

ML Capital Group, Inc.  
Form 10-Q  
November 19, 2014

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 10-Q**

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

For the quarterly period ended **September 30, 2014**

**“ TRANSITION REPORT UNDER SECTION 13 OF 15(d) OF THE EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission File Number **333-184636**

**ML CAPITAL GROUP, INC.**

(Exact name of registrant as specified in its charter)

**NEVADA**

(State or other jurisdiction of incorporation or  
organization)

**33-1219511**

(IRS Employer Identification No.)

**6810 Ave of the Fountains #101 Fountain Hills, AZ 85268**

(Address of principal executive offices)

**(602) 200-4121**

(Issuer's telephone number)

NA

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the Company (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the Company was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: Yes x 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 Company is a large accelerated filer, an accelerated file, non-accelerated filer, or a smaller reporting company.

Large accelerated filer	"	Accelerated filed	"
Non-accelerated filer	"	Smaller reporting company	x

Indicate by check mark whether the Company is a shell company (as defined in Rule 12b-2 of the Exchange Act).  
Yes " No x

As of November 14, 2014 there were \$189,260,686 ares of Common Stock of the issuer outstanding.

## TABLE OF CONTENTS

	<b>PAGE</b>
<b>PART I: FINANCIAL INFORMATION</b>	
Item 1. Financial Statements	
Condensed Consolidated Balance Sheets as of September 30, 2014 (unaudited) and December 31, 2013	3
Condensed Consolidated Statements of Operations for the Three and Nine Months Ended September 30, 2014 and 2013 (Unaudited)	4
Condensed Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2014 and 2013 (Unaudited)	5
Notes to Condensed Consolidated Financial Statements (Unaudited)	6
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	15
Item 3. Quantitative and Qualitative Disclosures About Market Risk	17
Item 4. Controls and Procedures	17
<b>PART II: OTHER INFORMATION</b>	
Item 1. Legal Proceedings	18
Item 1A. Risk Factors	18
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	18
Item 3. Defaults Upon Senior Securities	18
Item 4. Mine Safety Disclosures	18
Item 5. Other Information	18
Item 6. Exhibits	19

**PART I: FINANCIAL INFORMATION****ITEM 1: FINANCIAL STATEMENTS**

**ML Capital Group, Inc.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

	<b>September 30, 2014</b>	<b>December 31, 2013</b>
	<b>(Unaudited)</b>	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 79,767	\$ -
Inventory	12,514	-
Prepaid	12,325	-
Deferred debt issuance cost	4,308	1,444
<b>Total current assets</b>	<b>108,914</b>	<b>1,444</b>
Fixed Assets, net	4,387	-
<b>Total Assets</b>	<b>\$ 113,301</b>	<b>\$ 1,444</b>
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
Current liabilities:		
Bank overdraft	\$ 93	\$ 93
Accounts payable and accrued expense	6,790	6,474
Convertible notes payable, net of discount \$185,887 and \$19,452, respectively	276,552	12,548
Derivative liability	791,008	56,351
Due to related party	-	6,556
Deferred revenue	-	2,250
<b>Total current liabilities</b>	<b>1,074,443</b>	<b>84,272</b>
<b>Total Liabilities</b>	<b>1,074,443</b>	<b>84,272</b>
Stockholders' Defecit		
Common stock, \$.001 par value; 3,000,000,000 shares authorized; 86,443,043 (2014) and 72,452,382 (2013) shares issued and outstanding, respectively	8,644	7,246
Additional paid-in capital	3,283,734	2,972,691

Edgar Filing: ML Capital Group, Inc. - Form 10-Q

Deferred stock compensation	(39,053)	(673,598)
Accumulated deficit	(4,214,467)	(2,389,172)
Total stockholders' deficit	(961,142)	(82,833)
Total Liabilities and Stockholders' Deficit	\$ 113,301	\$ 1,444

