ACQUIRED SALES CORP
Form 10-Q
August 14, 2014

FORM 10-Q
U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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

For the quarterly period ended June 30, 2014

OR

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

For the transition period from ________ to ________

Commission file number 000-52102

Acquired Sales Corp.
(Exact name of registrant as specified in its charter)

Nevada	87-40479286
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

31 N. Suffolk Lane, Lake Forest, Illinois 60045
(Address of principal executive offices)

(847) 915-2446
(Registrant's telephone number, including area code)

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

Indicate by checkmark whether the registrant (1) 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 [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 [x] 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 [x]

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

APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate the number of shares outstanding of each of the issuer’s classes of common units, as of the latest practicable date: 2,269,648 shares of common stock, par value $.001 per share, outstanding as of August 14, 2014.

Transitional Small Business Disclosure Format (Check one): Yes [ ] No [x]

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Item 1. Statements

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and in accordance with the instructions for Form 10-Q. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

In the opinion of management, the financial statements contain all material adjustments, consisting only of normal recurring adjustments necessary to present fairly the financial condition, results of operations, and cash flows of the Company for the interim periods presented.

The results for the period ended June 30, 2014 are not necessarily indicative of the results of operations for the full year. These financial statements and related footnotes should be read in conjunction with the financial statements and footnotes thereto included in the Company’s Form 10-K filed with the Securities and Exchange Commission for the period ended December 31, 2013.

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ACQUIRED SALES CORP. AND SUBSIDIARIES
INDEX TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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ACQUIRED SALES CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	June 30, 2014	December 31, 2013
ASSETS		
Current Assets		
Cash and cash equivalents	$1,280,978	$427,294
Due from sale of subsidiary	-	1,000,000
Total Assets	$1,280,978	$1,427,294
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Trade accounts payable	$25,886	$20,886
Obligation under stock repurchase	-	20,000
Total Liabilities	25,886	40,886
Shareholders' Equity		
Preferred stock, $0.001 par value; 10,000,000 shares authorized; none outstanding	-	-
Common stock, $0.001 par value; 100,000,000 shares authorized; 2,269,648 shares outstanding	2,270	2,270
Additional paid-in capital	8,410,295	8,410,295
Accumulated deficit	(7,157,473)	(7,026,157)
Total Shareholders' Equity	1,255,092	1,386,408
Total Liabilities and Shareholders' Equity	$1,280,978	$1,427,294

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ACQUIRED SALES CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	For the Three Month Ended June 30,		For the Six Month Ended June 30,	
	2014	2013	2014	2013
Selling, General and Administrative Expense	$(72,233)	$(63,479)	$(147,579)	$(123,106)
Other Income	8,321	-	16,263	-
Loss from Extinguishment of Debt	-	-	-	(79,463)
Interest Expense	-	-	-	(4,125)
Loss from Continuing Operations	(63,912)	(63,479)	(131,316)	(206,694)
Gain on Disposal of Discontinued Operations	-	994,678	-	4,726,068
Income from Discontinued Operations	-	115,180	-	268,980
Net Income (Loss)	$(63,912)	$1,046,379	$(131,316)	$4,788,354
Basic and Diluted Earnings (Loss) per Share				
Continuing Operations	$(0.03)	$(0.02)	$(0.06)	$(0.07)
Discontinued Operations	-	0.37	-	1.69
Net Income (Loss)	$(0.03)	$0.35	$(0.06)	$1.62

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ACQUIRED SALES CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2013 AND 2014
(UNAUDITED)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Total Shareholders' Equity
Balance, December 31, 2012	2,877,896	$ 2,878	$ 8,187,846	$ (11,500,063)	$ (3,309,339)
Stock issued in debt extinguishment	82,548	83	271,757	-	271,840
Net Income	-	-	-	4,788,354	4,788,354
Balance, June 30, 2013	2,960,444	$ 2,961	$ 8,459,603	$ (6,711,709)	$ 1,750,855
Balance, December 31, 2013	2,269,648	$ 2,270	$ 8,410,295	$ (7,026,157)	$ 1,386,408
Net loss	-	-	-	(131,316)	(131,316)
Balance, June 30, 2014	2,269,648	$ 2,270	$ 8,410,295	$ (7,157,473)	$ 1,255,092

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ACQUIRED SALES CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	For the Six Months Ended June 30, 2014	For the Six Months Ended June 30, 2013
Cash Flows from Operating Activities		
Net income (loss)	$(131,316)	$4,788,354
Adjustments to reconcile income (loss) to net cash used in operating activities:		
Income from discontinued operations	-	(4,995,048)
Loss from extinguishment of debt	-	79,463
Changes in operating assets and liabilities:		
Accounts payable	5,000	(117,155)
Net cash used in operating activities of continuing operations	(126,316)	(244,386)
Net cash used in operating activities of discontinued operations	-	(1,143,554)
Net cash used in operating activities	(126,316)	(1,387,940)
Cash Flows from Investing Activities		
Net cash provided by investing activities of discontinued operations	1,000,000	3,670,135
Net cash provided by investing activities	1,000,000	3,670,135
Cash Flow from Financing Activities		
Payments on notes payable	-	(650,070)
Payments on notes payable - related parties	-	(1,601,776)
Payment of obligation under stock repurchase	(20,000)	-
Net cash used in financing activities of continuing operations	(20,000)	(2,251,846)
Net Increase in Cash	853,684	30,349
Cash and Cash Equivalents at Beginning of Period	427,294	186,914
Cash and Cash Equivalents at End of Period	$1,280,978	$217,263

