

IMMEDIATEK INC
Form 10-Q
May 15, 2012

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
EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2012

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period
from
to

Commission file
number: 000-26073

IMMEDIATEK, INC.

(Exact name of registrant as specified in its charter)

Nevada	86-0881193
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

3301 Airport Freeway, Suite 200	
Bedford, Texas	76021
(Address of principal executive offices)	(Zip code)

(888) 661-6565

(Issuer's telephone number, including area code)

8600 Freeport Parkway, Suite 220, Irving, Texas 75063
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the 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

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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 ☐ (Do not check if a smaller reporting company)

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 ☒

As of May 11, 2012, the issuer had 15,865,641 shares of common stock outstanding.

IMMEDIATEK, INC.

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INTRODUCTION

Unless the context otherwise indicates, all references in this Quarterly Report on Form 10-Q to the “Company,” “Immediatek,” “Officeware,” “DiscLive,” “IMKI Ventures,” “we,” “us,” “our” or “ours” or similar words are to Immediatek, I its direct, wholly-owned subsidiaries, Officeware Corporation, DiscLive, Inc. or IMKI Ventures, Inc. Accordingly, there are no separate financial statements for Officeware Corporation, DiscLive, Inc. or IMKI Ventures, Inc.

TRADEMARKS AND SERVICE MARKS

This Quarterly Report on Form 10-Q contains registered trademarks and servicemarks owned or licensed by entities and persons other than us.

MARKET AND INDUSTRY DATA AND FORECASTS

Market and industry data and other statistical information and forecasts used throughout this Quarterly Report on Form 10-Q are based on independent industry publications, government publications and reports by market research firms or other published independent sources. Some data also is based on our good faith estimates, which are derived from our review of internal surveys, as well as independent sources. Forecasts are particularly likely to be inaccurate, especially over long periods of time.

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q and the materials incorporated by reference into this Quarterly Report on Form 10-Q include “forward-looking statements” intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. These forward-looking statements generally can be identified as such because the context of the statement includes words such as “may,” “estimate,” “intend,” “plan,” “believe,” “expect,” “anticipate,” “will,” “should” or other similar expressions. Similarly, statements in this Quarterly Report on Form 10-Q that describe our objectives, plans or goals also are forward-looking statements. These statements include those made on matters such as our financial condition, litigation, accounting matters, our business, our efforts to grow our business and increase efficiencies, our efforts to use our resources judiciously, our efforts to implement new financial software, our liquidity and sources of funding and our capital expenditures. All forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements. The forward-looking statements included in this Quarterly Report on Form 10-Q are made only as of the date of this report. We assume no obligation to update any forward-looking statements. Certain factors that could cause actual results to differ include, among others:

- our inability to continue as a going concern;
- our history of losses, which may continue;
- our inability to utilize the funds received in a manner that is accretive;
- our inability to generate sufficient funds from operating activities to fund operations;
- difficulties in developing and marketing new products;
- our inability to prevent or minimize interruptions in our service and interruptions to customer data access, and any related impact on our reputation;

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- our inability to retain existing recurring customers and attract new recurring customers;
- our inability to integrate our recently acquired Officeware business;

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- our inability to execute our growth and acquisition strategy;
- our dependence on third-party contractors, platforms, software, websites, and technologies used in the creation and maintenance of the FilesAnywhere service; and
- general economic conditions, including among others, continuing unemployment.

For a discussion of these and other risks and uncertainties that could cause actual results to differ materially from those contained in our forward-looking statements, please refer to “Risk Factors” in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2011, which was filed with the Securities and Exchange Commission, or SEC, on March 30, 2012.

In addition, these forward-looking statements are necessarily dependent upon assumptions and estimates that may prove to be incorrect. Accordingly, while we believe that the plans, intentions and expectations reflected in these forward-looking statements are reasonable, we cannot assure you that these plans, intentions or expectations will be achieved. The forward-looking statements included in this report, and all subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf, are expressly qualified in their entirety by the risk factors and cautionary statements discussed in our filings under the Securities Act of 1933 and the Securities Exchange Act of 1934. We undertake no obligation to update any forward-looking statements to reflect future events or circumstances.

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PART I – UNAUDITED FINANCIAL INFORMATION

Item 1. Unaudited Financial Statements.