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements

3

—

**ML Capital Group, Inc.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013**  
**(Unaudited)**

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
<b>Revenues</b>				
Sales	\$ 9,340	\$ 1,125	\$ 14,800	\$ 1,125
Costs of goods sold	(5,825)	-	(7,134)	-
Gross Margin	3,515	1,125	7,666	1,125
<b>Expenses:</b>				
Compensation	-	-	35,000	222,500
Professional fees	112,711	4,063	825,234	16,912
General and administrative expenses	192,322	16,822	310,044	41,584
Total operating expenses	305,033	20,885	1,170,278	280,996
Operating loss	(301,518)	(19,760)	(1,162,612)	(279,871)
<b>Other income (expense):</b>				
Other income	-	-	300	-
Amortization of debt discounts	(125,394)	-	(140,035)	-
Derivative liability income (expense)	60,248	-	(464,082)	(1,667)
Interest expense	(51,095)	(3,448)	(58,990)	(4,239)
Gain on debt forgiveness	-	-	524	-
Other expense	(100)	-	(400)	-
Total other expense	(116,341)	(3,448)	(662,683)	(5,906)
Net loss	\$ (417,859)	\$ (23,208)	\$ (1,825,295)	\$ (285,777)
Net loss per share	\$ (0.00)	\$ (0.00)	\$ (0.02)	\$ (0.00)
<b>Weighted average number of common shares outstanding</b>				
Basic and diluted	85,604,909	61,319,404	82,082,747	61,206,353

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements

**ML Capital Group Inc.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**NINE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013**  
**(Unaudited)**

	2014	2013
<b>Cash flows from operating activities:</b>		
Net loss	\$ (1,825,295)	\$ (285,777)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock based compensation	863,090	222,500
Amortization of discount on convertible notes	158,565	3,792
Loss from derivative liability	464,082	1,667
Changes in operating assets and liabilities:		
Inventory	(12,514)	-
Accounts payable and accrued expense	316	(5,657)
Prepaid and other	(15,191)	-
Deferred revenue	(2,250)	3,375
Net cash used in operating activities	(369,197)	(60,100)
<b>Cash flows from financing activities:</b>		
Purchase of furniture and fixtures	(4,387)	-
Net cash used in operating activities	(4,387)	-
<b>Cash flows from financing activities:</b>		
Bank overdraft	(93)	674
Common stock sold for cash	20,000	-
Proceeds from convertible note	440,000	6,500
Repayment of advances from related parties	(6,556)	-
Advances from related party	-	52,882
Net cash provided by financing activities	453,351	60,056
Net increase in cash and cash equivalents	79,767	(44)
Cash and cash equivalents, beginning	-	44
Cash and cash equivalents, ending	\$ 79,767	\$ -
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid for interest	\$ -	\$ -
Cash paid for income taxes	\$ -	\$ -

**Schedule of non-cash investing and financing activities:**

Conversion of convertible debentures to common stock	\$	30,645	\$	-
--	----	--------	----	---

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements

5  
-



**ML Capital Group, Inc.**

**Notes to Condensed Consolidated Financial Statements**

**(Unaudited)**

**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

ML Capital Group, Inc. (the “Company”) was incorporated in the State of Nevada on September 22, 2009.

The Company’s business consists of providing consulting services to both public and private companies, concentrating primarily on early stage companies, small businesses and emerging growth companies. The Company has embarked upon an expansion into developing products and services that are focused on the electronic cigarettes (e-cigs) industry.

On April 14, 2014 the Company amended their Articles of Incorporation increasing the authorized number of shares to common stock to 500,000,000.

On May 27, 2014 the Company formed a wholly owned subsidiary Superstar Products, LLC to facilitate the importation and sale of 3 in 1 vaporized pens. During the period ended September 30, 2014 there was no activity in the subsidiary.

On September 30, 2014 the Company amended their Articles of Incorporation increasing the authorized number of shares of common stock to 3,000,000,000.

**Basis of Presentation and Consolidation**

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

The accompanying condensed financial statements have been prepared by the Company without audit. In the opinion of management, all adjustments necessary to present the financial position, results of operations and cash flows for the stated periods have been made. Except as described below, these adjustments consist only of normal and recurring adjustments. Certain information and note disclosures normally included in the Company's annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. These condensed consolidated financial statements should be read in conjunction with a reading of the Company's financial statements and notes thereto included in the Company's Form 10-K filed with the Securities and Exchange Commission (SEC) on March 31, 2014. Interim results of operations for the three and nine months ended September 30, 2014 are not necessarily indicative of future results for the full year.

Going concern

As reflected in the accompanying financial statements, the Company had a net loss of \$1,825,295 and net cash used in operations of \$369,197 for the nine months ended September 30, 2014. The Company has total assets of \$113,301 and a working capital deficit of \$965,529 as of September 30, 2014. These conditions raise substantial doubt about the Company's ability to continue as a going concern. The ability of the Company to continue as a going concern is dependent on the Company's ability to further implement its business plan, raise additional capital, and generate revenues. Management believes that the actions presently being taken provide the opportunity for the Company to continue as a going concern. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

### Presentation

In the period ended September 30, 2014, the Company has elected to early adopt Accounting Standards Update No. 2014-10, Development Stage Entities (Topic 915): Elimination of Certain Financial Reporting Requirements. The adoption of this ASU allows the Company to remove the inception to date information and all references to development stage.