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ACQUIRED SALES CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
(UNAUDITED)

	For the Six Months Ended June 30,	
	2014	2013
Supplemental Cash Flow Information		
Cash paid for interest	$-	$3,683
Cash paid for income taxes	$-	$-
Supplemental Disclosure of Noncash Investing and Financing Activities		
Stock issued in extinguishment of debt to related party	$-	$271,842

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ACQUIRED SALES CORP. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1 – BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – On February 13, 2012, Acquired Sales Corp. ("Acquired Sales" or the "Company") purchased 100% of the equity interests of Defense & Security Technology Group, Inc. ("DSTG"). On September 30, 2013 Acquired Sales sold 100% of the capital stock of DSTG to Minh Le, the previous owner of DSTG prior to its acquisition. DSTG's results of operations have been included in the Company's operations from February 14, 2012 through September 30, 2013 and have been reclassified as discontinued operations.

On January 12, 2013, Acquired Sales entered into an agreement with Drumright Group, LLC ("Drumright") that was closed on February 11, 2013, wherein Acquired Sales sold 100% of the capital stock of Cogility Software Corporation ("Cogility") to Drumright. The historical results of Cogility's results of operations have been reclassified as discontinued operations.

Condensed Financial Statements – The accompanying financial statements are condensed and do not include all disclosures normally required by generally accepted accounting principles. These statements should be read in conjunction with the annual financial statements included in Form 10-K filed with the U.S. Securities and Exchange Commission on April 1, 2014. In particular, the nature of operations and significant accounting principles were presented in Note 1 to the annual financial statements. In the opinion of management, all adjustments necessary for a fair presentation have been included in the accompanying unaudited condensed consolidated financial statements and consist of only normal recurring adjustments, except as disclosed herein. The results of operations for the three and six months ended June 30, 2014 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2014.

Principles of Consolidation – The accompanying consolidated financial statements include the accounts and operations of Acquired Sales for all periods presented, the accounts and discontinued operations of Cogility Software Corporation through February 11, 2013 and the accounts and discontinued operations of Defense & Security Technology Group, Inc. from February 14, 2012 through September 30, 2013. Intercompany accounts and transactions have been eliminated on consolidation.

Basic and Diluted Earnings (Loss) Per Common Share – Basic earnings (loss) per common share is determined by dividing earnings (loss) by the weighted-average number of common shares outstanding during the period. Diluted earnings (loss) per common share is calculated by dividing earnings (loss) by the weighted-average number of common shares and dilutive common share equivalents outstanding during the period. When dilutive, the incremental potential common shares issuable upon exercise of stock options and warrants are determined by the treasury stock method. The following table summarizes the calculations of basic and diluted earnings (loss) per share for the three and six months ended June 30, 2014 and 2013.

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	For the Three Months Ended June 30, 2014	For the Three Months Ended June 30, 2013	For the Six Months Ended June 30, 2014	For the Six Months Ended June 30, 2013
Loss from Continuing Operations	$ (63,912)	$ (63,479)	$ (131,316)	$ (206,694)
Income from Discontinued Operations	-	1,109,858	-	4,995,048
Net Income (Loss)	$ (63,912)	$ 1,046,379	$ (131,316)	$ 4,788,354
Weighted -Average Shares Outstanding	2,269,648	2,960,444	2,269,648	2,946,686
Basic and Diluted Earnings (Loss) per Share				
Continuing Operations	$ (0.03)	$ (0.02)	$ (0.06)	$ (0.07)
Discontinued Operations	-	0.37	-	1.69
Basic and Diluted Earnings (Loss) per Share	$ (0.03)	$ 0.35	$ (0.06)	$ 1.62

There were 2,148,774 employee stock options and 938,000 warrants outstanding during the three and six months ended June 30, 2014 that were excluded from the computation of diluted earnings (loss) per share because their effects would have been anti-dilutive. There were 2,173,774 employee stock options and 938,000 warrants outstanding during the three and six months ended June 30, 2013 that were excluded from the computation of diluted earnings (loss) per share because their effects would have been anti-dilutive.

Recent Accounting Pronouncements - In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), which supersedes the revenue recognition requirements in ASC 605, Revenue Recognition. This ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The effective date will be the first quarter of fiscal year 2016 using one of two retrospective application methods. The Company has not determined the potential effects on the financial statements.

In June 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-12, Compensation-Stock Compensation (Topic 718)-Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period (a consensus of the FASB Emerging Issues Task Force). ASU No. 2014-12 requires that a performance target that affects vesting and could be achieved after the requisite service period shall be treated as a performance condition. The effective date will be the first quarter of fiscal year 2016. The Company has not determined the potential effects on the financial statements.