Immediatek, Inc. Unaudited Condensed Consolidated Balance Sheet		March 31, 2012	December 31, 2011
Assets			
Current assets:			
Cash		\$1,207,787	\$ 1,212,742
Accounts receivable, net of allowance for doubtful accounts of \$69,100 and \$45,887 as of March 31, 2012 and December 31, 2011, respectively		112,875	185,496
Prepaid expense and other current assets		61,423	46,609
Total current assets		1,382,085	1,444,847
Fixed assets, net		575,914	522,805
Intangibles assets, net		1,201,205	1,264,854
Goodwill		766,532	766,532
Other assets		8,648	8,648
Total Assets		\$3,934,384	\$ 4,007,686
Liabilities, Preferred Stock and Stockholders' Deficit			
Current liabilities:			
Accounts payable		\$207,510	\$ 58,856
Accrued liabilities		180,707	187,329
Deferred revenue		790,150	759,330
Current portion of long-term lease obligations		9,665	14,456
Total current liabilities		1,188,032	1,019,971
Total liabilities		1,188,032	1,019,971
Preferred stock:			
Series A convertible preferred stock (conditionally redeemable); \$0.001 par value 4,392,286 authorized, issued and outstanding; redemption/liquidation preference of \$3,000,000		3,000,000	3,000,000
Series B convertible preferred stock (conditionally redeemable); \$0.001 par value 69,726 authorized, issued and outstanding; redemption/liquidation preference of \$500,000		500,000	500,000
Stockholder's equity:			
Common stock, \$0.001 par value, 500,000,000 shares authorized, 15,865,641 shares issued and outstanding		15,865	15,865
Additional paid in capital		5,282,272	5,231,772
Accumulated deficit		(6,051,785)	(5,759,922)
Total stockholder's deficit		(753,648)	(512,285)
Total Liabilities, Preferred Stock and Stockholders' Deficit		\$3,934,384	\$ 4,007,686

See accompanying notes to unaudited condensed consolidated financial statements.

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Immediatek, Inc.
Unaudited Condensed Consolidated Statements of Operations

	For the Quarter Ended March 31,	
	2012	2011
Revenues	\$772,341	\$730,616
Cost of revenues	(275,329)	(226,484)
Gross margin	497,012	504,132
Expenses:		
Research and development	255,246	198,095
Sales and marketing	144,020	79,942
General and administrative	251,442	212,247
Non-cash consulting expense-related party	50,500	10,500
Depreciation and amortization	83,602	79,972
Total expenses	784,810	580,756
Net operating loss	(287,798)	(76,624)
Other income (expense):		
Interest income	731	457
Interest expense	(296)	(1,156)
Total other income (expense)	435	(699)
Income tax expense	4,500	2,571
Net loss	\$(291,863)	\$(79,894)
Weighted average number of common shares outstanding - basic and fully diluted	15,865,641	15,865,641
Basic and diluted loss per common share attributable to common stockholders	\$(0.02)	\$(0.01)

See accompanying notes to unaudited condensed consolidated financial statements.

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Immediatek, Inc.
Unaudited Condensed Consolidated Statements of Cash Flow

	For the Quarter Ended March 31,	
	2012	2011
Cash flows from operating activities		
Net loss	\$ (291,863)	\$ (79,894)
Adjustments to reconcile net loss to net cash provided		
By operating activities:		
Depreciation and amortization	114,489	117,499
Non-cash consulting fees - related party	50,500	10,500
Adjustments to reconcile net loss to net cash used		
in operating activities:		
Accounts receivable	72,621	(8,402)
Prepaid expenses and other assets	(14,814)	(13,374)
Accounts payable	148,654	(4,275)
Accrued liabilities	(6,622)	22,220
Deferred revenue	30,820	86,174
Net cash provided by operating activities	103,785	130,448
Cash flows from investing activities		
Purchase of fixed assets	(103,949)	(5,846)
Net cash used in investing activities	(103,949)	(5,846)
Cash flows from financing activities		
Payments on capital leases	(4,791)	(14,608)
Net cash used in financing activities	(4,791)	(14,608)
Net increase in cash	(4,955)	109,994
Cash at the beginning of the period	1,212,742	1,592,684
Cash at the end of the period	\$ 1,207,787	\$ 1,702,678
Supplemental disclosures:		
Interest paid	\$ 296	\$ 1,156

See accompanying notes to unaudited condensed consolidated financial statements.