### Revenue recognition

Pursuant to the guidance of ASC Topic 605 and ASC Topic 360, the Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the purchase price is fixed or determinable and collectability is reasonably assured. The Company derived its revenue from consulting service and the revenue is recognized as services are provided. The Company, at times, receives non-marketable securities representing equity in its customers as consideration for services. Because the fair value of these securities is not measureable and the securities are not easily convertible to cash, no revenue is recognized.

### Inventories

Inventories are stated at the lower of cost of market using the first-in; first-out (FIFO) cost method of accounting.

### Use of estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses, and the related disclosures at the date of the financial statements and during the reporting period. Actual results could materially differ from these estimates. Significant estimates in the 2014 and 2013 periods include the valuation of stock-based compensation and derivative liabilities.

### Cash and cash equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid instruments purchased with a maturity of three months or less and money market accounts to be cash equivalents.

Fixed assets

Fixed Assets are stated at historical cost less depreciation. Cost of acquisition is inclusive of taxes, duties, freight, installation and allocated incidental expenditure during construction/ acquisition.

Fair value financial instruments

The carrying amounts reported in the balance sheets for accounts payable, accrued expenses and amounts due to related party approximate their fair value based on the short-term maturity of these instruments. The fair value of the Company's derivative liabilities was determined based on the estimated intrinsic value of the embedded conversion feature which approximates fair value due to the terms of conversion and a modified Black Scholes method incorporating Monte Carlo simulation.

7

—

The Company measures its financial and non-financial assets and liabilities, as well as makes related disclosures, in accordance with ASC Topic 820, *Fair Value Measurements and Disclosures* (“ASC Topic 820”).

ASC Topic 820 provides guidance with respect to valuation techniques to be utilized in the determination of fair value of assets and liabilities. Approaches include, (i) the market approach (comparable market prices), (ii) the income approach (present value of future income or cash flow), and (iii) the cost approach (cost to replace the service capacity of an asset or replacement cost). ASC Topic 820 utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into six broad levels. The following is a brief description of those six levels:

- Level 1: Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices that are observable, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.
- Level 3: Unobservable inputs in which little or no market data exists, therefore developed using estimates and assumptions developed by us, which reflect those that a market participant would use.

The Company adjusts the derivative liability resulting from the embedded conversion option on its convertible debt to fair value at each balance sheet date. The fair value of the derivative liability is estimated using level 3 inputs. The following tables summarize our financial assets and liabilities measured at fair value on a recurring basis as of September 30, 2014:

	<b>Balance at September 30, 2014</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
Fair value of derivative liability for embedded conversion options	\$ 791,008	\$ —	\$ —	\$ 791,008

#### Stock-based compensation

The Company accounts for stock-based instruments issued to employees in accordance with ASC Topic 718. ASC Topic 718 requires companies to recognize in the statement of operations the grant-date fair value of stock options and other equity based compensation issued to employees. The Company accounts for non-employee share-based awards

in accordance with ASC Topic 505-50.

8  
—

Net loss per share of common stock

Basic net loss per common share is computed by dividing net loss available to common shareholders by the weighted average number of shares of common stock outstanding during the period. Diluted net loss per common share is computed by dividing net loss by the weighted average number of shares of common stock, common stock equivalents and potentially dilutive securities outstanding during each period. Potentially dilutive securities consisting of 183,519,230 and 16,667 shares underlying convertible debt warrants for the nine month period ended September 30, 2014 and 2013 respectively are not included in the calculation of diluted loss per share because their impact was antidilutive. Potentially dilutive securities consist of:

Warrants not exercised	11,083,333
Convertible debt at September 30, 2014 conversion price	172,435,897
Total dilutive securities	183,519,230

Recent accounting pronouncements

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

NOTE 2 – RELATED PARTY TRANSACTIONS

The Company's president from time to time, provides advances to the Company for working capital purposes. At December 31, 2013, the Company had a payable to the president of \$6,556, which was repaid during the nine months ended September 30, 2014. These advances were due on demand, non-interest bearing and included in due to related party on the accompanying balance sheets.

During the nine month period ended September 30, 2014 the president of the Company received compensation of \$35,000 in cash compensation compared to 222,500 during the same period in 2013.

