

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2016

Commission file number 000-53851

Mobivity Holdings Corp.
(Exact Name of Registrant as Specified in Its Charter)

Nevada
(State or Other Jurisdiction of
Incorporation or Organization)

26-3439095
(I.R.S. Employer
Identification No.)

55 North Arizona Place, #310
Chandler, Arizona 85225
(Address of Principal Executive Offices and Zip Code)

(877) 282-7660
(Telephone Number)

Securities registered pursuant to Section 12 (b) of the Act:
None

Securities registered pursuant to section 12 (g) of the Act:
Common Stock, \$.001 par value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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. (Check one):

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates as of June 30, 2016 was \$29,753,106.

As of March 27, 2017, the registrant had 36,388,981 shares of common stock issued and outstanding.

MOBIVITY HOLDINGS CORP.
ANNUAL REPORT ON FORM 10-K
FISCAL YEAR ENDED DECEMBER 31, 2016
TABLE OF CONTENTS

	Page
<u>Part I</u>	1
<u>Item 1. Business</u>	1
<u>Item 1A. Risk Factors</u>	9
<u>Item 1B. Unresolved Staff Comments</u>	13
<u>Item 2. Properties</u>	13
<u>Item 3. Legal Proceedings</u>	13
<u>Item 4. Not Applicable</u>	13
<u>Part II</u>	13
<u>Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	13
<u>Item 6. Selected Financial Data</u>	15
<u>Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	15
<u>Item 8. Financial Statements and Supplementary Data</u>	20
<u>Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure</u>	21
<u>Item 9A. Controls and Procedures</u>	21
<u>Item 9B. Other Information</u>	22
<u>Part III</u>	22
<u>Item 10. Directors, Executive Officers and Corporate Governance</u>	22
<u>Item 11. Executive Compensation</u>	26
<u>Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	29
<u>Item 13. Certain Relationships and Related Transactions, and Director Independence</u>	30
<u>Item 14. Principal Accounting Fees and Services</u>	30
<u>Part IV</u>	31
<u>Item 15. Exhibits and Financial Statement Schedules</u>	31
<u>Signatures</u>	33

FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K, or Form 10-K, contains “forward-looking statements” that involve risks and uncertainties, as well as assumptions that, if they never materialize or prove incorrect, could cause our results to differ materially and adversely from those expressed or implied by such forward-looking statements. The forward-looking statements are contained principally in Item 1—“Business,” Item 1.A—“Risk Factors” and Item 7—“Management’s Discussion and Analysis of Financial Condition and Results of Operations” but appear throughout the Form 10-K. Examples of forward-looking statements include, but are not limited to our expectations, beliefs or intentions regarding our potential product offerings, business, financial condition, results of operations, strategies or prospects and other matters that do not relate strictly to historical facts or statements of assumptions underlying any of the foregoing. These statements are often identified by the use of words such as “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “ongoing,” “opportunity,” “plan,” “potential,” “predicts,” “seek,” “should,” “will,” or “would,” and similar expressions and variations or negatives of these words. These forward-looking statements are based on the expectations, estimates, projections, beliefs and assumptions of our management based on information currently available to management, all of which are subject to change. Such forward-looking statements are subject to risks, uncertainties and other factors that are difficult to predict and could cause our actual results and the timing of certain events to differ materially and adversely from future results expressed or implied by such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those identified below in Item 1.A – “Risk Factors”. Furthermore, such forward-looking statements speak only as of the date of this Form 10-K. We undertake no obligation to update or revise publicly any forward-looking statements to reflect events or circumstances after the date of such statements for any reason, except as otherwise required by law.

Part I

Item 1. Business

General Information

Mobivity Holdings Corp. (the “Company” or “we”) is in the business of developing and operating proprietary platforms over which brands and enterprises can conduct national and localized, data-driven mobile marketing campaigns. Our proprietary platforms, consisting of software available to phones, tablets PCs, and Point of Sale (“POS”) systems, allow resellers, brands and enterprises to market their products and services to consumers through text messages sent directly to the consumers via mobile phones, mobile smartphone applications, and dynamically printed receipt content. We generate revenue by charging the resellers, brands and enterprises a per-message transactional fee, through fixed or variable software licensing fees, or via advertising fees. We help restaurant and retail brands realize their strategy of growing their business by increasing customer frequency, engagement and spend. Mobivity’s analytics and products provide solutions that allow brands to take validated marketing actions across all channels, based on real customer behavior to create personalized, relevant, localized and targeted campaigns. With national clients such as Subway, Sonic, Chick-fil-A, and Baskin-Robbins, Mobivity’s goal is to unlock the power of internal and external customer data to create a system that provides data driven insight to continually adapt and enhance communications with customers.

According to the U.S. Census Bureau, only 7% of commerce in the US occurs online which means 93% is still happening in the physical world. We believe that brands, and in particular restaurant and retail brands, need a better way to tie marketing activities to customer purchases, and then use the information to build a more relevant, personal experience for each customer, at a local and national level. Mobivity is giving brands the ability to connect (and measure) marketing communications in the physical world by unlocking POS and mobile data and marrying it with other traditional tactics to create a closed loop: in some cases increasing response rates from 0.05% to 5% (or greater); improving online advertising conversion by 10X; and increasing revenue per ad by more than 2.5X.

Mobivity’s solution addresses the offline marketing problem and makes personalized marketing automation possible for offline commerce. Digital marketing is highly dynamic and personally targeted. According to studies published by McKinsey & Company, Point Drive, and the National Advertising Institute, targeted advertising generates conversion rates more than eleven times higher than non-targeted advertising, more than double the revenue per advertisement, and is 250% more efficient than non-targeted advertising. Combined with purchase data and analytics gathered by Mobivity’s products and platforms, Mobivity customers are able to quickly transform traditionally low marketing campaign response rates to exponentially higher response rates.

Mobile phone users represent a large and captive audience. While televisions, radios, and even PCs are often shared by multiple consumers, mobile phones are personal devices representing a unique and individual address to the end user. We believe that the future of digital media will be significantly influenced by mobile phones where a direct, personal conversation can be had with the world’s largest target audience. According to a report published by comScore in January 2014, more U.S. Internet users accessed the Internet through mobile devices than through PCs. Additionally, consumers now spend more time using the mobile Internet on smartphones than using the Internet via PCs according to the 2014 Digital Consumer Report published by Nielsen.

[Table of Contents](#)

Our “C4” Mobile Marketing and customer relationship management platform is a Web-hosted software solution enabling our clients to develop, execute, and manage a variety of marketing engagements to a consumer’s mobile phone. Our C4 solution allows our clients to communicate directly with their customers through Short Messaging Service, or SMS, multi-media messaging, smartphone application development and interactive voice response interactions, all of which are facilitated via a set of graphical user interfaces operated from any Web browser.

Our C4 platform also allows our customers to deploy and administer our “Stampt” mobile device loyalty application. Stampt is a smartphone replacement for “Buy 10, Get 1 free” punch cards. Consumers no longer need to worry about forgetting paper-based loyalty punch cards. Stampt makes it easy to receive all of the rewards consumers want from their favorite businesses. Consumers can use Stampt throughout the United States to earn free sandwiches, coffee, pizza, frozen yogurt, donuts, bagels and more. Stampt’s nearby feature shows consumers all of the rewards they can earn at nearby businesses. From the Stampt mobile device application, consumers simply tap any business to learn more about that business and to see all of the loyalty points they have earned at that business. Consumers can keep track of all of the rewards they are close to earning through the “my cards” feature displayed in the application’s interface. Once a consumer has earned all of the Stampts they need for a reward, they simply show the cashier and click “tap to redeem” button from the application interface on their device. Our customers can create and manage any Stampt program from the C4 platform’s set of Web-based interfaces.

Our “SmartReceipt” solution enables our customers with the ability to control the content on receipts printed from their point of sale, or POS system. SmartReceipt is a software application that is installed on the POS, or directly onto receipt printer platforms, such as Epson’s OmniLink product, which dynamically controls what is printed on receipts such as coupons, announcements, or other calls-to-action, such as invitations to participate in a survey. SmartReceipt includes a Web-based interface where users can design receipt content and implement business rules to dictate what receipt content is printed in particular situations. All receipt content is also transmitted to SmartReceipt’s server back-end for storage and analysis. Our SmartReceipt solution is fully integratable with our C4 platform and allows our customers to print SMS marketing or Stampt mobile application calls-to-action on receipts.

We also offer our clients reporting and analytics capabilities through the C4 solution which allows our clients to assess and optimize their mobile marketing and SmartReceipt campaigns. Our proprietary platform connects to all wireless carriers so that any consumer, on any wireless service (for example, Verizon), can join our customer’s SMS mobile marketing campaign. Once the consumer has subscribed to our customer’s SMS mobile marketing campaign, our C4 Web-based software solution serves as a tool by which our customers can initiate messages and other communications back to their subscribed consumers, as well as configure and administer their mobile marketing campaigns.

Company Strategy

Our objective is to build an industry-leading Software-as-a-Service (SaaS) product that connects consumers to merchants and brands. The key elements to our strategy are:

- *Exploit the competitive advantages and operating leverage of our technology platform.* The core of our business is our proprietary “SmartReceipt” receipt intercept technology. Several years of development went into designing SmartReceipt such that the process of intercepting receipt data and controlling the receipt printer is scalable, portable to a wide variety of POS platforms, and does not impact the print speed of other performance characteristics of a typical receipt printer. Furthermore, we believe the transmission of receipt data to Mobivity’s cloud-based data stores presents a very competitive and innovative method of enabling POS data access. Additionally, we believe that our C4 SMS text messaging platform is more advanced than technologies offered by our competitors and provides us with a significant competitive advantage. With more than seven years of development, we believe that our C4 platform operates SMS text messaging transactions at a “least cost” relative to competitors while also being capable of supporting SMS text messaging transactional volume necessary to support our goal of several thousand end users. Additionally, our C4 platform supports interactive voice response, or, capabilities that we believe are unique to our solution and will allow Mobivity to deliver additional capabilities beyond SMS text messaging that will be unique and valuable to the marketplace. Our C4 platform also provides features that allow our customers to manage their Stampt mobile device application in conjunction with SMS text messaging campaigns, which we believe is a unique combination of both SMS text messaging and mobile device application management.
- *Evolve our sales and customer support infrastructure to uniquely serve very large customer implementations such as franchise-based brands who operate a large number of locations.* Over the past few years we have focused our efforts on the development of our technology and solutions with the goal of selling and supporting small and medium-sized businesses. Going forward, we intend to increase significantly our investments in sales and customer support resources tailored to selling to customers that operate franchise brands.
- *Acquire complementary businesses and technologies.* We will continue to search and identify unique opportunities which we believe will enhance our product features and functionality, revenue goals, and technology. We intend to target companies with some or all of the following characteristics: (1) an established revenue base; (2) strong pipeline and growth prospects;

[Table of Contents](#)

(3) break-even or positive cash flow; (4) opportunities for substantial expense reductions through integration into our platform; (5) strong sales teams; and (6) technology and services that further build out and differentiate our platform. Our acquisitions have historically been consummated through the issuance of a combination of our common stock and cash.

Build our intellectual property portfolio. We currently have five issued patents that we believe have significant potential application in the mobile marketing industry. We plan to continue our investment in building a strong intellectual property portfolio.

While these are the key elements of our current strategy, there can be no guarantees that our strategy will not change or that our strategy will be successful.

Recent Developments

We have entered into the following material transactions since January 1, 2015.

March 2015 Private Placement.

In March 2015, we conducted a private placement of 4,805,000 units of our securities at a price of \$1.00 per unit. Each unit consisted of one share of our common stock and a common stock purchase warrant to purchase one-quarter share of our common stock, over a five year period, at an exercise price of \$1.20 per share. Emerging Growth Equities, Ltd. acted as placement agent for the private placement and received \$234,500 in commissions and warrants to purchase an aggregate of 234,500 and 58,625 shares, exercisable over a period of five years from the closing date, at an exercise price of \$1.00 and \$1.20 per share, respectively. Pursuant to the terms of the offering, we entered into registration rights agreement with the investors pursuant to which we filed with the SEC a resale registration statement covering the common shares made part of the units. The SEC declared the registration statement effective on September 10, 2015.