NOTE 2 - RISKS AND UNCERTAINTIES

The Company has a history of recurring losses, which has resulted in an accumulated deficit of $7,157,473 as of June 30, 2014. During the six months ended June 30, 2014, the Company recognized a loss of $131,316 from continuing operations. The Company used $126,316 of cash in its operating activities from continuing operations. The sale of Cogility and DSTG eliminated the Company’s source of revenue. As a result, there can be no assurance that the Company will not need additional financing and that the Company will be profitable in the future. As a result, there is substantial doubt that the Company will be able to continue as a going concern. The accompanying financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

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NOTE 3 – SHAREHOLDERS' EQUITY

On October 17, 2013 the Company entered into a settlement agreement with Matthew Ghourdjian and the Deborah Sue Ghourdjian Separate Property Trust, whereby Mr. Ghourdjian and the Trust sold to the Company 690,796 shares of common stock for $30,000 cash plus an obligation to pay an additional $20,000 in February 2014, or approximately $0.07 per share. Mr. Ghourdjian resigned from the Company as an employee, director and officer. Mr. Ghourdjian and the Trust, and the Company entered into mutual releases of all claims against one another.

The Company had 2,148,774 stock options outstanding at June 30, 2014 at a weighted average exercise price of $2.35 a share, a weighted average remaining contractual term of 5.29 years and an aggregrate intrinsic value of $742,810.

The Company had 938,000 warrants outstanding at June 30, 2014 at a weighted average exercise price of $2.32 a share, a weighted average remaining contractual term of 2.36 years and had an aggregrate intrinsic value of $213,000.

NOTE 4 – COMMITMENTS AND CONTINGENCIES

The Company is subject to legal proceedings, claims, and litigation arising in the ordinary course of business. The Company defends itself vigorously against any such claims. Although the outcome of these other matters is currently not determinable, management does not expect that the ultimate costs to resolve these matters will have a material adverse effect on its consolidated financial position, results of operations, or cash flows.

NOTE 5– SALE OF SUBSIDIARIES AND DISCONTINUED OPERATIONS

Cogility Software Corporation – On January 12, 2013, Acquired Sales entered into an agreement with Drumright Group, LLC ("Drumright") that was closed on February 11, 2013, wherein Acquired Sales sold 100% of the capital stock of its subsidiary, Cogility Software Corporation ("Cogility") to Drumright in exchange for $3,975,000 in cash and a $3,000,000 receivable. The $3,000,000 was originally receivable as follows: $1,500,000 on August 11, 2013, less an estimated $32,258 in connection with a certain military contract delay, and $1,500,000 on February 11, 2014. In addition, Acquired Sales was required to hold $300,000 in an escrow account for potential subsequent claims. Acquired Sales was responsible for all costs and expenses and retained all accounts receivable relating to work performed by Cogility on revenue contracts through January 31, 2013, with those costs, expenses and revenue transitioning to Drumright thereafter. Acquired Sales retained a contract to create "legal analytics" software. The carrying value of Cogility's net liabilities, excluding accounts receivable, was $32,899.

Under the terms of the agreement, Acquired Sales was required to transfer Cogility to Drumright without any liabilities. To accomplish this requirement, the $3,975,000 down payment was placed into an escrow account and to the extent necessary was used to pay Cogility's liabilities, including liabilities that were secured by Cogility's assets or its capital stock.

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The Company agreed to indemnify Drumright for losses caused by breach of the Company's representations and warranties. In March 2013, Drumright notified the Company of the existence of a second amendment to a license agreement between Cogility and one of its customers that was effective April 2007. On July 16, 2013 the parties entered into a Compromise and Release agreement whereby the parties agreed to reduce the purchase price by $2,000,000 by reducing the $3,000,000 receivable to $1,000,000 due and paid on February 11, 2014. As a result of the Compromise and Release agreement, the Company recognized a gain on disposal of discontinued operations relating to the sale of Cogility of $5,007,899, of which $4,726,068 was recognized during the six months ended June 30, 2013. The historical results of Cogility's operations have been reclassified to discontinued operations.

Defense & Security Technology Group, Inc. – Acquired Sales purchased 100% of the equity interests of Defense & Security Technology Group, Inc. ("DSTG") on February 13, 2012. The results of DSTG's operations have been included in the consolidated financial statements from February 14, 2012 through September 30, 2013.

On September 30, 2013 Acquired Sales sold 100% of the common stock of DSTG back to the previous shareholder for $1. The Company recognized a loss on sale of $104,946 during the year ended December 31, 2013, none of which was recognized during the six months ended June 30, 2013. The historical results of DSTG's operations have been reclassified to discontinued operations.

Revenue and operating results of Cogility and DSTG included in discontinued operations for the three and six months ended June 30, 2014 and 2013 were as follows:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2014	2013	2014	2013
Revenues	$-	$140,360	$-	$485,581
Net Income from Discontinued Operations	$-	$115,180	$-	$268,980

NOTE 6– SUBSEQUENT EVENTS

The William Noyes Webster Foundation, Inc. (the "Foundation"), a non-profit Massachusetts corporation, has received a provisional license from the Commonwealth of Massachusetts to own and operate a medical marijuana cultivation facility and dispensary in Barnstable County, Massachusetts. Jane W. Heatley ("Heatley") is the founder and a member of the board of directors of the Foundation.