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IMMEDIATEK, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2012

NOTE 1 – DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business: Officeware provides online back-up, file storage and other web-based services for individuals, businesses and governmental organizations. Officeware offers three primary services. First, Officeware operates the website FilesAnywhere.com, primarily designed for individuals and small businesses to allow them to establish a self-service account, enabling them to, among other things, store files on Officeware servers, share and collaborate on documents with other people online, and backup their computers to FilesAnywhere cloud storage. Second, for larger business users, Officeware offers three customized products, called the FilesAnywhere Private Site, Dedicated Server, and Enterprise Server. These corporate offerings are designed to meet the specific requirements of each business customer or organization. The Private Site, Dedicated Server, and Enterprise Server products provide flexible cloud storage and unlimited scalability for users, groups and internet applications, along with client-specific branding and web interfaces, customer data interfaces, and tailored security for mixed corporate environments. Third, Officeware also provides specialized information technology services related to the development of web based databases and data storage on a contract basis for clients.

Officeware's operations are primarily based in Bedford, Texas and additionally, Officeware has one employee and several consultants performing research and development in India. The cost of the India operations was approximately \$91,601 and \$107,611 for the three months ended March 31, 2012 and 2011, respectively, and is included in research and development expenses in Immediatek's consolidated financial statements.

Basis of Presentation: The accompanying unaudited condensed consolidated financial statements of the Company have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and formatted disclosures normally included in financial statements prepared in accordance with Generally Accepted Accounting Principles ("GAAP") have been omitted pursuant to SEC rules and regulations. These condensed consolidated financial statements include the accounts of Immediatek's wholly-owned subsidiaries, Officeware, DiscLive, Inc. and IMKI Ventures, Inc. (collectively, the "Company"). All significant intercompany accounts and transactions have been eliminated in these condensed consolidated financial statements. The Company follows the Financial Accounting Standard Board's Accounting Standards Codification (the "Codification" or "ASC"). The Codification is the single source of authoritative accounting principles applied by nongovernmental entities in the preparation of financial statements in conformity with GAAP.

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The Company's condensed consolidated balance sheet at March 31, 2012 and condensed consolidated statements of operations for the three months ended March 31, 2012 and 2011 and condensed consolidated statements of cash flows for the three months ended March 31, 2012 and 2011 are unaudited. Certain accounts have been reclassified to conform to the current period's presentation. In the opinion of management, these financial statements have been prepared on the same basis as the audited consolidated financial statements and include all adjustments necessary for the fair presentation of the Company's financial position, results of operations and cash flows. These adjustments were of a normal, recurring nature. The results of operations for the periods presented in this Quarterly Report on Form 10-Q are not necessarily indicative of the results that may be expected for the entire year. Additional information is contained in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2011, which was filed with the SEC on March 30, 2012 and should be read in conjunction with this Quarterly Report on Form 10-Q.

Net Loss per Share: Net loss was used in the calculation of both basic and diluted loss per share. The weighted average number of shares of common stock outstanding was the same for calculating both basic and diluted loss per share. Series A and Series B Convertible Preferred Stock convertible into 14,794,999 shares of common stock outstanding at March 31, 2012 and March 31, 2011 were not included in the computation of diluted loss per share, as the effect of their inclusion would be anti-dilutive.

Comprehensive Loss: For all periods presented, comprehensive loss is equal to net loss.

NOTE 2 – RELATED PARTY TRANSACTIONS

Management Services Agreement. On December 31, 2009, the Company entered into a Management Services Agreement with Radical Ventures L.L.C., an affiliate of Radical Holdings LP. Pursuant to this Management Services Agreement, personnel of Radical Ventures L.L.C. will provide certain management services to the Company, including, among others, legal, financial, marketing and technology. These services are provided to us at a cost of \$3,500 per month; however, the Company will not be required to pay these fees or reimburse expenses and, accordingly, will account for these costs of services and expenses as deemed contributions to the Company. This agreement was extended on March 17, 2011, to be effective as of December 31, 2010.