NOTE 3 – CONVERTIBLE NOTES PAYABLE

On June 7, 2012, the Company entered into a convertible promissory note agreement with Morgan Wells Inc. Pursuant to the convertible promissory note agreement, the Company issued a note in the principal amount of \$5,000. The note bears interest at the rate of 8% per annum and matured on December 7, 2012. The note was convertible to common stock at 75% of the lowest closing market price for the Company's stock during the previous 20 trading days. On February 14, 2014 \$2,500 of principal was converted to 2,500,000 shares of common stock of the Company. As of September 30, 2014 the note had a principal balance of \$2,500.

On May 15, 2013, the Company entered into a convertible promissory note agreement with Windstream Partners, LLC. Pursuant to the convertible promissory note agreement, the Company issued a note in the principal amount of \$6,500. The note bears interest at the rate of 8% per annum and matured on November 15, 2013. The note was convertible into shares of the Company's common stock at \$.0065 per share. The Company recorded a discount against the carrying value of the debt for the beneficial conversion feature totaling \$6,500, which was amortized into interest expense through the maturity date of the note. In October 2013, the note was transferred to a third party and accrued interest of \$165 was added to the principal. The current holder shall have the right from time to time to convert all or any part of the outstanding and unpaid principal amount of this note into fully paid and non-assessable shares of common stock. The conversion price was the lower of 1) 50% of the average of the lowest 2 trading prices during the 20 trading days immediately preceding the conversion date, or 2) \$0.0065 per share. The embedded conversion feature, after the transfer of the note, is required to be recorded as a derivative liability adjusted to fair value at each reporting date. On the date of transfer, the Company recorded an initial derivative liability of \$52,000, of which \$5,000 was recorded as a discount against the note and \$47,000 was recorded as derivative expense. The maturity date of the note was extended to July 15, 2014. During the year ended December 31, 2013, the holder of the note converted principal of \$1,666 in 257,978 share of common stock. The derivative liability was adjusted to its fair value of \$31,170 as of December 31, 2013. During the nine months ended September 30, 2014, the holder of the note converted the remaining principal and accrued interest totaling \$5,119 into 787,523 shares of common stock and the fair value of the conversion feature totaling \$31,170 was reclassified into additional paid in capital. The Company recorded amortization of the discount of \$3,590 for the nine months ended September 30, 2014. As of September 30, 2014 the note and interest had been converted to common stock leaving a principal balance of zero.



In October 2013, the Company issued a convertible promissory note agreement in the principal amount of 22,000. The note bears interest at the rate of 8% per annum and matures July 18, 2014. The note was convertible into shares of the Company's common stock after 180 days at 50% of the average of the lowest 2 trading prices during the 10 trading days immediately preceding the conversion date. The embedded conversion feature was required to be recorded as a derivative liability adjusted to fair value at each reporting date. The Company recorded an initial derivative liability of \$23,331, of which \$22,000 was recorded as a discount against the note and \$1,331 was recorded as derivative expense. The fair value of the derivative as of December 31, 2013 did not change from the date of issuance. The Company recorded amortization of the discount of \$15,862 for the nine months ended September 30, 2014. The carrying value of the note as of December 31, 2013, was \$6,138, net of remaining discount of \$15,862. On May 5, 2014 the Company issued 1,120,519 shares of commons upon the conversion of the \$22,000 convertible debt and \$1,027 of accrued interest. No amounts remain outstanding as of September 30, 2014

On February 28, 2014 the Company issued a convertible promissory note in the principal amount of \$30,000. The note bears interest at the rate of 8% per annum and matures February 28, 2015. The note is convertible into shares of the Company's common stock after 180 days at 50% of the average of the lowest 2 trading prices during the 10 trading days immediately preceding the conversion date. The embedded conversion feature is required to be recorded as a derivative liability adjusted to fair value at each reporting date. The Company recorded an initial derivative liability of \$32,400 debt discount of \$30,000 and derivative expense of \$2,400. The debt discount of \$30,000 is being amortized into interest expense over the term of the note. Amortization for the nine months ended September 30, 2014, totaled \$17,548 and the carrying value of the note as of September 30, 2014, is \$17,548, net of unamortized discount of \$12,452.

On March 4, 2014, the Company issued a convertible promissory note in the principal amount of \$20,000. The note bears interest at the rate of 8% per annum and matures March 4, 2015. The note is convertible into shares of the Company's common stock after 180 days at 50% of the average of the lowest 2 trading prices during the 10 trading days immediately preceding the conversion date. The embedded conversion feature is required to be recorded as a derivative liability adjusted to fair value at each reporting date. The Company recorded an initial derivative liability of \$21,600, debt discount of \$20,000 and derivative expense of \$1,600. The debt discount of \$20,000 is being amortized into interest expense over the term of the note. Amortization for the nine months ended September 30, 2014, totaled \$11,479 and the carrying value of the note as of September 30, 2014, is \$11,479, net of unamortized discount of \$8,521.

