to the Assigned Patent Rights in possession or control of Seller and its agents, counsel and related parties that pertain to the ownership, prosecution, maintenance and enforcement of the Patents, including, but not limited to those documents listed on the Document Request Form attached hereto as Exhibit 3.1 (collectively, the “**Documents**”) and, in addition, will sign the declaration attached to the Document Request Form as Attachment 1 or, alternatively, the declaration attached to the Document Request Form as Attachment 2.
- 3.2 Exclusivity. In consideration of the Purchaser’s due diligence investigation of the Patents, the Seller agrees that, during the period between the Effective Date and the Closing Date, Seller shall not discuss, negotiate or pursue with any third parties any offers or proposals with respect to or otherwise relating to any of the Patents.
- 3.3 Reserved.
- 3.4 Consideration for the Patents. In consideration for the Assigned Patent Rights and subject to the consummation of the Closing (as defined in Section 5.1), Seller shall be entitled to the following:
- 3.4.1 First and Second Cash Payments.
- (a) A non-refundable cash payment of One Million Four Hundred Thousand (\$1,400,000) payable upon Closing (the “**First Cash Payment**”).
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- (b) (i) An additional cash payment of One Million U.S. Dollars (\$1,000,000) payable on or before October 31, 2014, or, (ii) if not paid on or before October 31, 2014, One Million U.S. Dollars (\$1,000,000) plus Twenty-Five Thousand U.S. Dollars (\$25,000) for each month such payment is delayed (or *pro rata* portion thereof) until paid in full (the “**Second Cash Payment**”).
- (c) From Closing until the Second Cash Payment is paid in full (including for the avoidance of doubt, any payments owed as the result of delayed payment pursuant to Section 3.4.1(b)(ii) above), Purchaser shall pay to Seller one hundred percent (100%) of the escrowed Net Revenues, which payment(s) shall be made within thirty (30) calendar days after each calendar month (commencing with the calendar month ending August 31, 2014).

3.4.2. Possible Future Cash Payments. Within thirty (30) calendar days after each calendar quarter (commencing with the first full calendar quarter following the calendar quarter in which Net Revenues reach Four Million U.S. Dollars (\$4,000,000)) until the later of (i) the expiration of the last-to-expire of the Patents or (ii) the expiration of the right to assert any claim of any Patent, the Purchaser will pay to Seller or its assigns a portion of the Net Revenues, calculated as follows:

NR x fifty percent (50%), where NR = Net Revenues

3.4.3. Seller Acknowledgments. Seller acknowledges that (i) the obligations of Purchaser under this Agreement are contractual only and do not create any fiduciary or other relationship between them; (ii) any Net Revenues may be subject to and may be dependent on the provision of licenses, releases and covenants not to sue with respect to the Patents, and enforcement action, all as solely determined by Purchaser; and (iii) Purchaser has not represented that it will be successful in its efforts to monetize the Patents and, accordingly, makes no representation as to the value, if any, of the possible Net Revenues under Sections 3.4.1 and 3.4.2.

3.4.4 Equity Consideration. 25,000 restricted shares (the “**Shares**”) of common stock, par value \$0.0001 per share, of Marathon. Marathon shall issue a certificate evidencing the Shares within seven (7) calendar days of Closing. Shares will be included in any pending or upcoming registration statement.

3.5 Payment Procedures. All payments made by Purchaser pursuant to Sections 3.4.1 and 3.4.2 of this Agreement shall be made by wire transfer to the account identified in Exhibit 3.5.

3.6 Reports. Simultaneously with any wire transfer pursuant to Section 3.5, Purchaser will include a report detailing the payment amount and will provide such supporting documentation as may reasonably be requested by Seller (subject to appropriate and customary confidentiality obligations as may be required in order to disclose such documentation to Seller).

4. Transfer of Patents and Additional Rights

4.1 Assignment of Patents. Seller hereby sells, assigns, transfers and conveys to Purchaser all right, title and interest in and to the Assigned Patent Rights and at Closing will provide Purchaser with the Executed Assignment for the Assigned Patent Rights.

4.2 Additional Patents. Seller hereby represents and warrants to Purchaser that, to its knowledge, the Patents are all of the patents (including reissues, reexaminations, extensions, continuations, continuations in part, continuing prosecution applications, provisionals and divisionals) owned by Seller as of the Effective Date, that claim priority to any other Patent and all foreign counterparts of the foregoing owned by Seller as of the Effective Date. For the avoidance of doubt, Seller does not own US patent number 7,065,566 and such patent shall not be deemed to be a “Patent” for any purpose under this Agreement.

4.3 Non-Assumption of Liabilities. It is expressly understood and agreed that Purchaser shall not be liable for and hereby disclaims any assumption of any of the obligations, claims or liabilities of Seller and/or its Affiliates and/or of any third party of any kind or nature whatsoever arising from or in connection with any circumstances, causes of action, breach, violation, default or failure to perform with respect to the Assigned Patent Rights prior to the assignment and sale thereof to Purchaser.

4.4 No Retained Enforcement Rights. For the avoidance of doubt, as of the Closing Date, Seller shall not have any right of enforcement, including, without limitation, any rights to sue or to pursue damages, injunctive relief, or any other rights and remedies of any kind for past, current and future infringement of the Patents against any third party.

4.5 Privilege. To the extent assignable under applicable law and provided that such assignment or purported assignment will not compromise Seller's other attorney-client privilege and attorney work privileges or act as a general waiver of such privileges, Seller hereby assigns to Purchaser the right to assert any and all attorney-client privilege and attorney work privilege with respect to the Assigned Patent Rights but only with respect to matters involving third parties. Purchaser shall not claim or assert that Seller has waived the attorney-client privilege in or related to any claim, matter in dispute, or action between Seller and Purchaser under this Agreement or otherwise. Seller will not, without the consent of Purchaser, knowingly waive its attorney client or work product privilege with respect to matters related to the prosecution of the Patents. Purchaser shall, and shall have the right to, on behalf of Seller, assert the attorney-client or work-product privilege with respect to any matters related to the prosecution of the Patents to the extent of such privilege, and Purchaser shall not waive or purport to waive such privileges on behalf of Seller.

5. Closing; Closing Conditions; Additional Obligations

5.1 The closing of the purchase and sale of the Assigned Patent Rights (the "**Closing**") shall take place on or before August 29, 2014 (the "**Closing Date**") via the exchange of documents and signatures immediately following the execution of this Agreement.

5.1.1 Transactions at Closing. At the Closing, the following transactions shall occur, which transactions shall be deemed to take place simultaneously and no transaction shall be deemed to have been completed or any document delivered until all such transactions have been completed and all required documents delivered:

- (a) The Seller shall execute and deliver to Purchaser the Executed Assignment and a copy of any and all corporate approvals required by it in order to execute, deliver and perform this Agreement and the transactions contemplated hereunder.
- (b) Purchaser shall deliver to the Seller copies of resolutions of its Board of Directors approving, *inter alia*, the transactions contemplated hereunder and the issuance of the Shares.
- (c) Seller and Purchaser shall have entered into the Common Interest Agreement, in the form attached hereto as **Exhibit 5.1.1(c).**
- (d) Purchaser and IP Navigation Group LLC shall have entered into a Consulting Agreement, in the form attached hereto as **Exhibit 5.1.1(d).**
- (e) Purchaser shall deliver to Seller the First Cash Payment and an executed promissory note in connection with the Second Cash Payment, in the form attached hereto as **Exhibit 5.1.1(e).**
- (f) Marathon shall deliver to its transfer agent an instruction letter in the form attached hereto as **Exhibit 5.1.1(f)** for the issuance of the Shares.

5.2 The obligations of each Party to consummate the transactions contemplated hereby shall be subject to the satisfaction at or prior to the Closing of the following conditions, any of which may be waived in writing by the Party entitled to the benefit thereof, in whole or in part, to the extent permitted by the applicable law.