LiveLenz Acquisition

On January 15, 2016, we acquired all of the outstanding capital stock of LiveLenz Inc., a Nova Scotia corporation (“LiveLenz”), pursuant to an agreement dated January 15, 2016 among the Company and the stockholders of LiveLenz. Pursuant to the agreement, we acquired all of the capital stock of LiveLenz in consideration of our issuance of 1,000,000 shares (“Consideration Shares”) of our common stock to the LiveLenz stockholders and our issuance of an additional 15,000 shares of our common stock in satisfaction of certain liabilities of LiveLenz. The agreement included customary representations, warranties, and covenants by us and the LiveLenz stockholders, including the LiveLenz stockholders’ agreement to indemnify us against certain claims or losses resulting from certain breaches of representations, warranties or covenants by the LiveLenz stockholders in the agreement. Pursuant to the agreement, the LiveLenz stockholders have agreed to adjust the number of Consideration Shares downward based on LiveLenz’ working capital as of the closing and in the event of any claims for indemnification by us. The LiveLenz stockholders have agreed that 100% of the Consideration Shares will be escrowed for a period of 18 month and subject to forfeiture based on indemnification claims by us or the final determination of LiveLenz’ working capital as of the closing date. As of the date of this report, no adjustments have been made to the working capital.

2016 Private Placement

In March 2016, we conducted the private placement of 3,256,000 shares of our common stock, at a price of \$0.60 per share, for the gross proceeds of \$1,953,600. The offering was conducted by our management and no commission or other selling fees were paid by us. Pursuant to the terms of the offering, we entered into registration rights agreement with the investors pursuant to which we filed with the SEC a resale registration statement covering the common shares. The SEC declared the registration statement effective on August 8, 2016.

Working Capital Line of Credit Facility

In March 2016, we entered into a Working Capital Line of Credit Facility (the “Facility”) with Silicon Valley Bank to provide up to \$2 million to finance our general working capital needs. The Facility is funded based on cash on deposit balances and advances against our accounts receivable based on customer invoicing. Interest on Facility borrowings is calculated at rates between the prime rate minus 1.75% and prime rate plus 3.75% based on the borrowing base formula used at the time of borrowing. The Facility contains standard events of default, including payment defaults, breaches of representations, breaches of affirmative or negative covenants, and bankruptcy. There are no financial covenants and as of the date of this report there are borrowings of \$1 million under the Facility.

2016 Warrant Exercise

Between September 29 and October 31, 2016, we conducted an offer to the holders of our outstanding common stock purchase warrants pursuant to which our warrant holders were permitted to exercise their warrants at a reduced exercise price for a period expiring on October 31, 2016. At the commencement of the warrant offer, there were warrants outstanding that entitled their holders to purchase 8,464,339 shares of our common stock at exercise prices of \$1.00 and \$1.20 per share. The holders of all warrants were allowed to conduct cash-based exercises of their warrants at an exercise price of \$0.70 per share up through October 31, 2016. We undertook this limited-time warrant exercise price reduction in order to raise additional capital without incurring further potential dilution to our stockholders. In addition, through the warrant holders' acceptance of our offer, we could significantly reduce the number of outstanding warrants and thereby simplify our capital structure. As of the close of the warrant offer, there have been 3,329,990 warrants exercised to purchase 3,329,990 shares of our common stock, resulting in additional capital of \$2,330,993. We recorded stock based compensation expense of \$208,195 to account for the fair value of this transaction in accordance with ASC 718. The warrant offer was conducted by our management and there were no commissions paid by us in connection with the solicitation.

Industry Background

We believe industry trends point to a shift in the local marketing industry in both how merchants and brands market their products and services to local customers. We believe that consumers are transitioning to new digital channels and moving away from legacy marketing channels. It is this transition that we believe has created an opportunity for new and innovative local marketing services and technologies to evolve. We believe that consumers are increasingly devoting their attention and lifestyle to mobile devices and that marketers will need new products, technologies, and services tailored for consumer's mobile devices.

Traditional marketing using television, radio and print lacks targeting and offline marketing audiences are declining annually based on research published by Forrester in a February 2015 study. Nielsen reports that television viewers in the key 18-49 year old age demographic are down in 2015, as are all television viewing households, and DVR usage has reduced television advertisement effectiveness by 30% over the past year. Radio listenership is down 15% from 2014 and 2015 radio advertising spend was down nearly 2% year over year. Yellow Pages use was down 22% in 2015 according to the Local Search Association findings and online news readers surpassed print for the first time in 2015. According to a Strategy Analytics Advertising Forecast in February of 2015, \$124 billion is spent annually on traditional, offline marketing media sources that lack specific targeting and are declining in size and effectiveness.

Mobile marketing campaigns use multiple channels to reach the consumer, including mobile web sites, mobile applications, mobile messaging and mobile video, all of which can be integrated into interactive campaigns. Each channel can link to additional mobile content or channels, as well as to complementing traditional media. Mobile marketing provides a powerful, instant and interactive response path in that consumers may send a keyword to a short code via SMS, or register on a mobile web site. This makes the mobile phone a precisely targeted communication channel, where users are highly engaged with content. As a result, the mobile channel is believed to be a highly effective campaign tool and its response levels are high compared to other media. We believe that mobile is valuable as a stand-alone medium for marketing, but it is also well suited for a vital role in fully integrated cross-media campaign plans, including TV, print, radio, outdoor, cinema, online and direct mail. We believe that the future of digital media will be significantly influenced by mobile phones where a direct, personal conversation can be had with the world's largest network.

The Mobivity Solution

Our mobile marketing platform is designed to allow brands to operate mobile marketing campaigns, as well as resellers to market their own mobile marketing platform under their own brand identity. As of the date of this report, we have approximately 35,000 customers utilizing our mobile marketing platform and we deliver on their behalf an average of 38 million SMS text messages per month. We have approximately 30,000 additional customers using our Smart Receipt solution and we process on their behalf an average of 85 million receipt transactions per month. Our customers are spread over all industries that market to individual consumers and range in size from national franchisers to the single site family-owned business. Our clients access our "C4" solution through a standard Web browser that allows them to directly conduct the setup, messaging, and ongoing customer relationship management with the consumers they market to. Our customers are given a dedicated support representative along with account credentials to access their own C4 account from any Web browser.

Campaign Setup: Initially, our clients will use their own C4 account on our proprietary platform to design their mobile marketing campaign for purposes of attracting customers to subscribe for the customer's mobile messaging service. In compliance with federal and state laws relating to mobile marketing, marketers typically attract customers to their mobile messaging service through media communications distributed through non-mobile devices, media, other than mobile devices, including store signage, billboards, other forms of print media, and digital media not directed through a mobile device. Our C4 solution also allows for the creation and design of digital display graphics that can be displayed on television screens, digital scoreboards, or other digital screens where an animated or more graphically rich solicitation may be desired. Digital displays are particularly useful on large digital scoreboard displays at sporting events. Through these various forms of

communication, customers of our clients will be invited to subscribe to SMS text messaging communications (for example, “Join our mobile VIP club! Text “Pizza” to 12345”) or to set-up loyalty offers through our Stampt smartphone loyalty application (for example, “Download Stampt, use your iPhone or Android phone to join our loyalty program – buy five sandwiches and get one free!”). Consumers responding to these communications will be directed to our clients’ own C4 account on our proprietary platform, where our platform records and stores the consumer’s relevant information for access by our client stores. Once the consumer has subscribed to our customer’s mobile marketing campaign, our C4 solution serves as a tool by which our customers can initiate messages and other communications back to their subscribed consumers, as well as configure and administer their mobile marketing campaigns.

Messaging. Our C4 platform allows for marketers to instantly message their subscribers via SMS text messaging or “push” messaging to users of the Stampt smartphone application. Our platform is designed to be a fully automated, self-executing tool where our clients access their own C4 account on our proprietary platform, design and create their mobile marketing message, designate to whom among their list of opted-in consumers the message will be sent and then select the time (or times) the message will be distributed. Each customer is assigned a dedicated support representative to provide support in this process, however the platform is designed to provide the customer with the ability to design and carry-out the entire campaign through their remote online access to our platform. Our customers are provided with an instant communication channel to alert their subscribers of events, specials, or other announcements. Our C4 platform provides various messaging tools for marketers to create and initiate these messages in real-time or for future broadcasts. The solution also allows the marketer to connect to Facebook or Twitter accounts so that their messaging broadcasts can be promoted to select social media channels if desired.

Customer Relationship Management (CRM). Our C4 solution offers our customers a variety of CRM services, including the success rate for each media campaign designed to attract subscribers to the customer’s mobile marketing campaign, historical data and success rate with regard to each mobile message sent. The subscriber records and through various reporting features offered by the CRM function provide marketers with quick access to a variety of useful data points. Tracking subscriber and messaging activity over time is useful in handling customer inquiries or issues with the marketing program or to gain insights into subscriber behavior. For example, a marketer might want to examine how the total number of subscribers gained from a recent promotion of their call-to-action. The Mobivity solution provides various default reports while allowing for Mobivity customers to request custom reports tailored for their specific needs.

Stampt Smartphone Loyalty Application. Stampt is a smartphone application available to both iPhone and Android smartphones. The application is acquired by consumers via download from the Apple App Store or Google Play market service. Once installed, consumers can view local merchants who are setup on our C4 platform to offer mobile loyalty cards. Mobile loyalty cards allow consumers using Stampt to visit merchants and participate in loyalty programs (for example, “buy 10, get 1 free”) that are setup by merchants using the Mobivity solution. Consumers can also receive instant offers sent from merchants through our platform’s messaging features. The Stampt application allows consumers to register purchases by using the Stampt application on their smartphone to take a quick picture of a special code that the merchant provides at the time of purchase. The purchase is also registered on the merchant’s own account on our C4 platform. The Stampt application instantly verifies the consumer’s location at the related merchant’s location of business and registers the purchase. Purchases are then depicted on the Stampt application so the consumer and the merchant know how many purchases are required to earn a reward.

Smart Receipt. Our SmartReceipt solution enables our customers the ability to control the content on receipts printed from their point of sale, or POS system. SmartReceipt is a software application that is installed on the POS which dynamically controls what is printed on receipts such as coupons, announcements, or other calls-to-action such as invitations to participate in a survey. SmartReceipt includes a Web-based interface where users can design receipt content and implement business rules to dictate what receipt content is printed in particular situations. All receipt content is also transmitted to SmartReceipt’s server back-end for storage and analysis. Our C4 solution integrates with SmartReceipt by supporting SMS marketing or Stampt mobile application calls-to-action which can be printed on receipt content by SmartReceipt.

Resellers. Our platform can be white-labeled to allow for resellers or agents to market and deliver their own branded mobile marketing solution complete with all of the features of the C4 platform. Resellers are provisioned their own Web-based administration system whereby they can create and track their own customers’ use of the product.

In the future, we intend to develop additional platform features that with the goal of driving additional value to the evolving mobile marketing industry.

Marketing and Sales

We market and sell the services offered over our proprietary C4 platform directly through our own sales force, via resellers, and in some cases through agents.

- *Direct Sales.* Our direct sales force is predominantly comprised of five sales representatives employed by us to promote and sell our services in various geographical areas.
- *Resellers.* We sell our services via wholesale pricing of licensing and transactional fees to various resellers who market and sell the Mobivity services under their own brand.
- *Agents.* We also engage independent agents to market and sell our services under the Mobivity brand in return for payment of a commission or revenue share for customers they introduce to us.
- In addition to our direct and indirect sales channels, we also market our services online through our Website, Facebook, Twitter, LinkedIn, and other online channels. We also participate in various trade and industry events to build awareness and promote exposure to our services and brand.

Our services are predominantly marketed and sold in the form of a recurring software licensing fee that is determined by desired features and the number of physical locations our customers would like to deploy the services in. For example, a customer who exclusively utilizes our SMS text messaging feature for one location will pay a much lower recurring licensing fee than a marketer who desires our full breadth of product features and needs to drive localized marketing campaigns across 50 locations in various cities or locales.