On April 1, 2014 the Company entered into a note agreement whereby the Company is obligated to a note with a principal amount of \$600,000 plus prepaid interest of \$60,000 and prepaid legal fees of \$5,000 for an aggregate amount of \$665,000. Additional interest of 8% on the outstanding balance is also incurred. The current holder shall have the right from time to time to convert all or any part of the outstanding and unpaid principal amount of this note into fully paid and non-assessable shares of common stock. The note matures on April 1, 2015 and is convertible, at the note holder's option, into common shares of the Company after 90 days at the lower of \$.0074 or 40% of the average closing price 20 days prior to conversion. The Company is to receive principal from the note of \$50,000 per month starting in April 2014 and for 11 months thereafter, for a total of \$600,000 of which \$300,000 was received during the nine months ended September 30, 2014. In addition, the Company has issued warrants to the note holder which vest in equal amounts, over the 12 month period. The note holder may purchase up to 11,083,333 shares of the Company's common stock at \$0.06 per share per warrant or convert the warrants to common stock on a formula as

cashless warrants. Because of the variable conversion option contained in the convertible note and the ratchet provision included in the warrant, the Company recorded derivative liabilities totaling \$1,706,747 upon issuance of the note, offset by a discount equal to the face value of the funded portion of the notes, which became convertible during the nine months ended September 30, 2014, or \$170,000, and initial derivative expense of \$1,536,747. As of September 30, 2014, the derivative liabilities were adjusted to fair value of \$615,552, resulting in derivative income of \$1,091,196. The fair value of the derivatives was determined using Monte Carlo simulations and modified Black Scholes Models, and assumptions as follows: volatility - 302.1%. Risk Free Rate - 0.88% to 0.91%, Term – 0.75 yrs to 2.75 Years; Dividend Rate – 0.0%.

On July 2, 2014 the Company issued a convertible promissory note in the principal amount of \$40,000. The note bears interest at the rate of 8% per annum and matures July 2, 2015. The note is convertible into shares of the Company's common stock after 180 days at 50% of the average of the lowest 2 trading prices during the 10 trading days immediately preceding the conversion date. The embedded conversion feature is required to be recorded as a derivative liability adjusted to fair value at each reporting date. The Company recorded an initial derivative liability of \$43,200 debt discount of \$40,000 and derivative expense of \$3,200. The debt discount of \$40,000 is being amortized into interest expense over the term of the note. Amortization for the nine months ended September 30, 2014, totaled \$10,000 and the carrying value of the note as of September 30, 2014, is \$10,000, net of unamortized discount of \$30,000.

On July 2, 2014 the Company issued a convertible promissory note in the principal amount of \$50,000. The note bears interest at the rate of 8% per annum and matures July 2, 2015. The note is convertible into shares of the Company's common stock at 50% of the lowest trading price during the 20 trading days immediately preceding the conversion date. The embedded conversion feature is required to be recorded as a derivative liability adjusted to fair value at each reporting date. The Company recorded an initial derivative liability of \$54,000, debt discount of \$50,000 and derivative expense of \$4,000. The debt discount of \$50,000 is being amortized into interest expense over the term of the note. Amortization for the nine months ended September 30, 2014, totaled \$12,500 and the carrying value of the note as of September 30, 2014, is \$12,500, net of unamortized discount of \$37,500.

#### NOTE 4 – STOCKHOLDERS' DEFICIT

On January 3, 2014 the Company issued 1,000,000 shares of common stock to one individual for \$5,000 in cash.

On January 9, 2014 the Company issued 1,000,000 shares of common stock for \$5,000 in cash.

On January 14, 2014 the Company issued 300,000 shares of common stock to one individual with a fair value based on recent stock sales, of \$11,370 for services rendered.

On January 28, 2014 the Company issued 393,446 shares of common stock for the conversion of \$2,558 of convertible debt and accrued interest.

On February 4, 2014 the Company issued 394,057 shares of common stock for the conversion of \$2,561 of convertible debt and accrued interest.

Edgar Filing: ML Capital Group, Inc. - Form 10-Q

On February 6, 2014 the Company issued 200,000 shares of common stock to one entity for services to be rendered over six months. The fair value of \$8,000 was recorded as deferred stock compensation to be amortized to expense over the six month period, resulting in expenses of \$8,000 for the nine months ended September 30, 2014.