5.2.1

The obligation of Purchaser to consummate the Closing is subject to the following conditions:

- (a) Seller has delivered a copy of the relevant Documents listed in Section 3.1 to Purchaser and the respective declaration in respect therewith;
- (b) Seller shall have performed all of its obligations hereunder required to be performed by it at or prior to the Closing, including delivery of the executed agreements listed in Sections 5.1.1(a) and 5.1.1(c);
- (c) the representations and warranties of Seller contained in this Agreement shall be true at and as of the Closing, as if the Closing was substituted for the date in such representations and warranties;
- (d) the completion to the satisfaction of Purchaser of its financial, commercial, intellectual property and legal due diligence examination of the Assigned Patent Rights. In this regard Purchaser may terminate this Agreement and not consummate the Closing, at its sole discretion, based on the results of the Purchaser's due diligence examination of the Assigned Patent Rights or on any other matter;
- (e) all corporate and other proceedings in connection with the transactions contemplated by this Agreement shall have been performed by Seller, all documents and instruments incident to such transactions and reasonably requested by Purchaser shall be reasonably satisfactory in substance and form to Purchaser and its counsel, shall have been executed and Purchaser and its counsel shall have received counterpart originals or certified or other copies of such documents and instruments as Purchaser or its counsel may reasonably request;
- (f) Purchaser shall have received evidence, in form and substance reasonably satisfactory to it, that any and all approvals of governmental bodies and other third parties described in this Agreement or otherwise not described but required to have been obtained by Seller to consummate the transactions contemplated herein have been obtained;
- (g) Purchaser shall have obtained all necessary shareholder and regulatory approval in accordance with the Nevada Revised Statutes, the rules of the NASDAQ Stock Market LLC and federal securities laws for the issuance of the Shares hereunder; and
- (h) no temporary restraining order, preliminary or permanent injunction or other order (whether temporary, preliminary or permanent) issued by any court of competent jurisdiction, or other legal restraint or prohibition shall be in effect which prevents the consummation of the transactions contemplated herein, nor shall any proceeding brought by any governmental body seeking any of the foregoing be pending, and there shall not be any action taken, or any law, regulation or order enacted, entered, enforced or deemed applicable to the transactions contemplated herein illegal.

5.2.2

The obligation of Seller to consummate the Closing is subject to the following conditions:

- (a) Purchaser shall have performed all of its obligations hereunder required to be performed by it at or prior to the Closing, including delivery of the items described in Sections 5.1.1(a), 5.1.1(b), 5.1.1(c), 5.1.1(d), 5.1.1(e) and 5.1.1(f);
 - (b) the representations and warranties of Purchaser and Marathon (as applicable) contained in this Agreement shall be true at and as of the Closing, as if the Closing was substituted for the date in such representations and warranties;
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- (c) the completion to the satisfaction of Seller of its financial, commercial, intellectual property and legal due diligence examination of the Purchaser. In this regard Seller may terminate this Agreement and not consummate the Closing, at its sole discretion, based on the results of the Seller's due diligence examination of the Purchaser;
- (d) all corporate and other proceedings in connection with the transactions contemplated by this Agreement shall have been performed by Purchaser, all documents and instruments incident to such transactions and reasonably requested by Seller shall be reasonably satisfactory in substance and form to Seller and its counsel, shall have been executed and Seller and its counsel shall have received counterpart originals or certified or other copies of such documents and instruments as Seller or its counsel may reasonably request; and
- (e) no temporary restraining order, preliminary or permanent injunction or other order (whether temporary, preliminary or permanent) issued by any court of competent jurisdiction, or other legal restraint or prohibition shall be in effect which prevents the consummation of the transactions contemplated herein, nor shall any proceeding brought by any governmental body seeking any of the foregoing be pending, and there shall not be any action taken, or any law, regulation or order enacted, entered, enforced or deemed applicable to the transactions contemplated herein illegal.
- (f) Seller shall have received evidence, in form and substance reasonably satisfactory to it, that any and all approvals of governmental bodies and other third parties described in this Agreement or otherwise not described but required to have been obtained by Purchaser to consummate the transactions contemplated herein have been obtained.

5.2 Further Cooperation. At the reasonable request of Purchaser, Seller shall (i) provide such further assistance and cooperation as Purchaser may request from time to time in order to perfect or otherwise document Purchaser's ownership of the Assigned Patents Rights; (ii) and will execute and deliver such other instruments and do and perform such other acts and things as may be necessary or desirable for effecting completely the consummation of the transactions contemplated hereby, including execution, acknowledgment and recordation of other such papers for fully perfecting and conveying unto Purchaser the benefit of the transactions contemplated hereby.

5.3 Payment of Fees. All annuity and maintenance fees that are necessary in order to keep the Patents in force until the Closing Date have been paid by Seller. Purchaser shall have the sole responsibility for paying any maintenance fees, annuities, and the like due or payable on the Patents after the Closing Date.

5.4 Reimbursement of Expenses. Following the Closing and thereafter, as applicable and in an amount not to exceed an aggregate of Twenty-Five Thousand U.S. Dollars (\$25,000), Purchaser shall reimburse Seller for all reasonable invoiced attorneys' fees incurred by Seller in connection with the consummation of the transactions contemplated hereby. The foregoing shall not apply to acts or omissions of Seller, or obligations, claims or liabilities of Seller arising from or in connection with any circumstances, causes of action, breach, violation, default or failure to perform with respect to the Patents or the Assigned Patent Rights prior to the assignment and sale thereof to Purchaser.

6. Representations And Warranties Of Seller

Seller hereby represents and warrants to Purchaser as follows that, as of the Effective Date:

6.1 Authority. Seller has the full power and authority, and has obtained all third party consents, approvals or other authorizations required, to enter into this Agreement and to carry out its obligations hereunder, including, without limitation, the assignment of the Assigned Patent Rights to Purchaser. The execution and delivery of this Agreement and the related transaction documents and the consummation of the transactions contemplated hereby and thereby have been duly authorized by all necessary corporate actions on the part of Seller. This Agreement and the other transaction documents have been duly executed and delivered by Seller, and constitute legal, valid and binding obligations of Seller, enforceable in accordance with their terms.