On July 8, 2014, Acquired Sales Corp. ("AQSP") and Heatley agreed to use their respective best efforts, working exclusively together as a team, and not as a partnership or other entity, in order to consummate transactions, agreements, contracts and other arrangements pursuant to which AQSP will provide capital and expertise to the Foundation.

On July 14, 2014, the Foundation signed and delivered to AQSP a Secured Promissory Note (the "Note") which is in the stated loan amount of $1,500,000. The Note provides that the $1,500,000 loan may be advanced in one or more installments as the Foundation and AQSP may mutually agree upon. The Foundation and AQSP mutually agreed that the first installment of this loan would be $602,500. Pursuant

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to instructions from the Foundation, on July 14, 2014, AQSP paid $2,500 owed by the Foundation to one of its consultants, and AQSP advanced $600,000 directly to the Foundation. The amount and timing of subsequent loan installments under the Note, which could total $897,500, have not yet been mutually agreed upon between the Foundation and AQSP.

The principal balance outstanding under the Note bears interest at the rate of 12.5% per annum, compounded monthly. The first payment by the Foundation under the Note shall be made as soon after the Foundation commences operations of its medical marijuana cultivation facility and dispensary as the Foundation's cash flows shall reasonably permit, but in any event no later than one year after the Foundation commences operations. The principal of the Note shall be payable in eight consecutive equal quarterly installments, commencing on the last day of the calendar quarter in which the Foundation commences operations. The Note is secured by, among other things, all of the Foundation’s accounts, receivables, inventory, contractual rights, intangibles, equipment, goods, investment properties as set out in a Security Agreement dated July 14, 2014.

On July 14, 2014, AQSP borrowed $300,000 from the Roberti Jacobs Family Trust (the "Trust"). The Trust is an affiliate of Gerard M. Jacobs, AQSP's Chief Executive Officer. The loan was repaid in full on August 5, 2014.

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ACQUIRED SALES CORP. AND SUBSIDIARIES

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

As used in this 10-Q, references to the “Company,” “Acquires Sales,” “we,” “our” or “us” refer to Acquired Sales Corp., unl the context otherwise indicates.

The Company has a history of recurring losses, which has resulted in an accumulated deficit of $7,157,473 as of June 30, 2014. In addition, the Company suffered losses from continuing operations during the six months ended June 30, 2014 and 2013 and used cash in its operating activities from continuing operations during the six months ended June 30, 2014 and 2013. Additionally, as discussed in Note 5 to the accompanying condensed consolidated financial statements, the Company sold 100% of the capital stock of its subsidiaries, Cogility Software Corporation and Defense & Security Technology Group, Inc., which were its primary source of revenue. These matters raise substantial doubt about the Company’s ability to continue as a going concern

This Management’s Discussion and Analysis or Plan of Operations (“MD&A”) section discusses our results of operations, liquidity and financial condition, contractual relationships and certain factors that may affect our future results. You should read this MD&A in conjunction with our financial statements and accompanying notes included for Acquired Sales Corp.

Forward-Looking Statements

Certain information included herein contains statements that may be considered forward-looking statements, such as statements relating to our anticipated revenues and operating results, future performance and operations, plans for future expansion, capital spending, sources of liquidity and financing sources. Such forward-looking information involves important risks and uncertainties that could significantly affect anticipated results in the future, and accordingly, such results may differ from those expressed in any forward-looking statements made herein. These risks and uncertainties include the “Risk Factors” included herein and in our annual report on Form 10-K filed with the SEC on April 1, 2014, that can be read at www.sec.gov.

Overview

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Acquired Sales Corp. is incorporated under the laws of the State of Nevada.

On January 12, 2013, Acquired Sales entered into an agreement with Drumright Group, LLC ("Drumright") that was closed on February 11, 2013, wherein Acquired Sales sold 100% of the capital stock of its subsidiary, Cogility Software Corporation ("Cogility") to Drumright in exchange for $3,975,000 in cash and a $3,000,000 receivable. The $3,000,000 was originally receivable as follows: $1,500,000 on August 11, 2013, less an estimated $32,258 in connection with a certain military contract delay, and $1,500,000 on February 11, 2014. In addition, Acquired Sales was required to hold $300,000 in an escrow account for potential subsequent claims. Acquired Sales was responsible for all costs and expenses and retained all accounts receivable relating to work performed by Cogility on revenue contracts through January 31, 2013, with those costs, expenses and revenue transitioning to Drumright thereafter. Acquired Sales retained a contract to create "legal analytics" software. The carrying value of Cogility's net liabilities, excluding accounts receivable, was $32,899.

Under the terms of the agreement, Acquired Sales was required to transfer Cogility to Drumright without any liabilities. To accomplish this requirement, the $3,975,000 down payment was placed into an escrow account and to the extent necessary was used to pay Cogility's liabilities, including liabilities that were secured by Cogility's assets or its capital stock.