In addition to license fees, we also arrange for a transaction fee in special cases where our customers require greater bandwidth or throughput to process large volumes of mobile messaging transactions. For example, a customer may want to utilize our services for a major sporting event when there may be tens of thousands of fans who are expecting a “score alert” sent to their mobile phone via a SMS text message. In this case, the required resources to facilitate a large number of SMS messages in a short period of time is much higher and therefore we may charge an additional per-SMS text message fee to our customer.

Research and Development

We have developed an internal and external software development team with many years of experience in the mobile advertising and marketing industries. Our research and development activities are focused on enhancements to our platform, including extending our technology into payment processing, location based services, application analytics, and other technical opportunities in the evolving mobile industry.

Our total engineering, research and development expenditures in 2016 and 2015 were \$1,712,750 and \$728,741, respectively.

Competition

Although the market for mobile marketing software and solutions is relatively new, it is very competitive. We compete with companies of all sizes in select geographies that offer solutions that compete with various elements of our platform and offering, such as SMS text messaging service providers or providers of mobile smartphone applications. We also compete at times with interactive and traditional advertising agencies that perform mobile marketing as part of their services to their customers. Many of these entities have significantly greater resources than we do. In addition, we compete with traditional offline coupon and discount services, as well as television, radio, newspapers, magazines and other traditional media companies that provide coupon and discount products and services to their retail enterprise customers.

Many of the leading providers of online services have begun to develop or acquire mobile marketing platforms with features similar to ours. For example, in May 2010, Google, Inc. acquired Admob, Inc. and in January 2010 Apple, Inc. acquired Quattro Wireless. Each of the acquired companies was engaged in mobile marketing. In addition, we believe that Facebook, AOL, Microsoft and Yahoo! have each begun to develop mobile marketing platforms.

We believe that the key competitive factors that differentiate us from our competitors include:

- *Demonstrable experience and competence.* We have been providing mobile marketing services since 2006. In 2009, Sybase, an international enterprise software and services company, awarded us their Innovator of the Year. Major brands such as Sonic, Subway, Chick-Fil-A, and Baskin Robbins have selected Mobivity’s products and services.
- *Competitive pricing.* We believe we are one of the few mobile marketing providers in the industry that can provide SMS text messaging services at a flat licensing fee structure rather than charging for every SMS text message transaction processed. We also believe that we have a “least cost” operating advantage that competitors may find challenging to compete with.
- *Scalability.* We believe that our platform is more scalable than most if not all of our competitors. Many of our customers require large volumes of mobile marketing messages to be transacted and a high quantity of end users operating our Web-

[Table of Contents](#)

based product features. We have grown our monthly messaging volume from less than 1 million SMS text messages per month in 2010 to more than 38 million per month as of the date of this report. The number of customers utilizing our Web-based products has also grown from less than 100 in 2010 to more than 35,000 as of the date of this report.

Seasonality

Our business, as is typical of companies in our industry, is highly seasonal. This is primarily due to traditional marketing and advertising spending being heaviest during the holiday season while brands, advertising agencies, mobile operators and media companies often close out annual budgets towards the end of the calendar year. Seasonal trends have historically contributed to, and we anticipate will continue to contribute to fluctuations in our quarterly results, including fluctuations in sequential revenue growth rates.

Intellectual Property

We regard the protection of our developed technologies and intellectual property rights as an important element of our business operations and crucial to our success. We rely primarily on a combination of patent laws, trademark laws, copyright laws, trade secrets, confidentiality procedures and contractual provisions to protect our proprietary technology. We require our employees, consultants and advisors to enter into confidentiality agreements. These agreements provide that all confidential information developed or made known to the individual during the course of the individual's relationship with us is to be kept confidential and not disclosed to third parties except under specific circumstances. In the case of our employees, the agreements provide that all of the technology which is conceived by the individual during the course of employment is our exclusive property. The development of our technology and many of our processes are dependent upon the knowledge, experience and skills of key scientific and technical personnel.

As of the date of this report we own seven patents. U.S. Patent numbers *7,991,388 B1* and *8,244,216 B1* were issued on August 2, 2011 and August 14, 2012, respectively. These patents cover a geo-bio-metric personal identification number, a service that authenticates a user from a feature phone or smart phone using a number of mobile attainable attributes: geolocation, facial image, accelerometer (which measures the physical orientation or movement of the device itself), and text messaging. The purpose of the geo-bio-metric PIN service is to authenticate a user while verifying the following: the user is currently using his or her other phone; the user is at the location that their phone is at; the user is not at another location and using their phone through a proxy; and an impostor is not using the phone.

In March 2011, we acquired US Patent number *6,788,769 B1* which covers a method and system for using telephone numbers as a key to address email and online content without the use of a look-up database. Using this system, a phone number is used to access a website or an email address in exactly the same way it is used to dial a telephone.

U.S. Patent numbers *8,463,306* and *8,818,434* were issued on June 11, 2013 and August 26, 2014, respectively. U.S. Patent *9,307,430* was issued on April 5, 2016. These patents cover a method and system for testing a SMS text messaging network. The method and system allows for real-time testing of the initiation and completion of SMS text messages and any delivery delays across the major American mobile phone carriers, and accurately measures the progress on SMS broadcasts and records when a broadcast has been completed.

U.S Patent number *3,836,444* was granted on September 29, 2016. This patent covers a system to generate value added messages on receipts printed by point-of-sale (POS) systems based on various rules determined by information conveyed on the purchase receipt such as location, time of day, or other purchase data. The patent application claims priority to a patent application filed in 2006.

Our issued and any future patents that we may issue may not survive a legal challenge to their scope, validity or enforceability, or provide significant protection for us. The failure of our patents, or the failure of our copyright and trade secret laws to adequately protect our technology, might make it easier for our competitors to offer similar products or technologies. In addition, patents may not issue from any of our current or any future applications.

Government Regulation

The growth and development of the mobile messaging market and the market for electronic storage of personal information has resulted in a variety of stringent consumer protection laws, many of which impose significant burdens on companies that store personal information. Depending on the products and services that they offer, mobile data service providers may be subject to regulations and laws applicable to providers of mobile, Internet and VOIP services, including domestic and international laws and regulations relating to user privacy and data protection, defamation, pricing, advertising, taxation, gambling, sweepstakes, promotions, billing, real estate, consumer protection, accessibility, content regulation, quality of services, telecommunications, mobile, television and intellectual property ownership and infringement. We expect that the regulation of our industry generally will continue to increase and that we will be required to devote increasing amounts of legal and other resources to address this regulation. In addition, the

application of existing domestic and international laws and regulations relating to issues such as user privacy and data protection, marketing, advertising, consumer protection and mobile disclosures in many instances is unclear or unsettled.

In addition to its regulation of wireless telecommunications providers generally, the U.S. Federal Communications Commission, or FCC, has examined, or is currently examining, how and when consumers enroll in mobile services, what types of disclosures consumers receive, what services consumers are purchasing and how much consumers are charged. In addition, the Federal Trade Commission, or FTC, has been asked to regulate how mobile marketers can use consumers' personal information. Consumer advocates claim that many consumers do not know when their information is being collected from cell phones and how such information is retained, used and shared with other companies. Consumer groups have asked the FTC to: identify practices that may compromise privacy and consumer welfare; examine opt-in procedures to ensure consumers are aware of what data is at issue and how it will be used; investigate marketing tactics that target children; and create policies to halt abusive practices. The FTC has expressed interest, in particular, in the mobile environment and services that collect sensitive data, such as location-based information.

The principal laws and regulations that pertain to us and our customers in connection with their utilization of our platform, include:

- *Deceptive Trade Practice Law in the U.S.* The FTC and state attorneys general are given broad powers by legislatures to curb unfair and deceptive trade practices. These laws and regulations apply to mobile marketing campaigns and behavioral advertising. The general guideline is that all material terms and conditions of the offer must be "clearly and conspicuously" disclosed to the consumer prior to the buying decision. The balancing of the desire to capture a potential customer's attention, while providing adequate disclosure, can be challenging in the mobile context due to the lack of screen space available to provide required disclosures.
- *Behavioral Advertising.* Behavioral advertising is a technique used by online publishers and advertisers to increase the effectiveness of their campaigns. Behavioral advertising uses information collected from an individual's web-browsing behavior, such as the pages they have visited or the searches they have made, to select which advertisements to display to that individual. This data can be valuable for online marketers looking to personalize advertising initiatives or to provide geo-tags through mobile devices. Many businesses adhere to industry self-governing principles, including an opt-out regime whereby information may be collected until an individual indicates that he or she no longer agrees to have this information collected. The FTC and EU member states are considering regulations in this area, which may include implementation of a more rigorous opt-in regime. An opt-in policy would prohibit businesses from collecting and using information from individuals who have not voluntarily consented. Among other things, the implementation of an opt-in regime could require substantial technical support and negatively impact the market for our mobile advertising products and services. A few states have also introduced bills in recent years that would restrict behavioral advertising within the state. These bills would likely have the practical effect of regulating behavioral advertising nationwide because of the difficulties behind implementing state-specific policies or identifying the location of a particular consumer. There have also been a large number of class action suits filed against companies engaged in behavioral advertising.
- *Behavioral Advertising-Privacy Regulation.* Our business is affected by U.S. federal and state, as well as EU member state and foreign country, laws and regulations governing the collection, use, retention, sharing and security of data that we receive from and about our users. In recent years, regulation has focused on the collection, use, disclosure and security of information that may be used to identify or that actually identifies an individual, such as an Internet Protocol address or a name. Although the mobile and Internet advertising privacy practices are currently largely self-regulated in the U.S., the FTC has conducted numerous discussions on this subject and suggested that more rigorous privacy regulation is appropriate, including regulation of non-personally identifiable information which could, with other information, be used to identify an individual. Within the EU, member state data protection authorities typically regard IP addresses as personal information, and legislation adopted recently in the EU requires consent for the placement of a cookie on a user device. In addition, EU data protection authorities are following with interest the FTC's discussions regarding behavioral advertising and may follow suit by imposing additional privacy requirements for mobile advertising practices.
- *Marketing-Privacy Regulation.* In addition, there are U.S. federal and state laws and EU member state and other country laws that govern SMS and telecommunications-based marketing, generally requiring senders to transmit messages (including those sent to mobile devices) only to recipients who have specifically consented to receiving such messages. U.S. federal, EU member state and other country laws also govern e-mail marketing, generally imposing an opt-out requirement for emails sent within an existing business relationship.
- *SMS and Location-Based Marketing Best Practices and Guidelines.* We voluntarily comply with the guidelines of the Mobile Marketing Association, or MMA, a global association of 700 agencies, advertisers, mobile device manufacturers, wireless operators and service providers and others interested in the potential of marketing via the mobile channel. The MMA has published a code of conduct and best practices guidelines for use by those involved in mobile messaging activities. The guidelines were developed by a collaboration of the major carriers and they require adherence to them as a condition of service. We voluntarily comply with the MMA code of conduct, which generally require notice and user consent for delivery

of location-based services. In addition, the Cellular Telephone Industry Association, or CTIA, has developed Best Practices and Guidelines to promote and protect user privacy regarding location-based services.

TCPA. The United States Telephone Consumer Protection Act, or TCPA, prohibits unsolicited voice and text calls to cell phones through the use of an automatic telephone-dialing system (ATDS) unless the recipient has given prior consent. The statute also prohibits companies from initiating telephone solicitations to individuals on the national Do-Not-Call list, and restricts the hours when such messages may be sent. Violations of the TCPA can result in statutory damages of \$500 per violation (i.e., for each individual text message). U.S. state laws impose additional regulations on voice and text calls. We believe that our platform does not employ an ATDS within the meaning of the TCPA based on case law construing that term.

CAN-SPAM. The U.S. Controlling the Assault of Non-Solicited Pornography and Marketing Act, or CAN SPAM Act, prohibits all commercial e-mail messages, as defined in the law, to mobile phones unless the device owner has given "express prior authorization." Recipients of such messages must also be allowed to opt-out of receiving future messages the same way they opted-in. Senders have ten business days to honor opt-out requests. The FCC has compiled a list of domain names used by wireless service providers to which marketers may not send commercial e-mail messages. Senders have 30 days from the date the domain name is posted on the FCC site to stop sending unauthorized commercial e-mail to addresses containing the domain name. Violators are subject to fines of up to \$6.0 million and up to one year in jail for some spamming activities. Carriers, the FTC, the FCC, and State Attorneys General may bring lawsuits to enforce alleged violations of the Act.