- 6.2 Non-Contravention. Seller's execution, delivery, and performance of its obligations under this Agreement will not conflict with or violate the corporate documents of Seller or any laws to which Seller is subject, or any agreement or other obligation of Seller or binding upon Seller's assets or result in the creation or imposition of any mortgage, lien, charge, pledge, security interest, other encumbrance or third party right upon any of the Assigned Patent Rights.
- 6.3 Title and Contest. Seller owns all right, title, and interest to the Assigned Patent Rights, including all right, title, and interest to sue for infringement of the Patents. To the Seller's knowledge, the identity of all inventors of the inventions underlying the Patents has been fully disclosed to the U.S. Patent Office as required by U.S. law. The Assigned Patent Rights are free and clear of all liens, claims, mortgages and security interests. Except as set forth on Exhibit 6.3(a), there are no actions, suits, investigations, claims or proceedings threatened, pending or in progress relating in any way to the Assigned Patent Rights. Except as set forth on Exhibit 6.3(b), Seller is not obligated or under any liability whatsoever to make any payments by way of royalties, fees or otherwise to any owner or licensee of, or other claimant with respect to the use of any of the Assigned Patent Rights or subject matter disclosed and claimed in the Patents or in connection with the licensing or sale of any of the Assigned Patent Rights to third parties (the "**Third Party Payments**"). For the avoidance of doubt, in the event that Seller owes any Third Party Payments, such payments shall be borne out of Seller's share of the Net Revenues.
- 6.4 No Preexisting Licenses. Except as otherwise listed on Exhibit 6.4 (the "**Pre-Existing Licenses**"), no exclusive or to the Seller's knowledge non-exclusive licenses under the Patents or interest or rights in any of the Assigned Patent Rights have ever been granted.
- 6.5 Enforcement. Except as set forth on Exhibit 6.5, Seller has not (a) put a third party on notice of actual or potential infringement of any of the Patents; (b) invited any third party to enter into a license under any of the Patents; or (c) initiated any enforcement action with respect to any of the Patents.
- 6.6 Patent Office Proceedings. Except as set forth on Exhibit 6.6, to Seller's best knowledge, none of the Patents has been or is currently involved in any reexamination, reissue, interference proceeding, or any similar proceeding, or that any such proceedings are pending or threatened.
- 6.7 Prosecution Obligations; Fees. Except as set forth on Exhibit 6.7, (a) no actions must be taken by Seller before any governmental entity (including the United States Patent and Trademark Office or equivalent authority anywhere in the world) within ninety (90) days of the Closing Date with respect to any of the Assigned Patent Rights and (b) all maintenance fees, annuities, and the like due or payable on the Patents until the lapse of ninety (90) days following the Closing Date have been timely paid. For the avoidance of doubt, such timely payment includes payment of registration, maintenance, and renewal fees for which the fee payment window has opened even if the surcharge date is in the future.
- 6.8 Validity and Enforceability. Except as set forth on Exhibit 6.8, to Seller's knowledge, the Patents have never been found invalid or unenforceable for any reason in any administrative, arbitration, judicial or other proceeding, and there are no proceedings or actions before any governmental entity (including the United States Patent and Trademark Office or equivalent authority anywhere in the world) in which claims are or were raised relating to the validity, enforceability, scope, ownership or infringement of any of the Patents.
- 6.9 Compliance with Applicable Law. The Patents are currently in compliance with all legal requirements (including payment of filing, examination and maintenance fees and the filing of any necessary oaths, proofs of use or other documents) for maintaining, registering, filing, certifying or otherwise perfecting or recording such Patents.
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6.10 Representations and Warranties Relating to the Shares.

6.10.1 The Seller is acquiring the Shares for investment purposes only, for its own account, and not for the benefit of others, nor with any view to, or in connection with any distribution or public offering thereof within the meaning of the U.S. Securities Act of 1933 (the “*Securities Act*”).

6.10.2 The Seller understands that the Shares have not been registered under the Securities Act or any state securities law by reason of its issuance in a transaction which is exempt from the registration requirements of the Securities Act and such laws and the Shares must be held indefinitely unless subsequently registered under the Securities Act and such laws or a subsequent disposition thereof is exempt from registration under the applicable provisions of the Securities Act and such laws. The Seller acknowledges that certificates evidencing the Shares will contain a legend to the foregoing effect.

6.10.3 The Seller has sufficient knowledge and expertise in business and financial matters so as to enable it to analyze and evaluate the merits and risks of acquiring the Shares pursuant to the terms of this Agreement and is able to bear the economic risk of such acquisition, including a complete loss of its investment in the Shares.

6.10.4 The Seller acknowledges that it has made detailed inquiries concerning the Purchaser and its business, and that the officers of the Purchaser have made available to the Seller any and all written information which it has requested and have answered to the Seller’s satisfaction all inquiries made by the Seller.

6.10.5 The transactions provided for in this Agreement with respect to the Shares are not part of any pre-existing plan or arrangement for, and there is no agreement or other understanding with respect to, the distribution by the Seller of any of the Shares.

6.11 Disclaimer. Other than the express representations set forth above in this Section 6, Seller makes no express or implied warranty of any kind with respect to the Assigned Patent Rights and Seller disclaims all implied warranties of merchantability, fitness for a particular purpose, or non-infringement.

7.Representations And Warranties Of Purchaser

Purchaser hereby represents and warrants to Seller as follows that, as of the Effective Date:

7.1 Purchaser is a Delaware corporation.

7.2 Purchaser has the full power and authority, and has obtained all third party consents, approvals or other authorizations required, to enter into this Agreement and to carry out its obligations hereunder.

7.3 Purchaser’s execution, delivery, and performance of its obligations under this Agreement will not conflict with or violate any laws to which Purchaser is subject, or any agreement or other obligation directly or indirectly applicable to Purchaser or binding upon Purchaser’s assets.

7.4 Acknowledgement of Pre-Existing Licenses. By signing this Agreement, Purchaser, on behalf of itself, its Affiliates, and its and their successors and assigns of this Agreement or the Assigned Patent Rights, hereby acknowledges and consents in writing that all Pre-Existing Licenses and the terms and conditions thereof, shall remain in full force and effect, shall be binding on Purchaser and any successor, purchaser or assignee of Purchaser or the Assigned Patent Rights, and shall not be terminable by Purchaser. By signing this Agreement, Purchaser hereby consents in writing to be bound by each of the Pre-Existing Licenses and to similarly bind any further successor, purchaser or assignee of Purchaser and/or the Assigned Patent Rights.

7.5 Issue of the Shares. The issue of the Shares has been duly authorized by Marathon. The Shares, when issued and allotted in accordance with this Agreement: (a) will be duly authorized, validly issued, fully paid, non-assessable, and free of any preemptive rights, (b) will have the rights, preferences, privileges, and restrictions set forth in Marathon’s Certificate of Incorporation and By-laws, and (c) will be issued free and clear of any liens of any kind.

- 7.6 Filing. Marathon is currently in material compliance with all applicable laws, including securities laws. Marathon has timely filed all forms and reports required to be filed with the Securities Exchange Commission (the “**SEC**”) including, without limitation, all exhibits required to be filed therewith, and has made available to the Seller true, complete and correct copies of all of the same so filed (including any forms, reports and documents incorporated by reference therein or filed after the date hereof, the “**Marathon SEC Reports**”). For purposes hereof, such Marathon SEC Reports shall be deemed delivered to Seller via the SEC’s EDGAR database. At the time they were filed, the Marathon SEC Reports: (i) complied (or will comply when filed, as the case may be) in all material respects with the applicable requirements of the Securities Act and/or the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”) and the rules and regulations promulgated thereunder; (ii) complied (or will comply when filed as the case may be) with the Sarbanes-Oxley Act of 2002, and the rules and regulations promulgated thereunder, in each case applicable to such Marathon SEC Reports at the time they were filed; and (iii) did not (or, if later filed, amended or superseded, will not as of the date of such later filing) contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading.
- 7.7 Availability of Reports. Marathon has timely filed (or has been deemed to have timely filed pursuant to Rule 12b-25 under the Exchange Act) and made publicly available on the SEC’s EDGAR system, and the Seller may rely upon, all certifications and statements required by (i) Rule 13a-14 or Rule 15d-14 under the Exchange Act and (ii) Section 906 of the Sarbanes Oxley Act of 2002 with respect to any documents filed with the SEC. Since the most recent filing of such certifications and statements, there have been no significant changes in Buyer’s internal control over financial reporting (as such term is defined in Rule 13a-15(f) under the Exchange Act), or in other factors that could significantly affect its disclosure controls and procedures.