The Company agreed to indemnify Drumright for losses caused by breach of the Company's representations and warranties. In March 2013, Drumright notified the Company of the existence of a second amendment to a license agreement between Cogility and one of its customers that was effective April 2007. On July 16, 2013 the parties entered into a Compromise and Release agreement whereby the parties agreed to reduce the purchase price by $2,000,000 by reducing the $3,000,000 receivable to $1,000,000 due on February 11, 2014. As a result of the Compromise and Release agreement, the Company recognized a gain on disposal of discontinued operations relating to the sale of Cogility of $5,007,899, of which $4,726,068 was recognized during the six months ended June 30, 2013.

On February 13, 2012, Acquired Sales purchased 100% of the equity interests of Defense & Security Technology Group, Inc. ("DSTG"). The results of DSTG's operations have been included in the consolidated financial statements from February 13, 2012 through September 30, 2013. On September 30, 2013 Acquired Sales sold 100% of the common stock of DSTG back to the previous shareholder for $1. The Company recognized a loss on sale of $104,946 during the year ended December 31, 2013, none of which was recognized during the six months ended June 30, 2013.

The Company is in discussions and/or negotiations to enter into transactions with a number of licensed medical marijuana growers and dispensaries in several jurisdictions where such activities are legal at the state level. No assurances or guarantees whatsoever can be made as to whether any of such transactions will be successfully consummated, nor on what terms.

If the Company does enter into transactions with one or more licensed medical marijuana growers and/or dispensaries, then it is highly likely that the Company will be required to raise a substantial amount of equity capital and/or debt capital in connection with those transactions, which could result in substantial dilution for existing shareholders of the Company. No assurances whatsoever can be made that such transactions would result in profitability of the Company, nor what the impacts would be on the Company's balance sheet, income statement, or stock price.

In addition, marijuana is classified as a controlled substance by the U.S. federal government, and any entrance by the Company into the medical marijuana industry may trigger material legal and financial risks for the Company. Under certain scenarios, these material legal and financial risks could result in a shutdown or bankruptcy of the Company.

This Form 10-Q does not attempt to describe all of the numerous material risks and uncertainties associated with any possible entrance by the Company into the medical marijuana industry. If the Company does enter into the medical marijuana industry, then shareholders and potential shareholders are expressly cautioned that such participation will entail such numerous material risks and uncertainties, and associated "Risk Factors" will need to be set forth in subsequent filings by the Company with the U.S. Securities and Exchange Commission. The Company cannot

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provide any assurances whatsoever in regard to the potential negative legal, regulatory, financial and operational risks to the Company associated with the potential entrance by the Company into the medical marijuana industry. You are urged to use caution in your evaluation of the Company's stock, and to seek the advice of competent legal and financial advisors in regard to the medical marijuana industry, which is currently in a state of rapid change and involves many variables, which are beyond the Company's control.

The Company further cautions you that as the recreational use of marijuana is permitted in certain states, that the medical marijuana industry is likely to be subjected to even more intense scrutiny and oversight by elected officials, legislative bodies, courts, law enforcement agencies, and community groups. The Company cannot provide any assurances whatsoever in regard to the future potential negative impacts of such intensified scrutiny and oversight.

The Company is also in discussions and/or negotiations with companies involved in various other industries, including but not limited to methadone clinics, auto recycling, and other industries.

Liquidity and Capital Resources

The following table summarizes the Company’s cash and cash equivalents, working capital and long-term debt as of June 30, 2014 and December 31, 2013, as well as cash flows for the six months ended June 30, 2014 and 2013.

	June 30, 2014	December 31, 2013
Cash and cash equivalents	$1,280,978	$427,294
Working capital	1,255,092	1,386,408

	For the Six Months Ended June 30	
	2014	2013
Cash used in operating activities from continuing operations	$(126,316)	$(244,386)
Cash provided by (used in) operating activities from discontinued operations	-	(1,143,554)
Cash provided by investing activities from discontinuing operations	1,000,000	3,670,135
Cash used in financing activities from continuing operations	(20,000)	(2,251,846)

At June 30, 2014 all the Company’s assets consisted of cash from the sale of its subsidiaries. Total current assets at June 30, 2014 of $1,280,978 are adequate to fund current operations and fulfill corporate obligations, but not enough to fund growth and potential acquisitions. Current liabilities at June 30, 2014 included $25,886 of accounts payable; accounts payable consist mainly of liabilities for professional fees.

Comparison of June 30, 2014 and June 30, 2013

During the six months ended June 30, 2014 the Company incurred a loss from continuing operations of $131,316 mainly due to legal and professional fees and reimbursement for expenses incurred by the Company’s President. The Company currently has no revenue generating subsidiaries and is in discussions and/or negotiations to enter into transactions with a number of licensed medical marijuana growers and dispensaries in several jurisdictions where such activities are legal at the state level. No assurances or guarantees whatsoever can be made as to whether any of such acquisitions will be successfully consummated, nor on what terms.