Communications Privacy Acts. Foreign and U.S. federal and state laws impose liability for intercepting communications while in transit or accessing the contents of communications while in storage. EU member state laws also require consent for our receiving this information, and if our carrier customers fail to obtain such consent we could be subjected to civil or even criminal penalties.

Security Breach Notification Requirements. EU member state laws require notice to the member state data protection authority of a data security breach involving personal data if the breach poses a risk to individuals. In addition, Germany enacted a broad requirement to notify individuals in the event of a data security breach that is likely to be followed by notification requirements to data subjects in other EU member states. In the U.S., various states have enacted data breach notification laws, which require notification of individuals and sometimes state regulatory bodies in the event of breaches involving certain defined categories of personal information. Japan and Uruguay have also enacted security breach notice requirements. This new trend suggests that breach notice statutes may be enacted in other jurisdictions, including by the U.S. at the federal level, as well.

Children. The Children's Online Privacy Protection Act prohibit the knowing collection of personal information from children under the age of 13 without verifiable parental consent, and strictly regulate the transmission of requests for personal information to such children. Other countries do not recognize the ability of children to consent to the collection of personal information. In addition, it is likely that behavioral advertising regulations will impose special restrictions on use of information collected from minors for this purpose.

Employees

As of February 14, 2017, we had 63 employees, consisting of 29 full-time and one part-time in research and development, 25 full-time in sales and marketing, and seven full-time and one part-time in general and administrative.

Item 1A. Risk Factors.

Risks Relating to Our Business

We may need additional financing to execute our business plan and fund operations, which additional financing may not be available on reasonable terms or at all. As of December 31, 2016, we had working capital of \$950,317. While we believe that our working capital on hand, along with our expected cash flow from operations, will be sufficient to fund our 12 month plan of operations, there can be no assurance that we will not require significant additional capital within 12 months. Also, we expect that we may require additional capital beyond the next 12 months unless we are able to achieve and maintain a profitable operation. In the event we require additional capital we will endeavor to raise additional funds through various financing sources, including the sale of our equity and debt securities and the procurement of commercial debt financing. However, there can be no guarantees that such funds will be available on commercially reasonable terms, if at all. If such financing is not available on satisfactory terms, we may be unable to expand or continue our business as desired and operating results may be adversely affected. Any debt financing will increase expenses and must be repaid regardless of operating results and may involve restrictions limiting our operating flexibility. If we issue equity securities to raise additional funds, the percentage ownership of our existing stockholders will be reduced and our stockholders may experience additional dilution in net book value per share.

Our ability to obtain needed financing may be impaired by such factors as the capital markets, both generally and specifically in our industry, and the fact that we are not yet profitable, which could impact the availability or cost of future financings. If the amount of capital we are able to raise from financing activities, together with our revenues from operations, is not sufficient to satisfy our capital needs, we may be required to reduce or even cease operations.

Our sales efforts to large enterprises require significant time and effort and could hinder our ability to expand our customer base and increase revenue. Attracting new customers to our large enterprise division requires substantial time and expense, especially in an industry that is so heavily dependent on personal relationships with executives. We cannot assure that we will be successful in establishing new relationships, or maintaining or advancing our current relationships. For example, it may be difficult to identify, engage and market to customers who do not currently perform mobile marketing or advertising or are unfamiliar with our current services or platform. Further, many of our customers typically require input from one or more internal levels of approval. As a result, during our sales effort, we must identify multiple people involved in the purchasing decision and devote a sufficient amount of time to presenting our products and services to those individuals. The complexity of our services often requires us to spend substantial time and effort assisting potential customers in evaluating our products and services including providing demonstrations and benchmarking against other available technologies. We expect that our sales process will become less burdensome as our products and services become more widely known and used. However, if this change does not occur, we will not be able to expand our sales effort as quickly as anticipated and our sales will be adversely affected.

We may not be able to enhance our mobile marketing and advertising platform to keep pace with technological and market developments, or to remain competitive against potential new entrants in our markets. The market for mobile marketing and advertising services is emerging and is characterized by rapid technological change, evolving industry standards, frequent new product introductions and short product life cycles. Our current platform and services may not in the future be acceptable to marketers and advertisers. To keep pace with technological developments, satisfy increasing customer requirements and achieve acceptance of our marketing and advertising campaigns, we will need to enhance our current mobile marketing solutions and continue to develop and introduce on a timely basis new, innovative mobile marketing services offering compatibility, enhanced features and functionality on a timely basis at competitive prices. Our inability, for technological or other reasons, to enhance, develop, introduce and deliver compelling mobile marketing services in a timely manner, or at all, in response to changing market conditions, technologies or customer expectations could have a material adverse effect on our operating results or could result in our mobile marketing services platform becoming obsolete. Our ability to compete successfully will depend in large measure on our ability to maintain a technically skilled development and engineering staff and to adapt to technological changes and advances in the industry, including providing for the continued compatibility of our mobile marketing services platform with evolving industry standards and protocols. In addition, as we believe the mobile marketing market is likely to grow substantially, other companies which are larger and have significantly more capital to invest than us may emerge as competitors. For example, in May 2010, Google, Inc. acquired Admob, Inc. Similarly, in January 2010, Apple, Inc. acquired Quattro Wireless, Inc. New entrants could seek to gain market share by introducing new technology or reducing pricing. This may make it more difficult for us to sell our products and services, and could result in increased pricing pressure, reduced profit margins, increased sales and marketing expenses or the loss of market share or expected market share, any of which may significantly harm our business, operating results and financial condition.

Our services are provided on mobile communications networks that are owned and operated by third parties who we do not control and the failure of any of these networks would adversely affect our ability to deliver our services to our customers. Our mobile marketing and advertising platform is dependent on the reliability of mobile operators who maintain sophisticated and complex mobile networks. Such mobile networks have historically, and particularly in recent years, been subject to both rapid growth and technological change. If the network of a mobile operator with which we are integrated should fail, including because of new technology incompatibility, the degradation of network performance under the strain of too many mobile consumers using it, or a general failure from natural disaster or political or regulatory shut-down, we will not be able provide our services to our customers through such mobile network. This in turn, would impair our reputation and business, potentially resulting in a material, adverse effect on our financial results.

If our mobile marketing and advertising services platform does not scale as anticipated, our business will be harmed. We must be able to continue to scale to support potential ongoing substantial increases in the number of users in our actual commercial environment, and maintain a stable service infrastructure and reliable service delivery for our mobile marketing and advertising campaigns. In addition, we must continue to expand our service infrastructure to handle growth in customers and usage. If our mobile marketing services platform does not efficiently and effectively scale to support and manage a substantial increase in the number of users while maintaining a high level of performance, the quality of our services could decline and our business will be seriously harmed. In addition, if we are unable to secure data center space with appropriate power, cooling and bandwidth capacity, we may not be able to efficiently and effectively scale our business to manage the addition of new customers and overall mobile marketing campaigns.

The success of our business depends, in part, on wireless carriers continuing to accept our customers' messages for delivery to their subscriber base. We depend on wireless carriers to deliver our customers' messages to their subscriber base. Wireless carriers often impose standards of conduct or practice that significantly exceed current legal requirements and potentially classify our

messages as "spam," even where we do not agree with that conclusion. In addition, the wireless carriers use technical and other measures to attempt to block non-compliant senders from transmitting messages to their customers; for example, wireless carriers block short codes or Internet Protocol addresses associated with those senders. There can be no guarantee that we, or short codes registered to us, will not be blocked or blacklisted or that we will be able to successfully remove ourselves from those lists. Although our services typically require customers to opt-in to a campaign, minimizing the risk that our customers' messages will be characterized as spam, blocking of this type could interfere with our ability to market products and services of our customers and communicate with end users and could undermine the effectiveness of our customers' marketing campaigns. To date we have not experienced any material blocking of our messages by wireless carriers, but any such blocking could have an adverse effect on our business and results of operations.

We depend on third party providers for a reliable Internet infrastructure and the failure of these third parties, or the Internet in general, for any reason would significantly impair our ability to conduct our business. We outsource all of our data center facility management to third parties who host the actual servers and provide power and security in multiple data centers in each geographic location. These third party facilities require uninterrupted access to the Internet. If the operation of our servers is interrupted for any reason, including natural disaster, financial insolvency of a third party provider, or malicious electronic intrusion into the data center, our business would be significantly damaged. As has occurred with many Internet-based businesses, on occasion in the past, we have been subject to "denial-of-service" attacks in which unknown individuals bombarded our computer servers with requests for data, thereby degrading the servers' performance. While we have historically been successful in relatively quickly identifying and neutralizing these attacks, we cannot be certain that we will be able to do so in the future. If either a third party facility failed, or our ability to access the Internet was interfered with because of the failure of Internet equipment in general or we become subject to malicious attacks of computer intruders, our business and operating results will be materially adversely affected.

Failure to adequately manage our growth may seriously harm our business. We operate in an emerging technology market and have experienced, and may continue to experience, significant growth in our business. If we do not effectively manage our growth, the quality of our products and services may suffer, which could negatively affect our brand and operating results. Our growth has placed, and is expected to continue to place, a significant strain on our managerial, administrative, operational and financial resources and our infrastructure. Our future success will depend, in part, upon the ability of our senior management to manage growth effectively. This will require us to, among other things:

- implement additional management information systems;
- develop additional levels of management within our company;
- locate additional office space in various countries; and
- maintain close coordination among our engineering, operations, legal, finance, sales and marketing and customer service and support organizations.

Moreover, as our sales increase, we may be required to concurrently deploy our services infrastructure at multiple additional locations or provide increased levels of customization. As a result, we may lack the resources to deploy our mobile marketing services on a timely and cost-effective basis. Failure to accomplish any of these requirements would seriously harm our ability to deliver our mobile marketing services platform in a timely fashion, fulfill existing customer commitments or attract and retain new customers.

The gathering, transmission, storage and sharing or use of personal information could give rise to liabilities or additional costs of operation as a result of governmental regulation, legal requirements, civil actions or differing views of personal privacy rights. We transmit and store a large volume of personal information in the course of providing our services. Federal, state and international laws and regulations govern the collection, use, retention, sharing and security of data that we receive from our customers and their users. Any failure, or perceived failure, by us to comply with U.S. federal, state, or international privacy or consumer protection-related laws, regulations or industry self-regulatory principles could result in proceedings or actions against us by governmental entities or others, which could potentially have an adverse effect on our business, operating results and financial condition. Additionally, we may also be contractually liable to indemnify and hold harmless our customers from the costs or consequences of inadvertent or unauthorized disclosure of their customers' personal data which we store or handle as part of providing our services.

The interpretation and application of privacy, data protection and data retention laws and regulations are currently unsettled in the U.S. and internationally, particularly with regard to location-based services, use of customer data to target advertisements and communication with consumers via mobile devices. Such laws may be interpreted and applied inconsistently from country to country and inconsistently with our current data protection policies and practices. Complying with these varying international requirements could cause us to incur substantial costs or require us to change our business practices in a manner adverse to our business, operating results or financial condition.

[Table of Contents](#)

As privacy and data protection have become more sensitive issues, we may also become exposed to potential liabilities as a result of differing views on the privacy of personal information. These and other privacy concerns, including security breaches, could adversely impact our business, operating results and financial condition.

In the U.S., we have voluntarily agreed to comply with wireless carrier technological and other requirements for access to their customers' mobile devices, and also trade association guidelines and codes of conduct addressing the provision of location-based services, delivery of promotional content to mobile devices and tracking of users or devices for the purpose of delivering targeted advertising. We could be adversely affected by changes to these requirements, guidelines and codes, including in ways that are inconsistent with our practices or in conflict with the rules or guidelines in other jurisdictions.

We currently rely on a small concentration of customers to use our products to generate our revenues, and the loss or change in any of these significant relationships could materially reduce our revenues. Although we believe we have a good relationship with these customers, our contracts with these customers are short-term in nature. Should these customers choose to terminate their contracts with us or if material events occur that are detrimental to these customers or their operations, it could have a significant negative impact on our financial performance.