This agreement may be terminated upon 30 days' written notice by Radical Ventures L.L.C. for any reason or by the Company for gross negligence. The Company also agreed to indemnify and hold harmless Radical Ventures L.L.C. for its performance of these services, except for gross negligence and willful misconduct. Further, the Company limited Radical Ventures L.L.C.'s maximum aggregate liability for damages under this agreement to the amounts deemed contributed to the Company by virtue of this agreement during twelve months prior to that cause of action.

In March 2012, Mark Cuban made a donation of \$40,000 from his personal funds to offset costs incurred for the annual Saint Patrick's Day parade held in Dallas, Texas, and asked that the parade recognize FilesAnywhere as a sponsor. This donation was deemed to be an equity contribution on behalf of Officeware Corporation paid by Immediatek Inc.'s indirect majority shareholder, Mark Cuban.

Officeware Service. The Company provided services to Magnolia Pictures, LLC an entity affiliated with Radical Holdings LP and Radical Investments LP, in the amount of \$821 during the quarter ended March 31, 2011. The service to this entity affiliated with Radical Holdings LP and Radical Investments LP was discontinued at the end of September 30, 2011.

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

Overview

The following Management's Discussion and Analysis, or MD&A, is intended to aid the reader in understanding us, our operations and our present business environment. MD&A is provided as a supplement to, and should be read in conjunction with, our consolidated financial statements and the notes accompanying those financial statements, which are included in this Quarterly Report on Form 10-Q. MD&A includes the following sections:

- Our Business – a general description of our business, our objectives, our areas of focus and the challenges and risks of our business.
- Critical Accounting Policies and Estimates – a discussion of accounting policies that require critical judgments and estimates.
- Operations Review – an analysis of our consolidated results of operations for the periods presented in this Quarterly Report on Form 10-Q.
- Liquidity, Capital Resources and Financial Position – an analysis of our cash flows and debt and contractual obligations; and an overview of our financial condition.

Our Business

General

Immediatek is a Nevada corporation. Our principal executive offices are located at 3301 Airport Freeway, Suite 200, Bedford, Texas 76021, and our telephone number is (888) 661-6565. On April 1, 2010, Immediatek acquired Officeware by merger. As a result of such merger, Immediatek became the sole shareholder of Officeware and Officeware shareholders received 12,264,256 shares of Immediatek common stock for all of the outstanding shares of stock of Officeware. Radical Investments LP, an affiliate of Radical Holdings LP, owned 24.6% of the Officeware common stock. Radical Holdings LP owns the Company's Series A and Series B preferred stock. In addition, in connection with the merger Immediatek issued and sold, and Radical Holdings LP, Darin Divinia, Dawn Divinia, Robert Hart, Kimberly Hart and Martin Woodall collectively purchased, 3,066,064 shares of Immediatek common stock for an aggregate purchase price of \$1.0 million, or approximately \$0.33 per share. Due to the merger, it was determined that the Company ceased to be in the development stage as of April 1, 2010.

Currently, the Company primarily operates in one business segment: e-commerce. Our services and products are primarily offered through Officeware. Officeware provides online back-up, file storage and other web-based services for individuals, businesses and governmental organizations. Officeware offers three primary services. First, Officeware operates the website FilesAnywhere.com, primarily designed for individuals and small businesses to allow them to establish a self-service account, enabling them to, among other things, store files on Officeware servers, share and collaborate on documents with other people online, and backup their computers to FilesAnywhere cloud storage. Second, for larger business users, Officeware offers three customized products, called the FilesAnywhere Private Site, Dedicated Server, and Enterprise Server. These corporate offerings are designed to meet the specific requirements of each business customer or organization. The Private Site, Dedicated Server, and Enterprise Server products provide flexible cloud storage and unlimited scalability for users, groups and internet applications, along with client-specific branding and web interfaces, customer data interfaces, and tailored security for mixed corporate environments. Third, Officeware also provides specialized information technology services related to the development of web based databases and data storage on a contract basis for clients.

Officeware's operations are primarily based in Bedford, Texas and additionally, Officeware has one employee and several consultants performing research and development in India.

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As a result of services provided to larger business users, our business can depend on one or a few major customers which could potentially expose the Company to concentration of credit risk. Our revenue and receivables are comprised principally of amounts due from customers throughout the United States.

History of Operating Losses

The following tables present our net loss and cash provided by or used in operating activities for the periods indicated.