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During the six months ended June 30, 2013, the Company recognized net income of $4,788,354, mainly due to a one-time gain on the sale of its subsidiary Cogility Software Corporation. The Company incurred a loss from continuing operations of $206,694 mainly due to legal and professional fees and loss from the extinguishment of debt. Income from discontinued operations of $4,995,048 included gain on sale of Cogility of $4,726,068. The Company greatly reduced its overhead costs with the sale of Cogility. As of June 30, 2013, our labor force consisted of one full time and one part time employee. All other labor was hired on a contract basis. This substantially reduced the Company's fixed costs on a go forward basis.

The Company used cash from continuing operations of $126,316 for the six months ended June 30, 2014 primarily due to legal and professional fees and reimbursement for expenses incurred by the Company's President. The Company used cash from continuing operations of $244,386 and $1,143,554 from discontinued operations for the six months ended June 30, 2013 primarily due to the repayment of nearly all accounts payable and accrued expenses in accordance with the Cogility purchase agreement.

The Company had net cash provided by investing activities from discontinued operations of $1,000,000 for the six months ended June 30, 2014 primarily due to the final payment received from the sale of Cogility. The Company had net cash provided by investing activities from discontinued operations of $3,670,135 for the six months ended June 30, 2013 primarily due to cash received from the sale of Cogility at the time of sale net of the purchase of property and equipment for DSTG.

The Company used $ 20,000 of cash from continuing operations in its financing activities to repurchase its common stock for the six months ended June 30, 2014. The Company used $2,251,846 of cash in its financing activities to pay down all the corporate debt in accordance with the Cogility purchase agreement during the six months ended June 30, 2013.

During the six months ended June 30, 2014, cash increased by $853,684 leaving the Company with $1,280,978 in unrestricted cash at June 30, 2014. This as compared to an increase in unrestricted cash of $30,349 during the six months ended June 30, 2013.

Comparison of the three and six months ended June 30, 2014 to June 30, 2013

The Company did not generate revenue from continuing operations during the three and six months ended June 30, 2014 and 2013. General and administrative expenses primarily consist of professional fees, including accounting, administration, finance and legal personnel. General and administrative expense from continuing operations were $147,579 for the six months ended June 30, 2014 compared to $123,106 for the six months ended June 30, 2013, representing an increase of $24,473. The increase in our general and administrative expense related to an increase in professional fees.

General and administrative expense from continuing operations were $72,233 for the three months ended June 30, 2014 compared to $63,479 for the three months ended June 30, 2013, representing an increase of $8,754. The increase in our general and administrative expense related to an increase in professional fees.

Net Income (Loss) –The Company incurred a loss from continuing operations of $131,316 for the six months ended June 30, 2014 compared to a loss from continuing operations of $206,694 for the six months ended June 30, 2013, representing an increase in selling, general and administrative expense such as professional fees and a decrease in loss from extinguishment of debt.

The Company realized income of $4,995,048 from discontinued operations for the six months ended June 30, 2013, mainly due to the gain on the sale of its subsidiary Cogility Software Corporation.

The Company incurred a loss from continuing operations of $63,912 for the three months ended June 30, 2014 primarily due to selling, general and administrative expenses such as professional fees.

The Company realized income of $1,109,858 from discontinued operations for the three months ended June 30,

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2013, mainly due to an increase to the gain on the sale of its subsidiary Cogility Software Corporation and income generated from its subsidiary DSTG, which has been reclassified to discontinued operations. The Company incurred a loss from continuing operations of $63,479 for the three months ended June 30, 2013 due to general and administrative expenses such as professional fees, loss from extinguishment of debt and interest.

Critical Accounting Policies

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenses. Significant estimates include share-based compensation forfeiture rates and the potential outcome of future tax consequences of events that have been recognized for financial reporting purposes. Actual results and outcomes may differ from management's estimates and assumptions.

Income Taxes – Provisions for income taxes are based on taxes payable or refundable for the current year and deferred income taxes. Deferred income taxes are provided on differences between the tax bases of assets and liabilities and their reported amounts in the financial statements and on tax carry forwards. Deferred tax assets and liabilities are included in the financial statements at currently enacted income tax rates applicable to the period in which the deferred tax assets and liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes. A valuation allowance is provided against deferred income tax assets when it is not more likely than not that the deferred income tax assets will be realized.

Basic and Diluted Earnings (Loss) Per Common Share – Basic earnings (loss) per common share is determined by dividing earnings (loss) by the weighted-average number of common shares outstanding during the period. Diluted earnings (loss) per common share is calculated by dividing earnings (loss) by the weighted-average number of common shares and dilutive common share equivalents outstanding during the period. When dilutive, the incremental potential common shares issuable upon exercise of stock options and warrants are determined by the treasury stock method. There were 2,148,774 employee stock options and 938,000 warrants outstanding during the three and six months ended June 30, 2014 that were excluded from the computation of diluted earnings (loss) per share because their effects would have been anti-dilutive. There were 2,173,774 employee stock options and 938,000 warrants outstanding during the three and six months ended June 30, 2013 that were excluded from the computation of diluted earnings (loss) per share because their effects would have been anti-dilutive.

Recent Accounting Pronouncements - In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), which supersedes the revenue recognition requirements in ASC 605, Revenue Recognition. This ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The effective date will be the first quarter of fiscal year 2016 using one of two retrospective application methods. The Company has not determined the potential effects on the financial statements.