On February 7, 2014 the Company issued 1,000,000 shares of common stock to one individual for \$5,000 in cash.

On March 3, 2014 the Company issued 2,500,000 shares of common stock for the conversion of \$2,500 of convertible debt and accrued interest.

On March 7, 2014 the Company issued 1,000,000 shares of common stock to one individual for \$5,000 in cash

On March 7, 2014 the Company issued 250,000 shares of common stock to one entity for services to be rendered over six months, the fair value of \$15,500 based on recent sales, was recorded as deferred stock compensation to be amortized into expense over six months, resulting in expenses of \$15,500 for the nine months ended September 30, 2014.

On March 27, 2014 the Company issued 250,000 shares of common stock to one entity for services to be rendered over six months. The fair value of \$27,500, based on recent sales, was recorded as deferred stock based compensation to be amortized over six months, resulting in expenses of \$27,500 for the nine months ended September 30, 2014.

On April 4, 2014 the Company issued 238,000 shares of common stock valued at \$30,702, based on recent stock sales, to an entity for services to be rendered over six months. The fair value was recorded as deferred stock based compensation to be amortized over six months, resulting in expenses of \$30,702 for the nine months ended September 30, 2014.

On April 17, 2014 the Company issued 2,000 shares of common stock valued at \$258 based on recent stock sales to one entity for legal services.

On April 17, 2014 the Company issued 800,000 shares of common stock valued at \$57,120, based on recent stock sales to two directors of the Company.

On April 17, 2014 the Company issued 500,000 shares of common stock valued at \$35,700, based on recent stock sales, to one individual appointed to the advisory board. The fair value was recorded as deferred stock based compensation to be amortized over six months, resulting in expenses of \$32,725 for the nine months ended September 30, 2014.

Edgar Filing: ML Capital Group, Inc. - Form 10-Q

On May 5, 2014 the Company issued 1,120,519 shares of commons stock valued at \$23,027 for the conversion of \$22,000 of convertible debt and \$1,027 of accrued interest.

On May 16, 2014 the Company issued 250,000 shares of common stock to one entity for services to be rendered over six months. The fair value of \$14,650, based on recent sales, was recorded as deferred stock based compensation to be amortized over six months, resulting in expenses of \$10,998 for the nine months ended September 30, 2014.

On May 21, 2014 the Company issued 250,000 shares of common stock to one entity for services to be rendered over six months. The fair value of \$11,380, based on recent sales, was recorded as deferred stock based compensation to be amortized over six months, resulting in expenses of \$7,727 for the nine months ended September 30, 2014.

On June 4, 2014 the Company issued 200,000 shares of common stock to one entity for services to be rendered over six months. The fair value of \$5,780, based on recent sales, was recorded as deferred stock based compensation to be amortized over six months, resulting in expenses of \$3,853 for the nine months ended September 30, 2014.

On June 5, 2014 the Company issued 300,000 shares of common stock to one entity for services to be rendered over six months. The fair value of \$8,100, based on recent sales, was recorded as deferred stock based compensation to be amortized over six months, resulting in expenses of \$5,400 for the nine months ended September 30, 2014.

On June 10, 2014 the Company issued 350,000 shares of common stock to one entity for services to be rendered over three months. The fair value of \$5,600, based on recent sales, was recorded as deferred stock based compensation to be amortized over three months, resulting in expenses of \$5,600 for the nine months ended September 30, 2014.

On June 27, 2014 the Company issued 500,000 shares of common stock to an individual for services to be rendered over six months. The fair value of \$15,000, based on recent sales, was recorded as deferred stock based compensation to be amortized over three months, resulting in expenses of \$7,500 for the nine months ended September 30, 2014.

On August 1, 2014 the Company issued 250,000 shares of common stock to one entity for services to be rendered over six months. The fair value of \$6,000, based on recent sales, was recorded as deferred stock based compensation to be amortized over six months, resulting in expenses of \$2,000 for the nine months ended September 30, 2014.

On September 4, 2014 the Company issued 717,619 shares of common stock to one entity for services to be rendered over six months. The fair value of \$12,200, based on recent sales, was recorded as deferred stock based compensation to be amortized over six months, resulting in expenses of \$2,033 for the nine months ended September 30, 2014.