Risks Related to our Common Stock

There has been a limited trading market for our common stock. There has been a limited trading market for our common stock on the Over-the-Counter Bulletin Board. The lack of an active market may impair the ability to sell your shares at the time you wish to sell them or at a price that you consider reasonable. The lack of an active market may also reduce the fair market value of your shares. An inactive market may also impair our ability to raise capital by selling shares of capital stock and may impair our ability to acquire other companies or technologies by using common stock as consideration.

The market price of our common stock may be, and is likely to continue to be, highly volatile and subject to wide fluctuations. The market price of our common stock is likely to be highly volatile and could be subject to wide fluctuations in response to a number of factors that are beyond our control, including:

- dilution caused by our issuance of additional shares of common stock and other forms of equity securities, which we expect to make in connection with future acquisitions or capital financings to fund our operations and growth, to attract and retain valuable personnel and in connection with future strategic partnerships with other companies;
- announcements of new acquisitions or other business initiatives by our competitors;
- our ability to take advantage of new acquisitions or other business initiatives;
- quarterly variations in our revenues and operating expenses;
- changes in the valuation of similarly situated companies, both in our industry and in other industries;
- changes in analysts' estimates affecting us, our competitors and/or our industry;
- changes in the accounting methods used in or otherwise affecting our industry;
- additions and departures of key personnel;
- announcements by relevant governments pertaining to additional quota restrictions; and
- fluctuations in interest rates and the availability of capital in the capital markets.

Some of these factors are beyond our control, and the impact of these risks, singly or in the aggregate, may result in material adverse changes to the market price of our common stock and/or our results of operations and financial condition.

We do not expect to pay dividends in the foreseeable future. We do not intend to declare dividends for the foreseeable future, as we anticipate that we will reinvest any future earnings in the development and growth of our business. Therefore, investors will not receive any funds unless they sell their common stock, and stockholders may be unable to sell their shares on favorable terms or at all. Investors cannot be assured of a positive return on investment or that they will not lose the entire amount of their investment in the common stock.

Our common stock may be considered to be a "penny stock" and, as such, any the market for our common stock may be further limited by certain SEC rules applicable to penny stocks. To the extent the price of our common stock remains below \$5.00 per share

or we have a net tangible assets of \$2,000,000 or less, our common shares will be subject to certain “penny stock” rules promulgated by the SEC. Those rules impose certain sales practice requirements on brokers who sell penny stock to persons other than established customers and accredited investors (generally institutions with assets in excess of \$5,000,000 or individuals with net worth in excess of \$1,000,000). For transactions covered by the penny stock rules, the broker must make a special suitability determination for the purchaser and receive the purchaser’s written consent to the transaction prior to the sale. Furthermore, the penny stock rules generally require, among other things, that brokers engaged in secondary trading of penny stocks provide customers with written disclosure documents, monthly statements of the market value of penny stocks, disclosure of the bid and asked prices and disclosure of the compensation to the brokerage firm and disclosure of the sales person working for the brokerage firm. These rules and regulations adversely affect the ability of brokers to sell our common shares and limit the liquidity of our securities.

We are a “smaller reporting company” and, as such are allowed to provide less disclosure than larger public companies. We are currently a “smaller reporting company,” meaning that we are not an investment company, an asset-backed issuer, or a majority-owned subsidiary of a parent company that is not a smaller reporting company and have a public float of less than \$75 million and annual revenues of less than \$50 million during the most recently completed fiscal year. As a “smaller reporting company”, we are able to provide simplified executive compensation disclosures in our SEC filings, are exempt from the provisions of Section 404(b) of the Sarbanes-Oxley Act requiring that independent registered public accounting firms provide an attestation report on the effectiveness of internal control over financial reporting, and have certain other decreased disclosure obligations in their SEC filings, including, among other things, only being required to provide two years of audited financial statements in annual reports. Decreased disclosures in our SEC filings due to our status as a “smaller reporting company” may make it harder for investors to analyze our results of operations and financial prospects.

Item 1B. Unresolved Staff Comments.

Not applicable.

Item 2. Properties.

We have a lease through December 2020 for 10,395 square feet of office space located at 55 N. Arizona Ave., Suite 310, Chandler, Arizona. Monthly rental payments, including common area maintenance charges, are \$ 18,408.

We have a lease through January 2018 for approximately 3,023 square feet of office space in San Diego, California at a monthly expense of \$10,429, excluding common area maintenance charges.

We have a month-to-month lease of 518 square feet of office space located in Dartmouth, Nova Scotia, at a monthly rental expense of approximately \$500 per month, including common area maintenance charges.

Item 3. Legal Proceedings.

As of the date of this report, there are no pending legal proceedings to which we or our properties are subject, except for routine litigation incurred in the normal course of business.

Item 4. Not applicable.

Part II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matter and Issuer Purchases of Equity Securities

Our common stock is quoted on the OTC Bulletin Board under the stock symbol “MFON”.

Our common stock trades only sporadically and has experienced in the past, and is expected to experience in the future, significant price and volume volatility.

[Table of Contents](#)

The following table shows the reported high and low closing bid quotations per share for our common stock based on information provided by the OTC Bulletin Board for the periods indicated. Quotations reflect inter-dealer prices, without markup, markdown or commissions and may not represent actual transactions.

Year Ended December 31, 2016	High	Low
Fourth Quarter	\$ 0.85	\$ 0.64
Third Quarter	\$ 0.80	\$ 0.56
Second Quarter	\$ 1.00	\$ 0.56
First Quarter	\$ 0.90	\$ 0.70

Year Ended December 31, 2015	High	Low
Fourth Quarter	\$ 0.79	\$ 0.41
Third Quarter	\$ 1.00	\$ 0.55
Second Quarter	\$ 1.20	\$ 0.75
First Quarter	\$ 1.49	\$ 1.12

Holders of Record

As of March 28, 2017, there were 359 holders of record of our common stock, not including shares held in street name.

Dividend Policy

We have not paid any cash dividends since our inception and do not contemplate paying dividends in the foreseeable future. It is anticipated that earnings, if any, will be retained for the operation of our business.

Stock Repurchases

We did not repurchase any of our common stock in 2016 or 2015.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table sets forth additional information as of December 31, 2016 with respect to the shares of common stock that may be issued upon the exercise of options and other rights under our existing equity compensation plans and arrangements in effect as of December 31, 2016. The information includes the number of shares covered by, and the weighted average exercise price of, outstanding options and the number of shares remaining available for future grant, excluding the shares to be issued upon exercise of outstanding options.

Plan Category	Number of securities to be issued upon exercise of outstanding options	Weighted-average exercise price of outstanding options	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans not approved by security holders ⁽¹⁾	5,757,880	\$ 1.16	327,135
Equity compensation plans approved by security holders	-	-	-
Total	5,757,880	\$ 1.16	327,135

(1) Comprised of our 2010 Incentive Stock Plan and our 2013 Incentive Stock Plan

Item 6. Selected Financial Data

As a smaller reporting company, as defined by Section 10(f)(1) of Regulation S-K, we are not required to provide the information set forth in this Item.

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the financial statements and the related notes and other information that are included elsewhere in this Form 10-K. This discussion contains forward looking statements based upon current expectations that involve risks and uncertainties, such as our plans, objectives, expectations, and intentions. Actual results and the timing of events could differ materially from those anticipated in these forward looking statements as a result of a number of factors, including those set forth under the cautionary note regarding “Forward Looking Statements” contained in Item 1.A – “Risk Factors”.

Overview

We are in the business of developing and operating proprietary platforms over which resellers, brands and enterprises can conduct localized mobile marketing campaigns. Our proprietary platforms allow resellers, brands and enterprises to market their products and services to consumers through text messages sent directly to the consumers’ mobile phones, content on printed receipts, mobile device applications, which consists of software available to both phones and tablet PCs. We generate revenue by charging the brands and enterprises a per-message transactional fee, or through fixed or variable software licensing fees. Our customers include national franchisers, professional sports teams and associations and other national brands such as Sonic, Subway, Chick-Fil-A, Baskin Robbins, and others.

Mobile phone users represent a large and captive audience. While televisions, radios, and even PCs are often shared by multiple consumers, mobile phones are personal devices representing a unique and individual address to the end user. We believe that the future of digital media will be significantly influenced by mobile phones where a direct, personal conversation can be had with the world’s largest target audience. According to a report published by International Data Corporation (IDC), by 2015, more U.S. Internet users will access the Internet through mobile devices than through PCs or other wireline devices (Worldwide New Media Market Model 1H-2012 Highlights: Internet Becomes Ever More Mobile, Ever Less PC-Based (IDC #237459)). The IDC study further reports that the number of people accessing the Internet, in the U.S., through PCs will shrink from 240 million consumers in 2012 to 225 million in 2016. At the same time, the number of mobile users will increase from 174 million to 265 million. We believe the future of mobile applications and services includes banking, commerce, advertising, video, games and just about every other aspect of both on and offline life.

Our “C4” Mobile Marketing and customer relationship management platform is a Web-hosted software solution enabling our clients to develop, execute, and manage a variety of marketing engagements, to a consumer’s mobile phone. Our C4 solution allows our clients to communicate directly with their customers through Short Messaging Service, or SMS, multi-media messaging, and interactive voice response interactions, all of which are facilitated via a set of graphical user interfaces operated from any Web browser.

Our C4 platform also allows our customers to deploy and administer our “Stampt” mobile device loyalty application. Stampt is a smartphone replacement for “Buy 10, Get 1 free” punch cards. Consumers no longer need to worry about forgetting paper-based loyalty punch cards. Stampt makes it easy to receive all of the rewards consumers want from their favorite businesses. Consumers can use Stampt throughout the United States to earn free sandwiches, coffee, pizza, frozen yogurt, donuts, bagels and more.

Stampt’s nearby feature shows consumers all of the rewards they can earn at nearby businesses. From the Stampt mobile device application, consumers simply tap any business to learn more about that business and to see all of the loyalty points they have earned at that business. Consumers can keep track of all of the rewards they are close to earning through the “my cards” feature displayed in the application’s interface. Once a consumer has earned all of the Stampt’s they need for a reward, they simply show the cashier and click “tap to redeem” button from the application interface on their device. Our customers can create and manage any Stampt program from the C4 platform’s set of Web-based interfaces.

Our SmartReceipt solution enables our customers with the ability to control the content on receipts printed from their point of sale, or POS system. SmartReceipt is a software application that is installed on the POS which dynamically controls what is printed on receipts such as coupons, announcements, or other calls-to-action such as invitations to participate in a survey. Receipt includes a Web-based interface where users can design receipt content and implement business rules to dictate what receipt content is printed in particular situations. All receipt content is also transmitted to SmartReceipt’s server back-end for storage and analysis. Our C4 solution integrates with SmartReceipt by support SMS marketing or Stampt mobile application calls-to-action which can be printed on receipt content by SmartReceipt.

We also offer our clients reporting and analytics capabilities through the C4 solution which allows our clients to assess the effectiveness of their mobile marketing campaigns and design more effective campaigns. Our proprietary platform connects to all wireless carriers so that any consumer, on any wireless service (for example, Verizon), can join our customer's mobile marketing campaign. Once the consumer has subscribed to our customer's mobile marketing campaign, our C4 Web-based software solution serves as a tool by which our customers can initiate messages and other communications back to their subscribed consumers, as well as configure and administer their mobile marketing campaigns.

We believe that mobile devices are emerging as an important interactive channel for brands to reach consumers since it is the only media platform that has access to the consumer virtually anytime and anywhere. According to eMarketer's article, published August 1, 2013 (<http://www.emarketer.com/Article/Digital-Set-Surpass-TV-Time-Spent-with-US-Media/1010096>), U.S. adults now spend more time on their mobile device than any other digital channel such as PCs. eMarketer also reports that U.S. adults already spend more time on their mobile phone than viewing print or listening to radio combined. We believe that brands and advertising agencies are recognizing the unique benefits of the mobile channel and they are increasingly integrating mobile media within their overall advertising and marketing campaigns. Our objective is to become the industry leader in connecting brands and enterprises to consumers' mobile phones.