8. Miscellaneous

- 8.1 Indemnification. Purchaser shall indemnify and hold Seller and its Affiliates and each of their respective employees, agents, officers, directors and managers (collectively, the “**Seller Indemnified Parties**”) harmless with respect to any loss, expense, cost, damage and settlement (collectively, “**Seller Indemnified Expenses**”) caused to a Seller Indemnified Party as a result of Purchaser’s actions or omissions with respect to the Assigned Patent Rights following the Closing Date. In particular, in the event that Purchaser’s enforcement or other activities with the Assigned Patent Rights result in litigation or other dispute resolution processes with one or more third-party entities, with a Seller Indemnified Party being required to be involved (e.g., being added as a party to the process, even if such joinder is improper, or being subject to third party discovery requests), Purchaser shall, at Seller’s request, indemnify Seller all of the Seller Indemnified Expenses arising from that involvement, all except to the extent that the Seller Indemnified Expenses are due to acts or omissions of any of the Seller Indemnified Parties and/or obligations, claims or liabilities of any of the Seller Indemnified Parties of any kind or nature whatsoever arising from or in connection with any circumstances, causes of action, breach, violation, default or failure to perform with respect to the Patents prior to the assignment and sale thereof to Purchaser. Seller shall indemnify and hold Purchaser and its Affiliates and each of their respective employees, agents, officers, directors and managers (collectively, the “**Purchaser Indemnified Parties**”) harmless with respect to any undisclosed loss, expense, cost, damage and settlement (collectively, “**Purchaser Indemnified Expenses**”) caused to a Purchaser Indemnified Party as a result of Seller’s actions or omissions with respect to the Assigned Patent Rights prior to the Closing Date.
- 8.2 Compliance With Laws. Notwithstanding anything contained in this Agreement to the contrary, the obligations of the Parties will be subject to all laws, present and future, of any government having jurisdiction over the Parties and this transaction, and to orders, regulations, directions or requests of any such government.
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- 8.3 Assignment. This Agreement may be freely assigned (directly or indirectly) by either Party hereto provided that any transferee of such assigning Party agrees in writing to be bound by all of the assigning Party's obligations hereunder. Subject to the foregoing in this Section 8.3, this Agreement shall be binding upon and inure to the benefit of the Parties hereto and their respective successors and assigns. Any attempted assignment in violation of this Section 8.3 shall be void.
- 8.4 Confidentiality of Terms. The Parties hereto will keep the terms of this Agreement and will not now or hereafter divulge any of this information to any third party except as follows: (a) with the prior written consent of the other Party; (b) subject to obligations of confidentiality and/or privilege at least as stringent as those contained herein, to a Party's legal and financial counsel and other professional advisors, in their capacity of advising a Party in such matters; (c) subject to obligations of confidentiality and/or privilege at least as stringent as those contained herein, to a counterparty engaged in due diligence in connection with a proposed merger, acquisition, reorganization, or financing of all or substantially of a Party's assets or equity or in connection with a proposed sale or exclusive license of the Assigned Patent Rights, as applicable; (d) by Purchaser, in order to perfect Purchaser's interest in the Assigned Patent Rights with any governmental patent office (including, without limitation, recording the Executed Assignment in any governmental patent office); (e) to enforce Purchaser's right, title and interest in and to the Assigned Patent Rights; (f) for the purposes of disclosure in connection with the Securities and Exchange Act of 1934, as amended, the Securities Act of 1933, as amended, and any other reports filed with the Securities and Exchange Commission, or any other filings, reports or disclosures that may be required under applicable laws or regulations; (g) to any governmental body having jurisdiction and specifically requiring such disclosure; or (h) as required during the course of litigation and subject to a protective order with a confidentiality designation of "Outside Attorneys' Eyes Only" or higher; provided that, in (g) and (h) above, (i) the disclosing party will use all legitimate and legal means available to minimize the disclosure to third parties, including, without limitation, seeking a confidential treatment request or protective order whenever appropriate or available; and (ii) the disclosing Party will provide the other Party with at least ten (10) days' prior written notice of such disclosure. Notwithstanding anything to the contrary in this Section 8.3, following the Closing, each Party and IP Navigation Group, LLC is entitled to issue the press release substantially in the form attached hereto as Exhibit 8.4.
- 8.5 Governing Law; Forum. This Agreement, its performance and interpretation shall be governed by the substantive law of the State of Delaware, USA, exclusive of its choice of law rules. The competent courts and tribunals situated in Wilmington, State of Delaware, USA shall have sole and exclusive jurisdiction in any dispute or controversy arising out of or relating to this Agreement.
- 8.6 Notices. All notices given hereunder will be given in writing, will refer to this Agreement and will be: (i) personally delivered, (ii) delivered prepaid by an internationally recognized express courier service, or (iii) sent postage prepaid registered or certified U.S. mail (return receipt requested) to the address set forth below:

If to Seller	If to Purchaser
Clouding IP, LLC	Clouding Corp.
Tel:	Tel:
Fax:	Fax:
Email:	Attn:
Attn:	

Notices are deemed given on (a) the date of receipt if delivered personally or by express courier (or if delivery refused, the date of refusal), or (b) the fifth (5th) calendar day after the date of posting if sent by US mail. Notice given in any other manner will be deemed to have been given only if and when received at the address of the Person to be notified. Either Party may from time to time change its address for notices under this Agreement by giving the other Party written notice of such change in accordance with this Section.

- 8.7 Relationship of Parties. The Parties are independent contractors and not partners, joint venturers, or agents of the other. Neither Party assumes any liability of or has any authority to bind, or control the activities of, the other.
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- 8.8 Severability. If any provision of this Agreement is found to be invalid or unenforceable, then the remainder of this Agreement will have full force and effect, and the invalid provision will be modified, or partially enforced, to the maximum extent permitted to effectuate its original objective.
- 8.9 Waiver. Failure by either Party to enforce any term of this Agreement will not be deemed a waiver of future enforcement of that or any other term in this Agreement or any other agreement that may be in place between the Parties.
- 8.10 Miscellaneous. This Agreement, including its exhibits, constitutes the entire agreement between the Parties with respect to the subject matter hereof, and merges and supersedes all prior and contemporaneous agreements, understandings, negotiations and discussions. Neither of the Parties will be bound by any conditions, definitions, warranties, obligations (including obligations to prosecute any of the Patents), understandings, or representations with respect to the subject matter hereof other than as expressly provided herein. The section headings contained in this Agreement are for reference purposes only and will not affect in any way the meaning or interpretation of this Agreement. No oral explanation or oral information by either Party hereto will alter the meaning or interpretation of this Agreement. No amendments or modifications will be effective unless in writing and signed by authorized representatives of both Parties. The Exhibits referenced herein and attached hereto are incorporated into this Agreement as though fully set forth herein.
- 8.11 Counterparts; Electronic Signature. This Agreement may be executed in counterparts, each of which will be deemed an original, and all of which together constitute one and the same instrument. Each Party will execute and deliver to the other Party a copy of this Agreement bearing its original signature. Prior to such execution and delivery, in order to expedite the process of entering into this Agreement, the Parties acknowledge that Transmitted Copies of this Agreement will be deemed original documents. ***“Transmitted Copies”*** means copies that are reproduced or transmitted via email of a .pdf file, photocopy, facsimile or other process of complete and accurate reproduction and transmission.
- 8.12 Limitation of Liability. NEITHER PARTY’S TOTAL LIABILITY UNDER THIS AGREEMENT WILL EXCEED AMOUNT OF THE CASH CONSIDERATION PAID BY PURCHASER TO SELLER UNDER THIS AGREEMENT PROVIDED, THAT THE FOREGOING CAP ON LIABILITY SHALL NOT APPLY TO (i) PURCHASER’S OBLIGATIONS UNDER SECTION 8.1 (“INDEMNIFICATION”), OR (ii) TO ANY PAYMENT OF NET REVENUES WHICH IS OR MAY BECOME (BUT ONLY AT SUCH TIME AS IT BECOMES) DUE AND OWING TO SELLER IN ACCORDANCE WITH THIS AGREEMENT, FOR WHICH THE LIABILITY CAP SHALL BE THE MAXIMUM AMOUNT THAT IS OR MAY BECOME (BUT ONLY AT SUCH TIME AS IT BECOMES) DUE AND OWING TO SELLER IN ACCORDANCE WITH THIS AGREEMENT.
- 8.13 Limitation on Consequential Damages. NEITHER PARTY WILL HAVE ANY OBLIGATION OR LIABILITY (WHETHER IN CONTRACT, WARRANTY, TORT (INCLUDING NEGLIGENCE) OR OTHERWISE, AND NOTWITHSTANDING ANY FAULT, NEGLIGENCE (WHETHER ACTIVE, PASSIVE OR IMPUTED), REPRESENTATION, STRICT LIABILITY OR PRODUCT LIABILITY), FOR COVER OR FOR ANY INCIDENTAL, INDIRECT OR CONSEQUENTIAL DAMAGES OR LOSS OF REVENUE, PROFIT, SAVINGS OR BUSINESS ARISING FROM OR OTHERWISE RELATED TO THIS AGREEMENT, EVEN IF A PARTY OR ITS EMPLOYEES HAVE BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.
-

In witness whereof, the Parties have caused this Patent Purchase Agreement to be executed as of the Effective Date by their respective duly authorized representatives.