On September 19, 2014 the Company issued 350,000 shares of common stock to one entity for services to be rendered over three months. The fair value of \$3,150, based on recent sales, was recorded as deferred stock based compensation to be amortized over three months, resulting in expenses of \$525 for the nine months ended September 30, 2014.

The Company has issued warrants to purchase 11,083,333 shares of common stock of which 2,833,333 are exercisable as of September 30, 2014. The warrants have an exercise price of \$0.06 per share and expire on April 1, 2017 (See Note 3).

#### NOTE 5 – COMMITMENTS AND CONTINGENCIES

On December 3, 2013 Premier Media Services, Inc filed a civil suit (Premier Media Services, Inc. v ML Capital Group Inc., Case No. CC2014215992RC. North Mesa Justice Court, CA) claiming damages of \$4,450 of unpaid fees and legal costs and shares received at a value of \$5,000 for breach of contract and to release the shares held. Premier

claims the Company terminated the contract on 30 day notice while the contract required a 90 day notice. The Company has counter claimed that Premier breached the contract and did not act in good faith while committing fraud and enjoying unjust enrichment. The Company announced the resolution of this dispute on September 5, 2014. Premier Media Services agreed to accept \$1,000.00 and return 125,000 shares of Common Stock to the Company. The terms of the agreement has been fulfilled by both parties all claims and counterclaims were dismissed with prejudice on August 28, 2014.



NOTE 6 – LEASE

On May 16, 2013 the Company signed a lease for 950 square feet of space with the lease commencing on July 1, 2013 and expiring on August 1, 2015. Under the terms of the lease the Company paid monthly lease rental of \$900 per month plus estimated CAM and taxes from July 1, 2013 through December 31, 2013. The Company is further obligated to pay monthly rental of \$950 plus CAM and taxes from January 1, 2014 through June 30, 2014 and \$950 in monthly rental plus CAM and taxes through the term of the lease ending July 31, 2015.

NOTE 7 – SUBSEQUET EVENT

From October 1, 2014, through November 14, 2014, the Company has issued 102,817,613 shares of common stock upon conversion of \$88,000 of convertible promissory notes and \$2,079 of accrued and unpaid interest.

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

### FORWARD LOOKING STATEMENTS

Statements made in this Form 10-Q that are not historical or current facts are forward-looking statements. These statements often can be identified by the use of terms such as "may," "will," "expect," "believe," "anticipate," "estimate," "approximate" or "continue," or the negative thereof. We wish to caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made. Any forward-looking statements represent management's best judgment as to what may occur in the future. However, forward-looking statements are subject to risks, uncertainties and important factors beyond our control that could cause actual results and events to differ materially from historical results of operations and events and those presently anticipated or projected. Among the factors that could cause actual results to differ materially from the forward-looking statements are the following: the Company's ability to obtain necessary capital, the Company's ability to successfully consummate future acquisitions and such other risk factors identified from time to time in the Company's reports filed with the Securities and Exchange Commission, including those filed with this Form 10-Q quarterly report. We disclaim any obligation subsequently to revise any forward-looking statements to reflect events or circumstances after the date of such statement or to reflect the occurrence of anticipated or unanticipated events.

### Overview

ML Capital Group, Inc. was incorporated under the laws of the State of Nevada on September 22, 2009.

Our business consists of providing consulting services to both public and private companies, concentrating primarily on early stage companies, small businesses and emerging growth companies, with a principal focus on serving companies in the green technology and alternative energy industries. The Company embarked upon an expansion into developing products and services that are focused in the electronic cigarettes (e-cigs) industry. In addition the Company is anticipating the launch of a smartphone application to market products related to its new venture.

To date, the President has been primarily responsible for managing the majority of the Company's operations, and the needs of the Company's clients, which include the following responsibilities:

- Developing intellectual property around specific products or services
- Corporate strategic planning and implementation
- Executive search and placement
- Establish relationships with companies for new business development

· Make introductions to other companies as a potential strategic or financial partner

We plan to work with companies that are interested in buying or selling assets or businesses, assisting with conducting the required due diligence, advising on transaction structures, and in some cases assist with identifying possible sources of financing at the request of a client.

15

---

The Company's expansion into the electronic cigarettes (e-cigs) industry has been carefully considered and is focused strictly on developing products, services, smartphone applications, and intellectual property that provides added value to the Company. To date, the Company is in the final stages of developing and commercializing its branded and trademarked SuperStar Vapor Pen – which is an electronic smoking device similar to an electronic cigarette that enables people to consume tobacco, wax, or liquid form in a highly efficient, clean and safe manner. In addition, the Company is also finalizing the development of a smartphone application that will provide location based services and detailed information on medical marijuana dispensaries on a national scale.