Recent Events

2016 Warrant Exercise

Between September 29 and October 31, 2016, we conducted an offer to the holders of our outstanding common stock purchase warrants pursuant to which our warrant holders were permitted to exercise their warrants at a reduced exercise price for a period expiring on October 31, 2016. At the commencement of the warrant offer, there were warrants outstanding that entitled their holders to purchase 8,464,339 shares of our common stock at exercise prices of \$1.00 and \$1.20 per share. The holders of all warrants were allowed to conduct cash-based exercises of their warrants at an exercise price of \$0.70 per share up through October 31, 2016. We undertook this limited-time warrant exercise price reduction in order to raise additional capital without incurring further potential dilution to our stockholders. In addition, through the warrant holders' acceptance of our offer, we could significantly reduce the number of outstanding warrants and thereby simplify our capital structure. As of the close of the warrant offer, there have been 3,329,990 warrants exercised to purchase 3,329,990 shares of our common stock, resulting in additional capital of \$2,330,993. We recorded stock based compensation expense of \$208,195 to account for the fair value of this transaction in accordance with ASC 718. The warrant offer was conducted by our management and there were no commissions paid by us in connection with the solicitation.

2016 Securities Purchase Agreement

In March 2016, we conducted the private placement of 3,256,000 shares of our common stock, at a price of \$0.60 per share, for the gross proceeds of \$1,953,000. The offering was conducted by our management and no commission or other selling fees were paid by us. Pursuant to the terms of the offering, we entered into registration rights agreement with the investors, pursuant to which we filed with the SEC a registration statement to register the resale of the private placement shares. The registration statement was declared effective by the SEC on August 8, 2016.

Working Capital Line of Credit Facility

In March 2016, we entered into a Working Capital Line of Credit Facility (the "Facility") with Silicon Valley Bank to provide up to \$2 million to finance our general working capital needs. The Facility is funded based on cash on deposit balances and advances against our accounts receivable based on customer invoicing. Interest on Facility borrowings is calculated at rates between the prime rate minus 1.75% and prime rate plus 3.75% based on the borrowing base formula used at the time of borrowing. The Facility contains standard events of default, including payment defaults, breaches of representations, breaches of affirmative or negative covenants, and bankruptcy. There are no financial covenants and as of the date of this report. As of the date of this report, there are borrowings of \$1 million under the Facility, less deferred financing costs of \$20,179.

LiveLenz Acquisition

On January 15, 2016, we acquired all of the outstanding capital stock of LiveLenz Inc., a Nova Scotia corporation ("LiveLenz"), pursuant to an agreement dated January 15, 2016 among the Company and the stockholders of LiveLenz. Pursuant to the agreement, we acquired all of the capital stock of LiveLenz in consideration of our issuance of 1,000,000 shares ("Consideration Shares") of our common stock to the LiveLenz stockholders and our issuance of an additional 15,000 shares of our common stock in satisfaction of certain liabilities of LiveLenz. The agreement included customary representations, warranties, and covenants by us and the LiveLenz stockholders, including the LiveLenz stockholders' agreement to indemnify us against certain claims or losses resulting from certain breaches of representations, warranties or covenants by the LiveLenz stockholders in the agreement. Pursuant to the agreement, the LiveLenz stockholders have agreed to adjust the number of Consideration Shares downward based on LiveLenz' working capital as of the closing and in the event of any claims for indemnification by us. The LiveLenz stockholders have agreed that 100% of the

[Table of Contents](#)

Consideration Shares will be escrowed for a period of 18 months and subject to forfeiture based on indemnification claims by us or the final determination of LiveLenz' working capital as of the closing date. As of the date of this report, no adjustments have been made to the working capital.

March 2015 Private Placement.

In March 2015, we conducted a private placement of 4,805,000 units of our securities at a price of \$1.00 per unit. Each unit consisted of one share of our common stock and a common stock purchase warrant to purchase one-quarter share of our common stock, over a five year period, at an exercise price of \$1.20 per share. Emerging Growth Equities, Ltd. acted as placement agent for the private placement and received \$234,500 in commissions and warrants to purchase an aggregate of 234,500 and 58,625 shares, exercisable over a period of five years from the closing date, at an exercise price of \$1.00 and \$1.20 per share, respectively. Pursuant to the terms of the offering, we entered into registration rights agreement with the investors pursuant to which we filed with the SEC a resale registration statement covering the common shares made part of the units. The SEC declared the registration statement effective on September 10, 2015.

Results of Operations

Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

Revenues

Revenues consist of several different lines of business. These primarily include, SmartSMS, Smart Receipt, SmartAnalytics, Ad Model revenues which are paid on a per coupon redemption basis, and other revenues.

Revenues for 2016 were \$8,432,616, an increase of \$3,813,628, or 83%, compared to 2015. The net increase is primarily attributable to revenues attributed to Smart Receipt and SMS of \$3,885,204. This increase was offset by decreases in Stamp and other revenues, which decreased \$76,026 compared to 2015.

Cost of Revenues

Cost of revenues for 2016 was \$2,096,392, an increase of \$1,029,723, or 97%, compared to 2015. This increase is primarily due to higher fees associated with the increase in messaging of new and existing customers and our LiveLenz operation whose gross margin is lower.

General and Administrative

General and administrative expenses consist primarily of salaries and personnel related expenses, stock-based compensation expense, consulting costs and other expenses.

General and administrative expenses decreased \$170,132, or 4%, during 2016 compared to 2015. The decrease in general and administrative expense was primarily due to decreased personnel expenses, facilities expenses, and bad debt expense.

Personnel related expenses decreased \$136,780 as compared to 2015. These decreases were offset primarily by increases in stock based compensation of \$39,209 and increased expenses in training, insurance and general administrative costs.

Sales and Marketing Expense

Sales and marketing expenses consist primarily of salaries and personnel related expenses, stock-based compensation expense, sales travel, consulting costs and other expenses.

Sales and marketing expenses increased \$887,248, or 21%, during 2016 compared to 2015. The change was primarily due to personnel related expenses increasing by \$848,137 including the addition of LiveLenz personnel. Commissions increased \$100,058 in alignment with an increase in internal sales. These costs were offset by a decrease in trade show expenditures of \$78,551.

Engineering, Research, and Development Expense

Engineering, research, and development expenses consist primarily of salaries and personnel related expenses, stock-based compensation expense, consulting costs and other expenses.

Engineering, research, and development expenses increased \$984,009, or 135%, during 2016 compared to 2015. The increase was primarily due increased personnel costs related to an increase in staffing to support the Company's growth.

Depreciation and Amortization Expense

Depreciation and amortization expense consists of depreciation on our equipment and amortization of our intangible assets.

Depreciation and amortization expense increased \$347,616, or 96%, during 2016 compared to 2015 as a result of increases in amortization expense of our software development costs.

Goodwill Impairment and Intangible Asset Impairment

During 2016 and 2015, we recorded goodwill impairment charges of \$2,247,447 and \$0, respectively. Also during 2016 and 2015, we recorded intangible asset impairment charges of \$1,684,203 and \$21,188, respectively. The impairment charges were based on our valuation of these assets at December 31, 2016 and 2015.

Interest Expense

Interest expense consists of stated or implied interest expense on our notes payable, amortization of note discounts, and amortization of deferred financing costs.

Interest expense increased \$76,514 or over 100%, during 2016 compared to 2015 associated with the Livelenz acquisition.

Change in Fair Market Value of Derivative Liabilities

The change in fair value of derivative liabilities for 2016 and 2015 was a gain of \$0 and \$42,659, respectively.

The value of the derivative liabilities at any given date is based primarily on the value and volatility of our common stock, among other less significant factors. In periods when our stock price or volatility rises, we expect to record a loss in the change in fair value of the derivative liabilities. The conversion of convertible notes payable into common shares in June 2013, reducing the number of warrants subject to derivative liability treatment, significantly reduced our ongoing exposure to derivative liability valuation adjustments. All warrants which included embedded derivative liabilities have expired at December 31, 2015, which was the primary cause of the gain during 2015.

Gain on Adjustment in Contingent Consideration

The gain on adjustment in contingent consideration for 2016 and 2015 was a gain of \$0 and \$89,740, respectively. The gain related to a decrease in the fair value of the contingent consideration resulting from re-measurement of the SmartReceipt and Stamp earn-out liabilities.

Foreign Currency

The Company's financial results are impacted by volatility in the Canadian/U.S. Dollar exchange rate. The average U.S. Dollar exchange rate for the year ended December 31, 2016 was \$1 Canadian equals \$0.76 U.S. Dollars. This compares to an average rate of \$1 Canadian equals \$0.78 U.S. Dollar during 2015. The Company's functional or measurement currency is the U.S. Dollar. Based on a U.S. Dollar functional currency, the following are the key areas impacted by foreign currency volatility:

- The Company sells products primarily in U.S. Dollars; therefore, reported revenues are not highly impacted by foreign currency volatility.
- A portion of the Company's expenses are incurred in Canadian Dollars and therefore fluctuate in U.S. Dollars as the U.S. Dollar varies. A weaker U.S. Dollar results in an increase in translated expenses, and a stronger U.S. Dollar results in a decrease.
- Changes in foreign currency rates also impact the translated value of the Company's working capital that is held in Canadian Dollars. Foreign exchange rate fluctuations result in foreign exchange gains or losses based upon movement in the translated value of Canadian working capital into U.S. Dollars.

The change in foreign currency were gains of \$1,556 and \$0 for the year ended December 31, 2016 and 2015, respectively.

Liquidity and Capital Resources

As of December 31, 2016, we had current assets of \$3,612,345, including \$1,188,485 in cash, and current liabilities of \$2,662,028, resulting in working capital of \$950,317. We believe that as of the date of this report, our working capital on hand plus our expected cash flow from operations will be adequate to support our working capital for at least the next 12 months. However, there can be no assurance that we will not require additional capital within the next 12 months. If we require additional capital, we will seek to obtain this through the sale of our securities and, if available, bank lines of credit. However, there can be no assurance we will be able to obtain access to capital as and when needed and, if so, the terms of any available financing may not be subject to commercially reasonable terms.

Cash Flows

	Years ended December 31,	
	2016	2015
Net cash provided by (used in):		
Operating activities	\$ (3,050,080)	\$ (4,001,430)
Investing activities	(636,151)	(783,171)
Financing activities	4,244,226	4,570,500
Effect of foreign currency translation on cash flow	(3,639)	-
Net change in cash	\$ 554,356	\$ (214,101)

Operating Activities

We used cash in operating activities totaling \$3,050,080 in 2016 and \$4,001,430 in 2015, respectively. The decrease in cash used in operating activities in 2016 compared to 2015 was due primarily to a higher gross margin during 2016.

Investing Activities

Investing activities during 2016 includes \$576,549 of capitalized software development costs, \$31,355 of cash paid for patents, \$39,335 of equipment purchases and \$11,088 of cash received from the Livelenz acquisition. Investing activities during 2015 includes \$736,665 of capitalized software development costs and \$46,506 of additions to fixed assets and capitalized patent costs.

Financing Activities

Financing activities for 2016 include net proceeds from the sale of common stock units of \$1,953,600, net proceeds from the exercise of warrants of \$2,330,993, payments of notes payable of \$8,080 and \$32,287 of deferred financing issuance costs. Financing activities for 2015 include net proceeds from the sale of common stock units of \$4,570,500.

Critical Accounting Policies and Estimates

We prepare our consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Our management periodically evaluates the estimates and judgments made, including those related to share based compensation and valuation of the derivative liability. Management bases its estimates and judgments on historical experience and on various factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The following critical accounting policies affect the more significant judgments and estimates used in the preparation of the Company's consolidated financial statements.

Revenue Recognition and Concentrations

Our SmartReceipt and C4 Mobile Marketing and customer relationship management are hosted solutions. We generate revenue from licensing our software to clients in our software as a service model, per-message and per-minute transactional fees, and customized professional services. We recognize license/subscription fees over the period of the contract, service fees as the services are performed, and per-message or per-minute transaction revenue when the transaction takes place. We recognize revenue at the time that the services are rendered, the selling price is fixed, and collection is reasonably assured, provided no significant obligations remain. We consider authoritative guidance on multiple deliverables in determining whether each deliverable represents a separate unit of accounting. Some customers are billed on a month to month basis with no contractual term and are collected by credit card. Revenue

[Table of Contents](#)

is recognized at the time that the services are rendered and the selling price is fixed with a set range of plans. Cash received in advance of the performance of services is recorded as deferred revenue.