CLOUDING IP, LLC

By: /s/ William R. Carter, Jr.

Name: William R. Carter, Jr.

Title: Manager

CLOUDING CORP.

By: /s/ Doug Croxall

Name: Doug Croxall

Title: CEO

MARATHON PATENT GROUP, INC.

By: /s/ Doug Croxall

Name: Doug Croxall

Title: CEO

Exhibit 2.4

Patent Assignment Agreement

This Assignment Agreement (the "Agreement") is made and entered into this 29th day of August, 2014 (the "Effective Date"), by and between Clouding IP, LLC (f/k/a Stec IP, LLC), a Delaware limited liability company, of ____ (the "**Assignor**"); and Clouding Corp., a Delaware corporation, of _____ (the "**Assignee**")(together, the "**Parties**").

RECITALS

A. Assignor is the owner of (select as appropriate):

☐ the United States Patents set forth on Appendix A hereto (the "US Patents");

☐ the non-United States patents set forth on Appendix B hereto (the "Foreign Patents");

☐ the United States patent applications set forth on Appendix C hereto (the "US Patent Applications");

☐ the United States provisional patent applications set forth on Appendix D hereto (the "US Provisional Patent Applications"); and/or

☐ the foreign patent applications set forth on Appendix E hereto (the "Foreign Patent Applications");

which collectively shall be referred to herein as the "Patents".

B. Assignor and Assignee have agreed by way of a purchase agreement (the "Purchase Agreement") dated August 29, 2014, by and between Assignor and Assignee, the terms of which are incorporated herein by reference, that Assignor shall sell, transfer, and assign and set over unto Assignee and Assignee shall accept, all rights, title and interest in and to the Patents as specified in this Agreement. In the event of any conflict between the terms of this Patent Assignment Agreement and the referenced Purchase Agreement, the terms of the Purchase Agreement shall prevail.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing premises, and the covenants and agreements in this Assignment, Assignor and Assignee agree as follows:

1. Assignor does hereby sell, transfer, convey, assign and deliver to Assignee all of Assignor's right, privilege, title and interest in, to and under the Patents and in the case of patent applications in and to any patents that may issue therefrom, including, in all instances, any counterparts of any of the foregoing in any jurisdiction throughout the world, and any and all divisions, continuations, reissues or reexaminations of any of the foregoing, and, further, all applications for industrial property protection, including without limitation, all applications for patents, utility models, copyright, and designs which may hereafter be filed for any inventions described in said Patents in any country or countries, together with the right to file such applications and the right to claim for the same the priority rights derived from the inventions and the Patents under the laws of the United States, the International Convention for the Protection of Industrial Property, or any other international agreement or the domestic laws of the country in which any such application is filed, as may be applicable, in each instance the same to be held by Assignee for Assignee's own use and enjoyment, and for the use and enjoyment of Assignee's successors, assigns and other legal representatives, as fully and entirely as the same would have been held and enjoyed by Assignor if this Assignment and sale had not been made; together with all claims for damages, royalties, income or other remuneration (hereinafter "Damages") by reason of past, present and future infringements of the Patents or other rights being assigned hereunder, along with the right to sue for and collect such Damages for the use and benefit of Assignee and its successors, assigns and other legal representatives.

2. Insofar as this assignment concerns European patents and patent applications, Assignor does hereby declare that it is the owner of said Patents and that Assignor has assigned same, along with all rights and duties appurtenant thereto, to Assignee and agree that the assignment will be recorded in the register with the European Patent Office; and Assignee hereby declares that Assignee has agreed to the assignment of the aforementioned Patents to it and that Assignee will simultaneously apply for recording of the assignment in the register with the European Patent Office.

3. Assignor hereby authorizes and requests the Commissioner for Patents of the United States, and any officer of any country or countries foreign to the United States, whose duty it is to issue patents or other evidence or forms of intellectual property protection or applications as aforesaid, to issue the same to Assignee and its successors, assigns and other legal representatives in accordance with the terms of this instrument.

4. Assignor agrees that, whenever reasonably requested by Assignee, Assignor will execute all papers, take all rightful oaths, and do all acts which may be reasonably necessary for securing and maintaining the Patents in any country and for vesting title thereto in Assignee, its successors, assigns and legal representatives or nominees.

5. Assignor authorizes and empowers Assignee, its successors, assigns and legal representatives or nominees, to invoke and claim for any application for patent or other form of protection for the inventions, the benefit of the right of priority provided by the International Convention for the Protection of Industrial Property, as amended, or by any convention which may henceforth be substituted for it, or any other international agreement or the domestic laws of the country in which any such application is filed, as may be applicable, and to invoke and claim such right of priority without further written or oral authorization from Assignor.

6. Assignor hereby acknowledges and agrees that all of the rights, title and interest in and to the Patents sold, transferred, assigned and set over to Assignee hereunder include all income, royalties, damages and payments now or hereafter due or payable with respect thereto, and all causes of action (whether in law or equity) and the right to sue, counterclaim, and recover for the past, present and future infringement of the rights assigned or to be assigned hereunder.

7. Assignor hereby consents that a copy of this Agreement shall be deemed a full legal and formal equivalent of any assignment, consent to file or like document that may be required in any country for any purpose and more particularly in proof of the right of Assignee or nominee to claim the aforesaid benefit of the right of priority provided by the International Convention for the Protection of Industrial Property, as amended, or by any convention which may henceforth be substituted for it.

IN WITNESS WHEREOF, the Parties have executed this Assignment on the Effective Date written at _____.

Assignor: _____

By: _____

Name: _____

Title: _____

Assignee: _____

By: _____

Name: _____

Title: _____

APPENDIX B

TO ASSIGNMENT AGREEMENT

Title

Patent Number

Issue Date

APPENDIX C

TO ASSIGNMENT AGREEMENT

Title

Application Number**Filing Date**

APPENDIX D

TO ASSIGNMENT AGREEMENT

Title	Application Number	Filing Date	Inventor(s)

APPENDIX E

TO ASSIGNMENT AGREEMENT

Title

Application Number**Filing Date**

Exhibit 2.5

The Patents

US Patent No.: 5,495,607
US Patent No.: 5,678,042
US Patent No.: 5,944,782
US Patent No.: 6,574,657
US Patent No.: 6,738,799
US Patent No.: 7,596,784
US Patent No.: 2009/0210356
US Patent No.: 6,963,908
US Patent No.: 7,237,023
US Patent No.: 6,925,481
US Patent No.: 5,832,522
US Patent No.: 5,825,891
US Patent No.: 6,021,408
US Patent No.: 5,819,296
US Patent No.: 5,944,839
US Patent No.: 6,029,246
US Patent No.: 5,978,805
US Patent No.: 6,269,382
US Patent No.: 6,654,746
US Patent No.: 7,065,637
US Patent No.: 6,631,449
US Patent No.: 6,662,310
US Patent No.: 7,231,659
US Patent No.: 7,292,585
US Patent No.: 7,032,089
US Patent No.: 7,917,902
US Patent No.: 7,600,014
US Patent No.: 5,537,585
US Patent No.: 6,918,014
US Patent No.: 7,032,011
US Patent No.: 7,254,621
US Patent No.: 7,272,708
US Patent No.: 7,571,290
US Patent No.: 7,634,563
US Patent No.: 7,836,292
US Patent No.: 8,032,626
US Patent No.: 6,630,946
US Patent No.: 5,873,103
US Patent No.: 7,082,521
US Patent No.: 7,653,059
US Patent No.: 7,467,194
US Patent No.: 7,764,681
US Patent No.: 7,036,006
US Patent No.: 7,278,142
US Patent No.: 7,457,944
US Patent No.: 7,496,920
US Patent No.: 7,702,892
US Application No.: 12/277,038
U.S. Patent App. No. 08/586,231
U.S. Patent App. No. 10/326,682
U.S. Patent App. No. 10/609,971
U.S. Patent App. No. 12/391,509