	For the Three Months Ended March 31,	
	2012	2011
	(unaudited)	(unaudited)
Net loss	\$(291,863)	\$(79,894)
Net cash provided by operating activities	\$103,785	\$130,448

Our existence and operations are dependent upon our ability to generate sufficient funds from operations to fund operating activities.

We funded our operations during the three months ended March 31, 2012, primarily from the income generated by Officeware and the sale of 3,066,064 shares of Company common stock for an aggregate purchase price of \$1.0 million on April 1, 2010. Management estimates that the Company will generate sufficient funds from operations to fund future operating activities, though the Company anticipates that any funds generated would be reinvested into the Company through our increased investment in marketing, services and sales operations, and research and development.

Our Objectives and Areas of Focus

Officeware – Increase Users. We are focused on increasing the number of users of the various online back-up, file storage and other web-based services for individuals, businesses and governmental organizations offered through Officeware. We may pursue aggressive advertising campaigns or other promotions primarily aimed at new users. Additionally, we are focusing on efficiently integrating the Officeware business with our business.

Acquisitions. In addition to the Officeware acquisition which was consummated on April 1, 2010, we may identify and pursue additional potential acquisition candidates to support our strategy of growing and diversifying our business through selective acquisitions. No assurances can be given, however, that we will be successful in identifying any potential targets and, when identified, consummating their acquisition.

Challenges and Risks

Operating in this area provides unique opportunities; however, challenges and risks accompany those opportunities. Our management has identified the following material challenges and risks that will require substantive attention from our management (see “Liquidity and Capital Resources and Financial Position—Liquidity” beginning on page 12).

Utilizing Funds on Hand in a Manner that is Accretive. If we do not manage our assets aggressively and apply available capital judiciously, we may not generate sufficient cash from our operating activities to fund our operations going forward, which would require us to seek additional funding in the future.

Growing Users. In order to be successful with the products and services offered through Officeware, we will be required to attract new customers and deepen the current customer relationships which we currently have. Our largest

clients require customized solutions, which in turn requires us to anticipate their needs.

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Competition. There are companies in this industry that have far more financial resources and a larger market share than us. In order to compete with these companies, we will be required to be innovative and create more attractive functions and features.

Additionally, see “Risk Factors” in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2011, which was filed with the SEC on March 30, 2012.

Challenges and risks, including those described above, if not properly addressed or managed, may have a material adverse effect on our business. Our management, however, is endeavoring to properly manage and address these challenges and risks.

Critical Accounting Policies and Estimates

Our condensed consolidated financial statements are prepared in accordance with GAAP in the United States of America, which requires management to make estimates, judgments and assumptions with respect to the amounts reported in the condensed consolidated financial statements and in the notes accompanying those financial statements. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles, however, have been condensed or omitted pursuant to the rules and regulations promulgated by the SEC. We believe that the most critical accounting policies and estimates relate to the following:

- **Convertible Securities.** From time to time, we have issued, and in the future may issue, convertible securities with beneficial conversion features. We account for these convertible securities in accordance with ASC Topic 470, Beneficial Conversion Feature.
- **Revenue Recognition.** Officeware generates revenue primarily from monthly fees for the services and products that it offers. While revenues for Officeware’s FilesAnywhere.com product are often received in advance of providing the applicable service, the Company defers recognizing such revenues until the service has been performed. Revenues for Officeware’s custom products for large enterprises are often received after such services are provided. The Company recognizes such revenues when service has been provided and collection is reasonably assured.

While our estimates and assumptions are based upon our knowledge of current events and actions we may undertake in the future, actual results may ultimately differ from those estimates and assumptions.

Recent Accounting Standards and Pronouncements

In September 2011 the Accounting Standards Update No. 2011-08, Intangibles - Goodwill and Other (Topic 350): Testing Goodwill for impairment. This ASU's objective is to simplify the process of performing impairment testing for Goodwill. With this update a company is allowed to assess qualitative factors, first, to determine if it is more likely than not (greater than 50%) that the FV is less than the carrying amount. This would be done, prior to performing the two-step goodwill impairment testing, as prescribed by Topic 350. Prior to this ASU, all entities were required to test, annually, their good will for impairment by Step 1 - comparing the FV to the carrying amount, and if impaired, then step 2 - calculate and recognize the impairment. Therefore, the fair value measurement is not required, until the "more likely than not" reasonableness test is concluded. Effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011.