We generate revenue from the Stamp App through customer agreements with business owners. Revenue is principally derived from monthly subscription fees which provide a license for unlimited use of the Stamp App by the business owners and their customers. The subscription fee is billed each month to the business owner. Revenue is recognized monthly as the subscription revenues are billed. There are no per-minute or transaction fees associated with the Stamp App.

During the years ended December 31, 2016 and 2015, two customers accounted for 72% and 48% of our revenues, respectively.

Share-based compensation expense

Share-based compensation cost is measured at the date of grant, based on the calculated fair value of the stock-based award, and is recognized as expense over the employee's requisite service period (generally the vesting period of the award). We estimate the fair value of employee stock options granted using the Black-Scholes Option Pricing Model. Key assumptions used to estimate the fair value of stock options include the exercise price of the award, the fair value of the our common stock on the date of grant, the expected option term, the risk free interest rate at the date of grant, the expected volatility and the expected annual dividend yield on our Company's common stock. We use comparable public company data among other information to estimate the expected price volatility and the expected forfeiture rate.

Derivative Financial Instruments

We do not use derivative instruments to hedge exposures to cash flow, market or foreign currency risks.

We review the terms of the common stock, warrants and convertible debt we issue to determine whether there are embedded derivative instruments, including embedded conversion options, which are required to be bifurcated and accounted for separately as derivative financial instruments. In circumstances where the host instrument contains more than one embedded derivative instrument, including the conversion option, that is required to be bifurcated, the bifurcated derivative instruments are accounted for as a single, compound derivative instrument.

Bifurcated embedded derivatives are initially recorded at fair value and are then revalued at each reporting date with changes in the fair value reported as non-operating income or expense. When the equity or convertible debt instruments contain embedded derivative instruments that are to be bifurcated and accounted for as liabilities, the total proceeds received are first allocated to the fair value of all the bifurcated derivative instruments. The remaining proceeds, if any, are then allocated to the host instruments themselves, usually resulting in those instruments being recorded at a discount from their face value.

The fair value of the derivatives is estimated using a Monte Carlo simulation model. The model utilizes a series of inputs and assumptions to arrive at a fair value at the date of inception and each reporting period. Some of the key assumptions include the likelihood of future financing, stock price volatility, and discount rates.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

Item 8. Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Stockholders of Mobivity Holdings Corp.

We have audited the accompanying balance sheets of Mobivity Holdings Corp. as of December 31, 2016 and 2015, and the related statements of operations, comprehensive income, stockholders' equity (deficit), and cash flows for each of the years in the two-year period ended December 31, 2016. Mobivity's management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mobivity Holding Corp. as of December 31, 2016 and 2015, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2016, in conformity with accounting principles generally accepted in the United States of America.

/s/ M&K CPAS, PLLC
www.mkacpas.com
Houston, Texas
March 31, 2017

Mobivity Holdings Corp.
Consolidated Balance Sheets

	December 31,	
	2016	2015
ASSETS		
Current assets		
Cash	\$ 1,188,485	\$ 634,129
Restricted cash	1,000,000	-
Accounts receivable, net of allowance for doubtful accounts of \$15,503 and \$237,383, respectively	1,244,484	700,356
Other current assets	179,376	131,345
Total current assets	3,612,345	1,465,830
Goodwill	803,118	1,921,072
Intangible assets, net	627,119	2,373,689
Other assets	109,776	173,022
TOTAL ASSETS	\$ 5,152,358	\$ 5,933,613
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities		
Accounts payable	\$ 701,347	\$ 375,363
Accrued interest	2,020	-
Accrued and deferred personnel compensation	671,677	414,314
Deferred revenue and customer deposits	160,023	72,624
Notes payable, net - current maturities	1,011,910	-
Other current liabilities	115,051	197,145
Total current liabilities	2,662,028	1,059,446
Non-current liabilities		
Notes payable, net - long term	361,166	-
Total non-current liabilities	361,166	-
Total liabilities	3,023,194	1,059,446
Commitments and Contingencies (See Note 11)		
Stockholders' equity (deficit)		
Common stock, \$0.001 par value; 100,000,000 shares authorized; 36,388,981 and 28,787,991 shares issued and outstanding	36,389	28,788
Equity payable	100,862	100,862
Additional paid-in capital	76,698,383	69,903,527
Accumulated other comprehensive loss	(32,999)	-
Accumulated deficit	(74,673,471)	(65,159,010)
Total stockholders' equity (deficit)	2,129,164	4,874,167
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	\$ 5,152,358	\$ 5,933,613

See accompanying notes to consolidated financial statements.

Mobivity Holdings Corp.
Consolidated Statements of Operations

	Years ended December 31,	
	2016	2015
Revenues		
Revenues	\$ 8,432,616	\$ 4,618,988
Cost of revenues	2,096,392	1,066,669
Gross profit	6,336,224	3,552,319
Operating expenses		
General and administrative	4,385,763	4,555,895
Sales and marketing	5,038,041	4,150,793
Engineering, research, and development	1,712,750	728,741
Depreciation and amortization	709,456	361,840
Total operating expenses	11,846,010	9,797,269
Loss from operations	(5,509,786)	(6,244,950)
Other income/(expense)		
Interest income	2,780	1,540
Interest expense	(77,361)	(847)
Goodwill impairment	(2,247,447)	-
Intangible asset impairment	(1,684,203)	(21,188)
Change in fair value of derivative liabilities	-	42,659
Gain on adjustment in contingent consideration	-	89,740
Foreign currency gain	1,556	-
Total other income/(expense)	(4,004,675)	111,904
Loss before income taxes	(9,514,461)	(6,133,046)
Income tax expense	-	-
Net loss	(9,514,461)	(6,133,046)
Other comprehensive loss, net of income tax		
Foreign currency translation adjustments	(32,999)	-
Comprehensive loss	\$ (9,547,460)	\$ (6,133,046)
Net loss per share - basic and diluted	\$ (0.29)	\$ (0.23)
Weighted average number of shares during the period - basic and diluted	32,797,631	26,684,927

See accompanying notes to consolidated financial statements.

Mobivity Holdings Corp.
Consolidated Statement of Stockholders' Equity (Deficit)

	Common Stock		Equity	Additional	Accumulated	Accumulated	Total
	Shares	Dollars	Payable	Paid-in Capital	Other Comprehensive Loss	Deficit	Stockholders' Equity (Deficit)
Balance, December 31, 2014	22,748,193	\$ 22,748	\$ 100,862	\$ 62,565,974	\$ -	\$(59,025,964)	\$ 3,663,620
Issuance of common stock for financing, net of transaction costs of \$234,500	4,805,000	4,805	-	4,565,695	-	-	4,570,500
Issuance of common stock for services	310,870	311	-	362,690	-	-	363,001
Issuance of common stock for earnout	903,928	904	-	749,356	-	-	750,260
Stock based compensation	20,000	20	-	1,659,812	-	-	1,659,832
Net loss	-	-	-	-	-	(6,133,046)	(6,133,046)
Balance, December 31, 2015	28,787,991	\$ 28,788	\$ 100,862	\$ 69,903,527	\$ -	\$(65,159,010)	\$ 4,874,167
Issuance of common stock for acquisition	1,015,000	1,015	-	709,485	-	-	710,500
Issuance of common stock for financing	3,256,000	3,256	-	1,950,344	-	-	1,953,600
Issuance of common stock for warrant conversion	3,329,990	3,330	-	2,535,858	-	-	2,539,188
Stock based compensation	-	-	-	1,599,169	-	-	1,599,169
Foreign currency translation adjustment	-	-	-	-	(32,999)	-	(32,999)
Net loss	-	-	-	-	-	(9,514,461)	(9,514,461)
Balance, December 31, 2016	36,388,981	\$ 36,389	\$ 100,862	\$ 76,698,383	\$ (32,999)	\$(74,673,471)	\$ 2,129,164

See accompanying notes to consolidated financial statements.

Mobivity Holdings Corp.
Consolidated Statements of Cash Flows

	Years ended December 31,	
	2016	2015
<u>OPERATING ACTIVITIES</u>		
Net loss	\$ (9,514,461)	\$ (6,133,046)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Bad debt expense	169,385	206,147
Amortization of deferred financing costs	12,949	-
Common stock issued for services	-	363,001
Excess fair value of warrants	208,195	-
Stock-based compensation	1,599,169	1,659,832
Depreciation and amortization expense	709,456	361,840
Gain on fair value of derivative liabilities	-	(42,659)
Loss on disposal of fixed assets	67,185	6,943
Gain on adjustment in contingent consideration	-	(89,740)
Goodwill impairment	2,247,447	-
Intangible asset impairment	1,684,203	21,188
Increase (decrease) in cash resulting from changes in:		
Accounts receivable	(712,755)	(527,569)
Other current assets	(46,966)	(21,499)
Other Assets	23,100	(43,083)
Accounts payable	250,693	(37,188)
Accrued interest	2,020	-
Accrued and deferred personnel compensation	247,071	229,100
Deferred revenue and customer deposits	87,590	(108,317)
Other liabilities	(84,361)	153,620
<i>Net cash used in operating activities</i>	<u>(3,050,080)</u>	<u>(4,001,430)</u>
<u>INVESTING ACTIVITIES</u>		
Purchases of equipment	(39,335)	(46,506)
Cash paid for patent	(31,355)	-
Capitalized software development costs	(576,549)	(736,665)
Acquisitions	11,088	-
<i>Net cash used in investing activities</i>	<u>(636,151)</u>	<u>(783,171)</u>
<u>FINANCING ACTIVITIES</u>		
Deferred financing costs	(32,287)	-
Payments on notes payable	(8,080)	-
Proceeds from the exercise of warrants	2,330,993	-
Proceeds from issuance of common stock, net of issuance costs	1,953,600	4,570,500
<i>Net cash provided by financing activities</i>	<u>4,244,226</u>	<u>4,570,500</u>
<i>Effect of foreign currency translation on cash flow</i>	(3,639)	-
<i>Net change in cash</i>	554,356	(214,101)
<i>Cash at beginning of period</i>	634,129	848,230
<i>Cash at end of period</i>	<u>\$ 1,188,485</u>	<u>\$ 634,129</u>

Supplemental disclosures:

Cash paid during period for :

Interest	\$ 77,361	\$ -
Non-cash investing and financing activities:		
Issuance of common stock for earn-out payable	\$ -	\$ 750,260
Restricted cash proceeds from line of credit	\$ 1,000,000	\$ -

See accompanying notes to consolidated financial statements.

Mobivity Holdings Corp.
Notes to Consolidated Financial Statements

1. The Company and Summary of Significant Accounting Policies

The Company

We develop and operate proprietary platforms over which resellers, brands and enterprises can conduct localized mobile marketing campaigns. Our proprietary platforms allow resellers, brands and enterprises to market their products and services to consumers through text messages sent directly to the consumers' mobile phones and mobile smartphone applications, consisting of software available to both phones and tablets PCs. Our customers include national franchisers, professional sports teams and associations and other national brands such as Sonic, Subway, Chick-Fil-A, Baskin Robbins and others.

Our "C4" Mobile Marketing and customer relationship management platform is a Web-hosted software solution enabling our clients to develop, execute, and manage a variety of marketing engagements to a consumer's mobile phone. Our C4 solution allows our clients to communicate directly with their customers through Short Messaging Service, or SMS, multi-media messaging, smartphone application development and interactive voice response interactions, all of which are facilitated via a set of graphical user interfaces operated from any Web browser.

Our C4 platform also allows our customers to deploy and administer our "Stampt" mobile device loyalty application. Stampt is a smartphone replacement for "Buy 10, Get 1 free" punch cards. Consumers no longer need to worry about forgetting paper-based loyalty punch cards. Stampt makes it easy to receive all of the rewards consumers want from their favorite businesses. Consumers can use Stampt throughout the United States to earn free sandwiches, coffee, pizza, frozen yogurt, donuts, bagels and more. Stampt's nearby feature shows consumers all of the rewards they can earn at nearby businesses. From the Stampt mobile device application, consumers simply tap any business to learn more about that business and to see all of the loyalty points they have earned at that business. Consumers can keep track of all of the rewards they are close to earning through the "my cards" feature displayed in the application's interface. Once a consumer has earned all of the Stampts they need for a reward, they simply show the cashier and click "tap to redeem" button from the application interface on their device. Our customers can create and manage any Stampt program from the C4 platform's set of Web-based interfaces.