U.S. Patent App. No. 12/946,448
U.S. Patent App. No. 60/017,750
U.S. Patent App. No. 60/192,860
U.S. Patent App. No. 60/228,105
U.S. Patent App. No. 60/232,052
U.S. Patent App. No. 60/238,774
U.S. Patent App. No. 60/249,134
U.S. Patent App. No. 60/309,203
U.S. Patent App. No. 08/950,384

S07-5012 CN pending
S07-5012 EP pending
S07-5012 JP pending
99703190000 CA
99703190000 EP
99703190000 FR
99703190000 DE
99703190000 GB
199703310000 CA
199703310000 FR
199703310000 DE
199703310000 GB
WO PCT/US1994/012972
WO PCT/US1997/000667
WO PCT/US1998/002061
WO PCT/US1998/004656
WO PCT/US2000/011850
WO PCT/US2000/012048
WO PCT/US2002/009103
WO PCT/US2002/024340
AU 1997017487
EP 0729618
JP 1995-514506
AU 1995010936
AU 2002254364
AU 693868
CA 2183973
DE 69513956.8
EP 0746819
FR 0746819
GB 0746819
IT 0746819
JP 3786955
WO PCT/US1995/001660
EP1004069

Exhibit 3.1

Document Request Form

August 29, 2014

Clouding Corp.

Attn: _____

Re: Documents related to the Patents as Listed on Exhibit 2.5 to the Patent Purchase Agreement between Clouding Corp. and Clouding IP, LLC.

Dear Mr. Croxall

Reference is made to the proposed purchase agreement ("Agreement") between Clouding Corp. ("Purchaser") and Clouding IP, LLC ("Seller"). Defined terms used in this letter are as defined in the Agreement. Purchaser has requested, pursuant to Section 3.1 of the Agreement that Seller deliver the Documents and/or confirm to Purchaser that there are no other Documents in the custody or control of Seller, its agents, counsel or related parties.

"Documents" is defined in Section 3.1 of the Agreement as "the originals of the patent prosecution files and all other documents, communications and files (electronic or otherwise) relating to the Assigned Patent Rights in possession or control of Seller and its agents, counsel and related parties that pertain to the ownership, prosecution, maintenance and enforcement of the Patents." For purposes of clarification only, and without derogating from the definition set forth in Section 3.1, below is a non-exclusive list of documents that fall within this description. Pursuant to Section 3.1, Purchaser requests that Seller conduct a thorough and diligent search for all Documents in its custody or control, and that of its agents, counsel or related parties, including, but not limited to, such Documents which are listed below.

1. File histories including

a. Prosecution file history for the Patents listed in Exhibit 2.5 of the Agreement ("Patents"), including:

- i. File histories of any Patent including current owner of record, jurisdiction where the application/registration is located; and any application number
 - ii. File histories of any parent, child or other related patents/applications (i.e. those that claim priority to any Patent or that any Patent either claims priority to and/or incorporates by reference) – regardless of whether they are listed in Exhibit A of the Agreement and regardless of whether the related patents are abandoned or alive
 - iii. All communications with, by and to prosecution counsel or agent with respect to the Patents
 - iv. File-stamped copies of all assignment records for all Patents (including copies of all supporting documentation)
 - b. Any prior art references that have been retained in the files or are otherwise known, including whether there are facts, information, or circumstances that would constitute prior art, that would render any of the Patents invalid or unenforceable, or would have a material adverse effect on any pending application for any Patent.
 - c. Pre-filing documents such as:
 - i. Invention disclosure records
 - ii. Inventor notebooks
 - iii. Memos, notes, letters, emails etc. requesting that a patent application be prepared
 - iv. Memos, notes, letters, emails etc. discussing the decision of whether to file a patent application
-

- v. Memos, notes, letters, emails etc. discussing or describing any products that the proposed invention relates to
 - vi. Documents, including without limitation any memos, notes, letters, emails, presentations, etc. related to or arising from any efforts to create products based on the proposed inventions, relating to the design, development, marketing, sale, offers for sale, public disclosure, or ownership of the products, the proposed inventions and/or patents, including any agreements with third parties (e.g. joint development (or similar) agreements or non-disclosure agreements).
 - d. Post-issuance documents such as:
 - i. Ribbon copies of the Patents
 - ii. Certificates of correction and related documents (notes, memos etc related to requests for correction)
 - iii. Re-examinations; reissues; post grant review/challenges
 - e. Memos regarding payment of maintenance fees and/or annuities (including recommendations of whether or not to pay maintenance fees)
- 2. Any agreements granting any rights under the Patents (including without limitation any licenses, releases, covenants not to sue or any other grant or right) related to or arising from the Patents and applications (including the related patents and applications described in 1.a.i.)
- 3. Any documents discussing enforcement, threatened enforcement, investigation of infringement, licensing (including all offers to license), liens or charges, valuation, granting any rights under any of the claims of the acquired patents (including releases, covenants not to sue or any other grant or right) or other monetization related to or arising from the Patents (regardless of whether they are listed in Exhibit A as described in 1.a.ii. above) including:
 - a. Documents that relate in any way to an evaluation of the Patents including without limitation documents that relate to strengths, weaknesses etc. of the enforceability and/or validity of the patents, infringement and/or non-infringement of any specific entity or by industries in general
 - b. Documents that relate to the enforceability of the Patents
 - c. Documents that related to the validity of the Patents
 - d. Documents that either are, or discuss a damages analysis regarding any of the Patents
- 4. Any documents related to marking of patented articles including articles made by Seller that were or should have been marked, and marking requirements (including steps taken to enforce marking requirements) in any agreements identified pursuant to request 2 above
- 5. Assignments of the Patents (regardless of whether they are listed in Exhibit 2.5 as described in 1.a.ii. above)
- 6. Any documents relating to governmental incentives or other programs relating to the technology underlying the Patents.
- 7. Names of law firms and/or individual lawyers involved in any of the Patents so that the privileged nature of any produced documents can be determined
- 8. Documents related to each named inventor of the Patents including:
 - a. Employment agreements with each inventor
 - b. Patent Assignments signed by each inventor
 - c. Invention Assignments signed by each inventor
 - d. Employment/HR records of each inventor
 - e. Separation agreements signed by any inventor
- 9. A list of any actions that must be taken by the Purchaser within ninety (90) days of the anticipated closing date with respect to the Patents, including the payment of any registration, maintenance or renewal fees or the filing of any documents, applications or certificates.
- 10. A list of any proceedings or actions before any governmental entity (including the United States Patent and Trademark Office or equivalent authority anywhere in the world) in which claims are being or were raised relating to the validity, enforceability, scope, ownership or infringement of any of the Patents
- 11. Confirmation in writing that with respect to each Patent, it is currently in compliance with the legal requirements (including payment of filing, examination and maintenance fees and filing of any necessary oaths, proofs of use or other documents) for maintaining, registering, filing, certifying or otherwise perfecting or recording the same with or by such governmental entity, and, if not, the steps required to bring such item into compliance with same

Seller is further requested to execute the applicable declaration (either Attachment 1 or 2 hereto) and return the executed copy to Purchaser.

Regards,

Attachment 1

DECLARATION

Seller has conducted a thorough and diligent search for all Documents in its custody or control and the custody and control of its agents, counsel and related parties, and hereby delivers those documents to Purchaser. Seller asserts that there are no Documents that remain in its custody or control, or in the custody or control of its agents, counsel and/or related parties.