In June 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-12, Compensation-Stock Compensation (Topic 718)-Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period (a consensus of the FASB Emerging Issues Task Force). ASU No. 2014-12 requires that a performance target that affects vesting and could be achieved after the requisite service period shall be treated as a performance condition. The effective date will be the first quarter of fiscal year 2016. The Company has not determined the potential effects on the financial statements.

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Contractual Cash Obligations and Commercial Commitments - The William Noyes Webster Foundation, Inc. (the "Foundation"), a non-profit Massachusetts corporation, has received a provisional license from the Commonwealth of Massachusetts to own and operate a medical marijuana cultivation facility and dispensary in Barnstable County, Massachusetts. Jane W. Heatley ("Heatley") is the founder and a member of the board of directors of the Foundation.

On July 8, 2014, Acquired Sales Corp. ("AQSP") and Heatley agreed to use their respective best efforts, working exclusively together as a team, and not as a partnership or other entity, in order to consummate transactions, agreements, contracts and other arrangements pursuant to which AQSP will provide capital and expertise to the Foundation.

On July 14, 2014, the Foundation signed and delivered to AQSP a Secured Promissory Note (the "Note") which is in the stated loan amount of $1,500,000. The Note provides that the $1,500,000 loan may be advanced in one or more installments as the Foundation and AQSP may mutually agree upon. The Foundation and AQSP mutually agreed that the first installment of this loan would be $602,500. Pursuant to instructions from the Foundation, on July 14, 2014, AQSP paid $2,500 owed by the Foundation to one of its consultants, and AQSP advanced $600,000 directly to the Foundation. The amount and timing of subsequent loan installments under the Note, which will total $897,500, have not yet been mutually agreed upon between the Foundation and AQSP.

The unpaid balance of the Note will bear interest at the rate of 12.5% per annum, compounded monthly. The first payment by the Foundation under the Note shall be made as soon after the Foundation commences operations of its medical marijuana cultivation facility and dispensary as the Foundation's cash flows shall reasonably permit, but in any event no later than one year after the Foundation commences operations. The principal of the Note shall be payable in eight consecutive equal quarterly installments, commencing on the last day of the calendar quarter in which the Foundation commences operations. The Note is secured by, among other things, all of the Foundation’s accounts, receivables, inventory, contractual rights, intangibles, equipment, goods, investment properties as set out in a Security Agreement dated July 14, 2014.

On July 14, 2014, AQSP borrowed $300,000 from the Roberti Jacobs Family Trust (the "Trust"). The Trust is an affiliate of Gerard M. Jacobs, AQSP's Chief Executive Officer. The loan was repaid in full on August 5, 2014.

The Company is subject to legal proceedings, claims, and litigation arising in the ordinary course of business. The Company defends itself vigorously against any such claims. Although the outcome of these other matters is currently not determinable, management does not expect that the ultimate costs to resolve these matters will have a material adverse effect on its consolidated financial position, results of operations, or cash flows.

Off Balance Sheet Arrangements – We have no off-balance sheet arrangements.

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Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a “smaller reporting company” as defined by Item 10 of Regulation S-K, the Company is not required to provide information required by this Item.

Item 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures as defined in Rule 13a-15(e) under the Exchange Act as of the end of the period covered by this Quarterly Report on Form 10-Q. In designing and evaluating the disclosure controls and procedures, our management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs. The design of any disclosure controls and procedures also is based in part upon certain assumptions about the likelihood of future events and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Based on that evaluation, our chief executive officer and chief financial officer concluded that, as of June 30, 2014, our disclosure controls and procedures were not effective to provide reasonable assurance that information we are required to disclose 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, regulations and forms, and that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

As indicated in our Form 10-K for the year ended December 31, 2013, management concluded that our internal control over financial reporting was not effective. Management’s assessment of internal controls over financial reporting has not changed at June 30, 2014. There existed a lack of segregation of duties in regard to the Company’s financial reporting, procedures for depositing of funds, procedures for cash disbursements, procedures for checkbook entries, period close procedures, and procedures for financial statement preparation that result in material weaknesses in internal control over financial reporting.

Changes in Internal Control over Financial Reporting

Our management, with the participation of the chief executive officer and chief financial officer, has concluded there were no significant changes in our internal controls over financial reporting that occurred during our last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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PART II — OTHER INFORMATION

Item 1. Legal Proceedings.

To the best knowledge of the officers and directors, the Company is not a party to any legal proceeding or litigation.

Item 1A. Risk Factors.

Not required.

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

None; not applicable.

Item 3. Defaults Upon Senior Securities.

None; not applicable.

Item 4. Mine Safety Disclosures.

None, not applicable.

Item 5. Other Information.

None, not applicable.

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Item 6. Exhibits.

The following Exhibits have been previously filed in the below referenced filings or have been attached hereto, and in any case, as is stated on the cover of this Report, all of the below Exhibits are incorporated herein by reference.