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Operations Review

The Three Months Ended March 31, 2012 Compared to the Three Months Ended March 31, 2011

	For the Three Months Ended March 31,		2012 vs. 2011		
	2012	2011	\$ Change	% Change	
Revenues	\$772,341	\$ 730,616	\$41,725	6	%
Cost of revenues	(275,329)	(226,484)	(48,845)	22	%
Gross margin	497,012	504,132	(7,120)	(1))%
Expenses:					
Research and development	255,246	198,095	57,151	29	%
Sales and marketing	144,020	79,942	64,078	80	%
General and administrative	251,442	212,247	39,195	18	%
Non-cash consulting expense-related party	50,500	10,500	40,000	381	%
Depreciation and amortization	83,602	79,972	3,630	5	%
Total expenses	784,810	580,756	204,054	35	%
Net operating loss	(287,798)	(76,624)	(211,174)	276	%
Other income (expense):					
Interest income	731	457	274	60	%
Interest expense	(296)	(1,156)	860	(74))%
Income tax expense	4,500	2,571	1,929	75	%
Net loss	\$(291,863)	\$ (79,894)	\$(211,969)	265	%
Weighted average number of common shares outstanding - basic and fully diluted	15,865,641	15,865,641	-	-	%
Basic and diluted loss per common share attributable to common stockholders	\$(0.02)	\$ (0.01)	\$(0.01)	(50))%

Three Months Ended March 31, 2012 Compared to Three Months Ended March 31, 2011

Revenue was \$772,341 for the three months ended March 31, 2012, which is an increase of \$41,725, or 6%, from \$730,616 for the corresponding period in 2011. The increase is primarily from an increase in consumer and enterprise customer services.

Net operating loss was \$287,798 for the three months ended March 31, 2012, which is an increase of \$211,174, or 276% from \$76,624 for the corresponding period in 2011. The increase is due to the continued investment in operations growth.

Net loss was \$291,863 for the three months ended March 31, 2012 compared to \$79,894 for the same period of 2011.

Liquidity and Capital Resources and Financial Position

General

On April 1, 2010, we closed the merger with Officeware and stock sale described above under “Our Business—General” and in “Note 3 – Merger with Officeware Corporation” and “Note 4 – Issuance of Common Stock” in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 30, 2012.

As of March 31, 2012, we had \$1,207,787 of cash, which management anticipates will sustain our operations. Management anticipates that the operating cash flows of the Company will be positive for the fiscal year ending December 31, 2012. However, no assurances can be given that we will ever achieve profitability. If we need to seek additional funds, our ability to obtain financing will depend, among other things, on our development efforts, business plans, operating performance and condition of the capital markets at the time we seek financing. No assurances can be given that additional financing will be available to us on favorable terms when required, or at all. If we raise additional funds through the issuance of equity, equity-linked or debt securities, those securities may have rights, preferences or privileges senior to the rights of our common stock, and our stockholders may experience dilution.

Our goal is to grow the products and services offered through Officeware, which we expect will generate revenue to support our operations. No assurances, however, can be given that these lines of business will generate sufficient operating funds to support our operating activities. In addition, we are exploring whether other companies may have interest in utilizing our technology to deliver their content and allow for interactivity with their customers or users across these various platforms.

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We may also pursue various acquisition targets that could provide us with operating funds to support our activities. In the event that we acquire a target, depending on the nature of that target, we may require additional funds to consummate the acquisition or support our operations going forward. No assurances, however, can be given that we will be able to identify a potential target, consummate the acquisition of the target and, if consummated, integrate the target company and realize funds from operations.

Operating Activities. Cash provided by operations was \$103,785 in the three months ended March 31, 2012, as compared to \$130,448 for the three months ended March 31, 2011. The decrease was primarily from the increase in accounts payable.

Investing Activities. Cash used for investing activities was \$103,949 and \$5,846 for the three months ended March 31, 2012 or March 31, 2011, respectively. The increase was primarily for the purchase of computer equipment.

Financing Activities. Cash used for financing activities was \$4,791 and \$14,608 for the three months ended March 31, 2012 and March 31, 2011. The decrease was primarily from the 2011 payoff of capital leases.