Clouding IP, LLC

A Delaware company

By: _____

Name: _____

Title: _____

Date: _____

Address: _____

Attachment 2

DECLARATION

Seller has conducted a thorough and diligent search for all Documents in its custody or control as well as the custody or control of its agents, counsel or related parties, and confirms no such Documents exist.

Clouding IP, LLC

A Delaware company

By: _____

Name: _____

Title: _____

Date: _____

Address: _____

Exhibit 3.5

Account Details

Exhibit 5.1.1(c)

Common Interest Agreement

THIS COMMON INTEREST AGREEMENT ("**Agreement**") is entered into as of August 29, 2014 by and between Clouding IP, LLC a Delaware limited liability company, of _____ ("**Company**"),

Clouding Corp., a Delaware corporation, of _____ (the "**Purchaser**") and IP Navigation Group, LLC ("**IPNAV**"), having its principal offices at _____.

privilege, the work product doctrine, or other applicable privilege or immunity with respect to the Patent Matters. Any counsel or consultant retained by a party or their counsel to assist in the Patent Matters shall be bound by, and entitled to the benefits of, this Agreement.

1. Background.

1.1 Purchaser, Company and IPNAV are sometimes referred to herein as a "**party**" or the "**parties**" and are presently negotiating the closing of an agreement under which IPNAV will act as the worldwide intellectual property enforcement and licensing agent of Purchaser in connection with certain patents and other intellectual property rights acquired by Purchaser from the Company (the "Patent Rights," and matters related to the Patent Rights, the "Patent Matters").

1.2 The parties have a common legal interest in upholding the validity and enforceability of the IP Rights, for purposes of enforcement. The parties anticipate they will enforce inherent rights of the IP Rights against third parties through litigation. The parties have agreed to treat their communications and those of their counsel relating to the Patent Matters as protected by the common interest doctrine. Furtherance of the Patent Matters requires the exchange of proprietary documents and information, the joint development of legal strategies and the exchange of privileged information and attorney work product developed by the parties and their respective counsel.

2. Common Interest.

2.1 The parties have a common, joint and mutual legal interest in the monetization of valid and enforceable patents. In furtherance of that common interest, the parties will cooperate with each other, to the extent permitted by law, to share information protected by the attorney-client

2.2 In order to further their common interest, the parties and their counsel may exchange privileged and work product information, orally and in writing, including, without limitation, factual analyses, mental impressions, legal memoranda, source materials, draft legal documents, evidence of use materials, claims charts, prosecution history files and other information (hereinafter "**Common Interest Materials**"). The sole purpose of the exchange of the Common Interest Materials is to support the parties' common interest with respect to the enforcement for the Patent Matters. Any Common Interest Materials exchanged shall continue to be protected under all applicable privileges and no such exchange shall constitute a waiver of any applicable privilege or protection. Nothing in this Agreement requires a party to share information with any other party.

3. Nondisclosure.

3.1 The parties and their counsel shall use the Common Interest Materials solely in connection with the Patent Matters and shall take appropriate steps to protect the privileged and confidential nature of the Common Interest Material. No party nor their respective counsel shall produce privileged documents or information unless or until directed to do so by a final order of a court of competent jurisdiction, or upon the prior written consent of the other parties. No privilege or objection shall be waived by a party hereunder without the prior written consent of the other parties.

3.2 Except as herein provided, in the event that any party or its counsel is requested or required in the context of a litigation, governmental, judicial or regulatory investigation or other similar proceedings (by oral questions, interrogatories, requests for information or documents, subpoenas, civil investigative demands or similar

process) to disclose any Common Interest Materials, the party or its counsel shall assert all applicable privileges, including, without limitation, the common interest doctrine, and shall immediately inform the other party and the other party's counsel of the request or requirement to disclose.

4. Relationship; Additions; Termination.

4.1 This Agreement does not create any agency or similar relationship among the parties. Through the term of the agreement between the parties, or any other agreement requiring confidentiality, (whichever term is longer), no party nor their respective counsel has the authority to waive any applicable privilege or doctrine on behalf of any other party.

4.2 Nothing in this Agreement affects the separate and independent representation of each party by its respective counsel or creates an attorney-client relationship between the counsel for a party and the other parties to this Agreement.

4.3 This Agreement shall continue until terminated upon the written request of one of the parties. Upon termination, each party and their respective counsel shall return any Common Interest Material furnished by the other parties. Notwithstanding termination, this Agreement shall continue to protect all Common Interest Materials disclosed prior to termination. Sections 3 and 5 shall survive termination of this Agreement.

5. General Terms.

5.1 This Agreement is governed by the laws of the State of Delaware, without regard to its choice of law principles to the contrary. In the event any provision of the Agreement is held by any court of competent jurisdiction to be illegal, void or unenforceable, the remaining terms shall remain in effect. Failure of either party to enforce any provision of this Agreement shall not be deemed a waiver of future enforcement of that or any other provision.

5.2 The parties agree that a breach of this Agreement would result in irreparable injury, that money damages would not be a sufficient remedy and that the disclosing party shall be entitled to equitable relief, including injunctive relief, as a non-exclusive remedy for any such breach.

5.3 Notices given under this Agreement shall be given in writing and delivered by messenger or overnight delivery service as set forth below, and shall be deemed to have been given on the day received:

In case of Purchaser:

In case of the Company:

[_____]
[_____]
[_____]

c/o _____

Email: _____

In case of IPNAV:

5.4 No party may assign its rights, obligations or liabilities under this Agreement without the prior written consent of the other parties, such consent not to be unreasonably withheld; provided, however, that any party may assign this Agreement to an Affiliate upon providing prior written notice to the other party. "Affiliate" means a Person, which, directly or indirectly, owns or controls, is owned or is controlled by or is under common ownership or control with, another Person. As used herein, "control" means the power to direct the management or affairs of an entity, and "ownership" means the beneficial ownership of 50% or more of the voting equity securities or other equivalent voting interests of the Person. "Person" means an individual, partnership, corporation, limited liability company, business trust, joint stock company, trust, unincorporated association, joint venture,

firm or other entity, or a government or any political subdivision or agency, department or instrumentality thereof or any trustee, receiver, custodian or similar official.

5.5 This Agreement is effective and binding upon each party as of the date it is signed by or on behalf of a party and may be amended only by a writing signed by or on behalf of each party. This Agreement may be executed in counterparts. Any signature reproduced or transmitted via email of a .pdf file, photocopy, facsimile or other process of complete and accurate reproduction and transmission shall be considered an original for purposes of this Agreement.

The remainder of this page has been intentionally left blank.

IN WITNESS WHEREOF, the Company, Purchaser and IPNAV have executed this Agreement by their duly authorized representatives.

IP NAVIGATION GROUP, LLC

By: _____
(Signature)

Name: _____

Title: _____

CLOUDING CORP.

By: _____
(Signature)

Name: _____

Title: _____

CLOUDING IP, LLC

By: _____

Name: _____

Title: _____

Exhibit 5.1.1(d)

Consulting Agreement

Exhibit 5.1.1(e)

Promissory Note

Exhibit 5.1.1(f)

Transfer Agent Instructions

Exhibit 6.3(a)

Pending Actions

Clouding IP, LLC v. Google, Inc., CA No. 12-639-LPS, and Coordinated Cases (Case Nos. C.A. No. 12-641-LPS; C.A. No. 12-675-LPS; C.A. No. 12-1338-LPS; C.A. No. C.A. No. 13-1341-LPS; C.A. No. 13-1342-LPS; C.A. No. 13-1453-LPS; C.A. No. 13-1454-LPS; C.A. No. 13-1455-LPS; C.A. No. 13-1456-LPS; and C.A. No. 13-1458-LPS) (Motion for Reconsideration of Dismissal for Lack of Standing Filed August 11, 2014).

Exhibit 6.3(b)

Third Party Payments

See §3 of the Symantec PPA.