Form 10-SB	March 23, 2007
3.1	Articles of Incorporation dated December 12, 1985
3.2	Amended Articles of Incorporation Dated July 1992
3.3	Amended Articles of Incorporation Dated November 1996
3.4	Amended Articles of Incorporation Dated June 1999
3.5	Amended Articles of Incorporation Dated January 25, 2006
3.6	Amended Bylaws
Form 8-K	August 2, 2007
5.01	Shareholder Agreement
Form 10Q	May 18, 2009
10.1	Private Merchant Banking Agreement-Anniston Capital, Inc.
10.2	Warrant Agreement #1-Anniston Capital, Inc.
10.3	Warrant Agreement #2-Anniston Capital, Inc.
10.4	$100,000 Promissory Note – December 1, 2007
10.5	$10,000 Promissory Note – January 30, 2008
10.6	$10,000 Promissory Note – November 9, 2008
Form 10-K	August 20, 2010
10.7	$4,000 Promissory Note – April 19, 2010
Form 8-K	November 5, 2010
10.1	Letter of Intent Agreement Cogility Software dated November 4, 2010
99.1	Press Release
Form 10-K	December 17, 2010
10.8	$20,000 Promissory Note – October 12, 2010
Form 10-K	March 31, 2011
4.1	Form of Note 3%
4.2	Form of Warrant
10.10	Subscription Agreement
Schedule DEF 14-C	August 9, 2011

10.11	The Johns Hopkins University Applied Physics Laboratory Firm Fixed Price-Time And Material Contract No. 961420, dated October 20, 2009 (filed as Exhibit (E)(i) thereto)
10.12	The Analysis Corporation Task Order Subcontract Agreement, dated January 4, 2010 (filed as Exhibit (E)(ii) thereto)
10.13	Defense & Security Technology Group, LLC, Program Budget & Asset Management Tool Proof of Concept Pilot, dated June 27, 2011 (filed as Exhibit (E)(iii) thereto)
10.14	Defense & Security Technology Group, LLC, Command Information Center – Data Integration Proof of Concept, dated June 27, 2011 (filed as Exhibit (E)(iv) thereto)

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8-K	October 4, 2011
10.15	Agreement and Plan of Merger
10.16	NAVAIR PMA 265 contract, in regard to a Program Budget & Asset Management Tool Proof of Concept Pilot, dated July 15, 2011
10.17	NAVAIR 4.2 Cost Performance contract, in regard to Command Information Center - Data Integration (CIC-DI) Proof of Concept, dated July 15, 2011
10.18	Sotera Defense Solutions, Inc. subcontract number SOTERA-SA-FY11-040, dated June 20, 2011
10.19	$4,000 Promissory Note – September 13, 2011
10.20	CACI Prime Contract No.: W15P7T-06-D-E402 Prime Delivery Order No.: 0060, dated August 24, 2011
10.21	$4,000 Promissory Note – September 13, 2011
14.1	[Proposed] Code of Business Conduct and Ethics
10-Q	May 21, 2012
10.22	Agreement dated as of October 17, 2011, by and among Deborah Sue Ghourdjian Separate Property Trust, Matthew Ghourdjian, Daniel F. Terry, Jr., Roberti Jacobs Family Trust, Acquired Sales Corp., Vincent J. Mesolella, and Minh Le
10-Q	November 13, 2012
10.23	Firm Fixed Price subcontract; Defense & Security Technology Group, Inc. subsidiary and CAS, Inc., dated September 19, 2012
10.24	Firm-Fixed-Price, Level-of-Effort, IDIQ Subcontract; Cogility subsidiary and Booz Allen Hamilton, dated November 1, 2012

8-K	January 16, 2013
10.25	Stock Purchase Agreement dated January 11, 2013
99.1	Press Release
8-K	February 12, 2013
10.26	Amendment No. 1 to Stock Purchase Agreement
8-K/A	August 1, 2013
10.27	Amendment No. 2 Stock Purchase Agreement
10.28	Release Agreement
8-K	September 4, 2013
99.1	Letter – Change of certifying accountant due to acquisition of accountant
8-K	October 4, 2013
10.29	Stock Purchase Agreement dated March 31, 2013
8-K	July 16, 2014
10.30	Promissory Note; William Noyes Webster Foundation, Inc.
10.31	Security Agreement relating to Promissory Note with the William Noyes Webster Foundation, Inc

This 10-Q	
31.1	Certification of principal executive officer and principal financial officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 executed by Gerard M. Jacobs
32.1	Certification of principal executive officer and principal financial office pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 executed by Gerard M. Jacobs
101.INS	XBRL Instance Document*
101.PRE.	XBRL Taxonomy Extension Presentation Linkbase*
101.LAB	XBRL Taxonomy Extension Label Linkbase*
101.DEF	XBRL Taxonomy Extension Definition Linkbase*
101.CAL	XBRL Taxonomy Extension Calculation Linkbase*
101.SCH	XBRL Taxonomy Extension Schema*

*Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed “furnished” and not “filed” or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, or deemed “furnished” and not “filed” for purposes of Section 18 of the Securities and Exchange Act of 1934, and otherwise are not subject to liability under these sections.

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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.

Dated: August 14, 2014

ACQUIRED SALES CORP.

By: /s/ Gerard M. Jacobs
Gerard M. Jacobs
Chief Executive Officer