Liquidity

We believe that the funds received from the issuance of common stock, the cash received in the merger with Officeware, and funds generated by the operation of Officeware will provide us with the necessary funds to operate our business. While we are also undertaking various plans and measures that we believe will increase funds generated from operating activities, no assurances can be given that those plans and measures will be successful.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Not Applicable.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our chief executive officer and president (our Principal Executive Officer) and our chief financial officer (our Principal Financial Officer) are responsible for establishing and maintaining disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended, or the Exchange Act) for us. Based on the evaluation of our disclosure controls and procedures (as defined in the Rules 13a-15(e) and 15d-15(e) under the Exchange Act) required by Exchange Act Rules 13a-15(b) or 15d-15(b), our principal executive officer and our principal financial officer have concluded that as of the end of the period covered by this report, our disclosure controls and procedures were effective.

Changes in internal controls. There were no changes in our internal controls over financial reporting as defined in Exchange Act Rule 13a-15(f) that occurred during our most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II — OTHER INFORMATION

Item 1. Legal Proceedings.

The Company is involved from time to time in claims, proceedings and litigation. Please refer to “Item 3. Legal Proceedings” in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2011, which was filed with the Securities and Exchange Commission, or SEC, on March 30, 2012.

From time to time we may become subject to additional proceedings, lawsuits and other claims in the ordinary course of business, including proceedings related to our services, applications and other matters. Such matters are subject to many uncertainties, and outcomes are not predictable with assurance.

Item 6. Exhibits.

The following exhibits are filed in accordance with the provisions of Item 601 of Regulation S-K.

Exhibit Number	Description of Exhibit
3.1	Amended and Restated Articles of Incorporation of the Registrant, dated as of June 2, 2006 and filed with the Secretary of State of the State of Nevada on June 5, 2006 (filed as Exhibit 3.1 to the Registrant’s Quarterly Report on Form 10-QSB for quarter ended March 31, 2006 (filed on June 26, 2006) and incorporated herein by reference).
3.2	Bylaws of the Registrant (filed as Exhibit 3.2 to the Registrant’s Annual Report on Form 10-KSB for year ended December 31, 2005 (filed on May 11, 2006) and incorporated herein by reference).
4.1	Form of common stock certificate of the Registrant (filed as Exhibit 4.1 to the Registrant’s Annual Report on Form 10-KSB for year ended December 31, 2005 (filed on May 11, 2006) and incorporated herein by reference).
4.2	Amended and Restated Certificate of Designation, Rights and Preferences of Series A Convertible Preferred Stock of the Registrant, dated as of October 13, 2009 and filed with the Secretary of State of the State of Nevada on October 15, 2009 (filed as Exhibit 4.1 to the Registrant’s Form 8-K (filed on October 19, 2009) and incorporated herein by reference).
4.3	Form of stock certificate for Series A Convertible Preferred Stock (filed as Exhibit 4.8 to the Registrant’s Quarterly Report on Form 10-QSB for quarter ended March 31, 2006 (filed on June 26, 2006) and incorporated herein by reference).
4.4	Amended and Restated Certificate of Designation, Rights and Preferences of Series B Convertible Preferred Stock of the Registrant, dated as of October 13, 2009 and filed with the Secretary of State of the State of Nevada on October 15, 2009 (filed as Exhibit 4.2 to the Registrant’s Form 8-K (filed on October 19, 2009) and incorporated herein by reference).

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4.5 Form of stock certificate for Series B Convertible Preferred Stock (filed as Exhibit 4.5 to the Registrant's Annual Report on Form 10-K for year ended December 31, 2008 (filed on March 31, 2009) and incorporated herein by reference).

31.1** Certification of Principal Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act.

31.2** Certification of Principal Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act.

32.1** Certification Required by 18 U.S.C. Section 1350 (as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002).

32.2** Certification Required by 18 U.S.C. Section 1350 (as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002).

** Indicates document filed herewith.

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SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: May 15, 2012

IMMEDIATEK, INC.,
a Nevada corporation

By: /s/ TIMOTHY RICE
Name: Timothy Rice
Title: Chief Executive Officer
(On behalf of the Registrant and as
Principal
Executive Officer)

Date: May 15, 2012

By: /s/ DEBORAH A. BASTIAN
Name: Deborah A. Bastian
Title: Chief Financial Officer
(On behalf of the Registrant and as
Principal
Financial Officer)

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INDEX TO EXHIBITS

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