Exhibit 6.4

Pre-Existing Licenses

Licensor	Licensee	Agreement Type	Date
Symantec Corporation	International Business Machines	Patent License Agreement	01/01/1997
Symantec Corporation	Trend Micro Incorporated	Confidential Patent Cross-License	04/06/1998
Symantec Corporation	Crossroads	Patent License Agreement	UNKNOWN
Symantec Corporation	Open Invention Network, LLC	License	03/24/2001
Symantec Corporation	Verisign, Inc.	License	08/09/2010
Clouding IP, LLC (f/k/a Stec IP, LLC)	Symantec Corporation	License	02/28/2012
Clouding IP, LLC (f/k/a Stec IP, LLC)	Apple Inc.	Settlement and License Agreement	01/08/2013
Clouding IP, LLC	Microsoft Corporation	Settlement and License Agreement	11/12/2012
Clouding IP, LLC	Oracle Corporation	Confidential Settlement Agreement	07/11/2013
Clouding IP, LLC	Unify Inc.	Settlement and License Agreement	02/04/2014
Clouding IP, LLC (f/k/a Stec IP, LLC)	Symantec Corporation	License	08/11/2014

Exhibit 6.5

Enforcement Actions

Previous Litigation:

Clouding IP, LLC v. Google, Inc., C.A. No. 12-639-LPS;
Clouding IP, LLC v. Amazon.com, Inc., et al.; C.A. No. 12-641-LPS;
Clouding IP, LLC v. Rackspace Hosting, Inc., et al., C.A. No. 12-675-LPS;
Clouding IP, LLC v. CA Technologies, Inc., C.A. No. 13-1338-LPS;
Clouding IP, LLC v. Hewlett-Packard Co., C.A. No. 13-1341-LPS;
Clouding IP, LLC v. AT&T, Inc., C.A. No. 13-1342-LPS;
Clouding IP, LLC v. Citrix Systems, Inc., C.A. No. 13-1453-LPS;
Clouding IP, LLC v. Dropbox Inc., C.A. No. 13-1454-LPS;
Clouding IP, LLC v. EMC Corporation et al., C.A. No. 13-1455-LPS;
Clouding IP, LLC v. SAP AG, et al., C.A. No. 13-1456-LPS;
Clouding IP, LLC v. Verizon Online, LLC, et al., C.A. No. 13-1458-LPS;
Clouding IP, LLC v. Time, Inc., et al., C.A. No. 12-1646-LPS;
Clouding IP, LLC v. CNN Interactive Group, Inc., C.A. No. 12-1639-LPS;
Clouding IP, LLC v. Thomson Reuters, Corp., C.A. No. 12-1645-LPS;
Clouding IP, LLC v. TheHuffingtonPost.com, Inc., C.A. No. 12-1643-LPS;
Clouding IP, LLC v. Fox News Network LLC, C.A. No. 12-1641-LPS;
Clouding IP, LLC v. Gannett Co., Inc., C.A. No. 12-1642-LPS;
Clouding IP, LLC v. New York Times Co., C.A. No. 12-1644-LPS; and
Clouding IP, LLC v. Dow Jones & Co., Inc., C.A. No. 12-1640-LPS.

Notice Letters:

AT&T
CA Technologies
EMC
Facebook
Hitachi
HP
Salesforce
Samsung
SAP
Verizon
American Express Company
Bank of America Corporation
Traveler America, Inc.
Electrolux Home Products North America, Inc.
Ford Motor Company
Amazon
Google
Rackspace
Motorola Mobility
Yahoo Communications
IBM
Apple
Microsoft
Oracle
Citrix
Dropbox
IceWeb
Siemens

Exhibit 6.6

Patent Office Proceedings

Pending Post-Grant Proceedings:

U.S. Patent No. 7,596,784: Case No. CBM2014-00034 - Pending
U.S. Patent No. 7,272,708: Case No. IPR2014-01305 - Pending
U.S. Patent No. 7,032,089: Case No. IPR2013-00519 – Pending; Case No. IPR2014-01292 – Pending
U.S. Patent No. 6,738,799: Case No. IPR2013-00586 – Pending; Case No. IPR2014-00306 – Joined
U.S. Patent No. 6,925,481: Case No. IPR2014-00299 - Pending
U.S. Patent No. 7,254,621: Case No. IPR2014-00300 – Pending; Case No. IPR2014-01218 - Pending
U.S. Patent No. 5,825,891: Case No. IPR2014-00308 – Pending; Case No. IPR2014-01216 - Pending
U.S. Patent No. 6,925,481: Case No. IPR2014-01217 - Pending
U.S. Patent No. 7,065,637: Case No. IPR2014-01304 - Pending
U.S. Patent No. 5,944,839: Case No. IPR2014-01309 – Pending

Terminated Post-Grant Proceedings:

U.S. Patent No. 6,738,799: Case No. IPR2013-00073 – Terminated
U.S. Patent No. 6,925,481: Case No. IPR2013-00075 - Terminated
U.S. Patent No. 7,254,621: Case No. IPR2013-00088 - Terminated
U.S. Patent No. 6,631,449: Case No. IPR2013-00089 - Terminated
U.S. Patent No. 5,495,607: Case No. IPR2013-00090 - Terminated
U.S. Patent No. 5,678,042: Case No. IPR2013-00091 - Terminated
U.S. Patent No. 5,825,891: Case No. IPR2013-00100 - Terminated
U.S. Patent No. 6,918,014: Case No. IPR2013-00098 - Terminated
U.S. Patent No. 7,596,784: Case No. IPR2013-00094 - Terminated
U.S. Patent No. 5,944,839: Case No. IPR2013-00095 - Terminated
U.S. Patent No. 7,065,637: Case No. IPR2013-00099 - Terminated
U.S. Patent No. 6,738,799: Case No. IPR2013-00261 - Terminated
U.S. Patent No. 5,825,891: Case No. IPR2013-00260 - Terminated
U.S. Patent No. 5,495,607: Case No. IPR2013-00271 - Terminated
U.S. Patent No. 7,065,637: Case No. IPR2013-00273 - Terminated
U.S. Patent No. 7,596,784: Case No. IPR2013-00275 - Terminated
U.S. Patent No. 5,944,839: Case No. IPR2013-00304 - Terminated
U.S. Patent No. 6,631,449: Case No. IPR2013-00321 – Terminated

Exhibit 6.7

Maintenance Table

Patent Number	Country	Prosecution Status	Next Due Date
6574657	US	12 Year MF (surcharge date)	12/4/2014
7237023	US	8 Year MF (surcharge date)	12/27/2014
/201659	US	8 Year MF (surcharge date)	12/13/2014
7917902	US	4 Year MF (surcharge date)	9/30/2014

Exhibit 6.8

Validity Proceedings

See Exhibits 6.5 and 6.6.

Exhibit 8.4

Press Release

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

I, Doug Croxall, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Marathon Patent Group, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

- a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly for the period in which this quarterly report is being prepared;
- b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
- c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;
- d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

- a) all significant deficiencies and material weaknesses in the design or operation of internal controls which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Dated: November 12, 2014

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

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

I, Francis Knuettel II, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Marathon Patent Group, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

- a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly for the period in which this quarterly report is being prepared;
- b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
- c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;
- d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

- a) all significant deficiencies and material weaknesses in the design or operation of internal controls which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Dated: November 12, 2014

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

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

In connection with the Quarterly Report of Marathon Patent Group, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Doug Croxall, Chief Executive Officer and Chairman (Principal Executive Officer) of the Company, certifies, pursuant to 18 U.S.C. section 1350 of the Sarbanes-Oxley Act of 2002, that:

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

Date: November 12, 2014

By: /s/ Doug Croxall

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

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

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

In connection with the Quarterly Report of Marathon Patent Group, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Francis Knuettel II, Chief Financial Officer, Secretary and Director (Principal Financial Officer) of the Company, certifies, pursuant to 18 U.S.C. section 1350 of the Sarbanes-Oxley Act of 2002, that:

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

Date: November 12, 2014

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

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