## Results of Operations

During the three and nine month periods ended September 30, 2014 the Company generated \$9,340 and \$14,800 in revenue compared to \$1,125 in the respective periods in 2013. Of the revenue generated \$2,250 was from related parties and the balance was from product sales.

Cost of goods sold for the three and nine month periods ended September 30, 2014 was \$5,825 and \$7,134 compared with zero in the respective periods in 2013. Gross Margin for the three and nine month period ended September 30, 2014 was \$3,515 and \$7,666 compared to 1,125 for both periods in 2013.

Total expenses for the three and nine months periods ended September 30, 2014 were \$305,033 and \$1,170,278 compared to \$20,885 and \$280,996 in 2013, respectively. The \$889,282 increase in expenses for the nine month period ended September 30, 2014 over the same period in 2013 was primarily attributable to professional fees of \$825,234 for the nine month period ended September 30, 2014 compared to \$16,912 and general and administrative expenses of \$310,044 for the nine month period in 2014 compared to \$41,584 during the same period in 2013. The large increase in professional fees can be attributed to increased stock based compensation awarded in 2014 verses 2013.

Other expense (income) for the three and nine month period ended September 30, 2014 was \$40,878 and \$(523,994) compared to \$(3,448) and \$5,906 in the respective periods in 2013. The large variance in 2014 over 2013 was attributed to derivative liability expense of \$445,552 for the nine months period ended September 30, 2014 compared to \$1,667 for the nine months ended September 30, 2013. Additional during the three and nine months periods ended September 30, 2014 amortization of debt discount was \$125,394 and \$140,035 compared to zero for the respective periods in 2013.

The Company has negative working capital of \$965,529 as of September 30, 2014 compared to \$82,828 as of December 31, 2013. Funds used in operating activities during the nine months ended September 30, 2014 were \$369,197 compared to funds used of \$60,100 in the same period in 2013 or \$309,097 more in 2014 than in 2013. A larger loss offset by stock based compensation of \$863,090 and loss from derivate liability of 464,082 during the nine

months ended September 30, 2014 attributed to the variance between 2014 and 2013.

Funds provided from financing activities were \$453,351 for the period ended September 30, 2014 compared to funds provided of \$60,056 for the same period in 2013. The funds provided by financing activities in 2014 were proceeds from stock sales of \$20,000, proceeds from convertible notes of \$440,000 offset by payments of advances from related parties of \$6,556 and reduction in bank overdraft of \$93.

### **Off-Balance Sheet Arrangements**

The Company does not have any off-balance sheet arrangements.

**Item 3: Quantitative and Qualitative Disclosures About Market Risk.**

An investment in the Company is highly speculative in nature and involves an extremely high degree of risk.

**Item 4: Controls and Procedures.**

**Evaluation of Disclosure Controls and Procedures**

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of management, including our chief executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based upon that evaluation, management concluded that our disclosure controls and procedures were not effective as of September 30, 2014.

**Changes in internal controls**

Our management, with the participation our Chief Executive Officer and Chief Financial Officer, performed an evaluation to determine whether any change in our internal controls over financial reporting occurred during the nine months ended September 30, 2014. Based on that evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that no changes occurred in the Company's internal controls over financial reporting during the nine months ended September 30, 2014 that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

**PART II: OTHER INFORMATION**

**Item 1: Legal Proceedings**

None.

**Item 1A: Risk Factors**

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and are not required to provide the information under this item.

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

None

**Item 3: Defaults Upon Senior Securities**

None

**Item 4: Mine Safety Disclosures**

Not applicable

**Item 5: Other Information**

None

18

—



**Item 6: Exhibits.**

**No. Description**

31 Chief Executive Officer Certification

32 Section 1350 Certification

101.INS \*\* XBRL Instance Document

101.SCH \*\* XBRL Taxonomy Extension Schema Document

101.CAL \*\* XBRL Taxonomy Extension Calculation Linkbase Document

101.DEF \*\* XBRL Taxonomy Extension Definition Linkbase Document

101.LAB \*\* XBRL Taxonomy Extension Label Linkbase Document

101.PRE \*\* XBRL Taxonomy Extension Presentation Linkbase Document

---

\*\* XBRL (Extensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

**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.

**ML CAPITAL GROUP, INC.**

Dated: November 19, 2014

By: */s/ Lisa Nelson*  
Lisa Nelson,  
Chief Executive Officer (Principal  
Executive Officer) and Chairman of the  
Board of Directors