We generate revenue by charging the resellers, brands and enterprises a per-message transactional fee, or through fixed or variable software licensing fees.

Our SmartReceipt solution enables our customers with the ability to control the content on receipts printed from their point of sale, or POS system. SmartReceipt is a software application that is installed on the POS which dynamically controls what is printed on receipts such as coupons, announcements, or other calls-to-action such as invitations to participate in a survey. SmartReceipt includes a Web-based interface where users can design receipt content and implement business rules to dictate what receipt content is printed in particular situations. All receipt content is also transmitted to SmartReceipt's server back-end for storage and analysis. Our SmartReceipt solution is fully integratable with our C4 platform and allows our customers to print on receipts SMS marketing or Stampt mobile application calls-to-actions.

Liquidity

We have \$2.2 million of cash as of December 31, 2016 including \$1.0 million of restricted cash. We had a net loss of \$9.5 million for the year then ended, and we used \$3.1 million of cash in our operating activities during 2016. Based on our projected 2016 results and, if necessary, our ability to reduce certain variable operating expenses, we believe that our existing capital, our \$2 million Working Capital Line of Credit (see Note 5), and anticipated cash flows from operations, will be sufficient to finance our operations through the first quarter of 2018.

If our cash reserves prove insufficient to sustain operations, we plan to raise additional capital by selling shares of capital stock or other equity or debt securities. However, there are no commitments or arrangements for future financings in place at this time, and we can give no assurance that such capital will be available on favorable terms or at all. We may need additional financing thereafter until we can achieve profitability. If we cannot, we will be forced to curtail our operations or possibly be forced to evaluate a sale or liquidation of our assets. Any future financing may involve substantial dilution to existing investors.

Although we are actively pursuing financing opportunities, we may not be able to raise cash on terms acceptable to us or at all. There can be no assurance that we will be successful in obtaining additional funding. Financings, if available, may be on terms that are dilutive to our shareholders, and the prices at which new investors would be willing to purchase our securities may be lower than the current price of our ordinary shares. The holders of new securities may also receive rights, preferences or privileges that are senior to those of existing holders of our ordinary shares. If additional financing is not available or is not available on acceptable terms, we will have to curtail our operations in the short term.

Principles of Consolidation and Basis of Presentation

The accompanying financial statements are consolidated and include the financial statements of Mobivity Holdings Corp. and our wholly-owned subsidiary. Intercompany transactions are eliminated.

Use of Estimates

Preparation of our consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying disclosures. These estimates are based on management's best knowledge of current events and actions we may undertake in the future. Significant estimates used are those related to: stock-based compensation; valuation of acquired assets, intangible assets and liabilities; useful lives for depreciation and amortization of long-lived assets; future cash flows associated with impairment testing for goodwill, indefinite-lived intangible assets and other long-lived assets; valuation of derivative liabilities; valuation allowance for deferred tax assets; and contingencies.

Actual results may ultimately differ from estimates, although management does not generally believe such differences would materially affect the consolidated financial statements in any individual year. However, in regard to ongoing impairment testing of goodwill and indefinite-lived intangible assets, significant deterioration in future cash flow projections or other assumptions used in estimating fair values versus those anticipated at the time of the initial valuations, could result in impairment charges that materially affect the consolidated financial statements in a given year.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year's presentation. The reclassifications had no effect on previously reported net loss.

Acquisitions

We account for acquired businesses using the purchase method of accounting. Under the purchase method, our consolidated financial statements reflect the operations of an acquired business starting from the completion of the acquisition. In addition, the assets acquired and liabilities assumed are recorded at the date of acquisition at their respective estimated fair values, with any excess of the purchase price over the estimated fair values of the net assets acquired recorded as goodwill.

Cash and Cash Equivalents

We minimize our credit risk associated with cash by periodically evaluating the credit quality of our primary financial institution. Our balances at times may exceed federally insured limits. We have not experienced any losses on our cash accounts.

Accounts Receivable, Allowance for Doubtful Accounts and Concentrations

Accounts receivable are carried at their estimated collectible amounts. We grant unsecured credit to substantially all of our customers. Ongoing credit evaluations are performed and potential credit losses are charged to operations at the time the account receivable is estimated to be uncollectible. Since we cannot necessarily predict future changes in the financial stability of our customers, we cannot guarantee that our reserves will continue to be adequate.

As of December 31, 2016 and 2015, we recorded an allowance for doubtful accounts of \$15,503 and \$237,383, respectively.

From time to time, we may have a limited number of customers with individually large amounts due. Any unanticipated change in one of the customer's credit worthiness could have a material effect on the results of operations in the period in which such changes or events occurred.

As of December 31, 2016, we had one customer whose balance represented 62% of total accounts receivable. As of December 31, 2015, we had one customer whose balance represented 39% of total accounts receivable.

Goodwill and Intangible Assets

Goodwill is tested for impairment at a minimum on an annual basis. Goodwill is tested for impairment at the reporting unit level by first performing a qualitative assessment to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying value. If the reporting unit does not pass the qualitative assessment, then the reporting unit's carrying value is compared to its fair value. The fair values of the reporting units are estimated using market and discounted cash flow approaches. Goodwill is

[Table of Contents](#)

considered impaired if the carrying value of the reporting unit exceeds its fair value. The discounted cash flow approach uses expected future operating results. Failure to achieve these expected results may cause a future impairment of goodwill at the reporting unit.

We conducted our annual impairment tests of goodwill as of December 31, 2016 and 2015. As a result of these tests, we recorded impairment charges to our goodwill of \$2,247,447 and \$0 for the years ended December 31, 2016 and 2015, respectively.

Intangible assets consist of patents and trademarks, purchased customer contracts, purchased customer and merchant relationships, purchased trade names, purchased technology, and non-compete agreements. Intangible assets are amortized over the period of estimated benefit using the straight-line method and estimated useful lives ranging from one to twenty years. No significant residual value is estimated for intangible assets. We evaluate long-lived assets (including intangible assets) for impairment whenever events or changes in circumstances indicate that the carrying amount of a long-lived asset may not be recoverable. An asset is considered impaired if its carrying amount exceeds the undiscounted future net cash flow the asset is expected to generate.

The Company's evaluation of its long-lived assets completed during the years ended December 31, 2016 and 2015 resulted in impairment charges of \$1,266,387 and \$21,188, respectively.

Software Development Costs

Software development costs include direct costs incurred for internally developed products and payments made to independent software developers and/or contract engineers. The Company accounts for software development costs in accordance with the FASB guidance for the costs of computer software to be sold, leased, or otherwise marketed ("ASC Subtopic 985-20"). Software development costs are capitalized once the technological feasibility of a product is established and such costs are determined to be recoverable. Technological feasibility of a product encompasses technical design documentation and integration documentation, or the completed and tested product design and working model. Software development costs are capitalized once technological feasibility of a product is established and such costs are determined to be recoverable against future revenues. Technological feasibility is evaluated on a project-by-project basis. Amounts related to software development that are not capitalized are charged immediately to the appropriate expense account. Amounts that are considered 'research and development' that are not capitalized are immediately charged to engineering, research, and development expense.

Capitalized costs for those products that are cancelled or abandoned are charged to impairment expense in the period of cancellation. Commencing upon product release, capitalized software development costs are amortized to "Amortization Expense - Development" based on the straight-line method over a twenty-four month period.

The Company evaluates the future recoverability of capitalized software development costs on an annual basis. For products that have been released in prior years, the primary evaluation criterion is ongoing relations with the customer. The Company's evaluation of its capitalized software development asset completed during the years ended December 31, 2016 and 2015 resulted in impairment charges of \$417,816 and \$0, respectively.

Derivative Financial Instruments

We do not use derivative instruments to hedge exposures to cash flow, market or foreign currency risks.

We review the terms of the common stock, warrants and convertible debt we issue to determine whether there are embedded derivative instruments, including embedded conversion options, which are required to be bifurcated and accounted for separately as derivative financial instruments. In circumstances where the host instrument contains more than one embedded derivative instrument, including the conversion option, that is required to be bifurcated, the bifurcated derivative instruments are accounted for as a single, compound derivative instrument.

Bifurcated embedded derivatives are initially recorded at fair value and are then revalued at each reporting date with changes in the fair value reported as non-operating income or expense. When the equity or convertible debt instruments contain embedded derivative instruments that are to be bifurcated and accounted for as liabilities, the total proceeds received are first allocated to the fair value of all the bifurcated derivative instruments. The remaining proceeds, if any, are then allocated to the host instruments themselves, usually resulting in those instruments being recorded at a discount from their face value.

The fair value of the derivatives is estimated using a Monte Carlo simulation model. The model utilizes a series of inputs and assumptions to arrive at a fair value at the date of inception and each reporting period. Some of the key assumptions include the likelihood of future financing, stock price volatility, and discount rates.

Revenue Recognition and Concentrations

Our SmartReceipt and C4 Mobile Marketing and customer relationship management are hosted solutions. We generate revenue from licensing our software to clients in our software as a service model, per-message and per-minute transactional fees, and customized professional services. We recognize license/subscription fees over the period of the contract, service fees as the services are performed, and per-message or per-minute transaction revenue when the transaction takes place. We recognize revenue at the time that the services are rendered, the selling price is fixed, and collection is reasonably assured, provided no significant obligations remain. We consider authoritative guidance on multiple deliverables in determining whether each deliverable represents a separate unit of accounting. Some customers are billed on a month to month basis with no contractual term and are collected by credit card. Revenue is recognized at the time that the services are rendered and the selling price is fixed with a set range of plans. Cash received in advance of the performance of services is recorded as deferred revenue.

We generate revenue from the Stamp App through customer agreements with business owners. Revenue is principally derived from monthly subscription fees which provide a license for unlimited use of the Stamp App by the business owners and their customers. The subscription fee is billed each month to the business owner. Revenue is recognized monthly as the subscription revenues are billed. There are no per-minute or transaction fees associated with the Stamp App.

During the years ended December 31, 2016 and 2015, two customers accounted for 72% and 48% of our revenues, respectively.

Stock-based Compensation

We primarily issue stock-based awards to employees in the form of stock options. We determine compensation expense associated with stock options based on the estimated grant date fair value method using the Black-Scholes valuation model. We recognize compensation expense using a straight-line amortization method over the respective vesting period.

Research and Development Expenditures

Research and development expenditures are expensed as incurred, and consist primarily of compensation costs, outside services, and expensed materials.

Advertising Expense

Direct advertising costs are expensed as incurred, and consist primarily of E-commerce advertisements and other direct costs. Advertising expense was \$40,017 and \$38,394 for years ended December 31, 2016 and 2015, respectively.

Income Taxes

We account for income taxes using the assets and liability method, which recognizes deferred tax assets and liabilities determined based on the difference between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to affect taxable income. Valuation allowances are established to reduce deferred tax assets when, based on available objective evidence, it is more likely than not that the benefit of such assets will not be realized. We recognize in the consolidated financial statements only those tax positions determined to be more likely than not of being sustained.

Computation of Net Loss per Common Share

Basic net loss per share is based upon the weighted average number of common shares outstanding. Diluted net loss per share is based on the assumption that all potential common stock equivalents (convertible notes payable, stock options, and warrants) are converted or exercised. The calculation of diluted net loss per share excludes potential common stock equivalents if the effect is anti-dilutive. Our weighted average common shares outstanding for basic and diluted are the same because the effect of the potential common stock equivalents is anti-dilutive.

We had the following dilutive common stock equivalents as of December 31, 2016 and 2015 which were excluded from the calculation because their effect was anti-dilutive.

	December 31,	
	2016	2015
Outstanding employee options	5,757,880	5,043,228
Outstanding restricted stock units	994,417	653,937
Outstanding non-employee warrants	-	33,333
Outstanding warrants	5,134,349	8,498,568
	11,886,646	14,229,066

Recent Accounting Pronouncements

Accounting standards promulgated by the FASB are subject to change. Changes in such standards may have an impact on the Company's future financial statements. The following are a summary of recent accounting developments.

In November 2016, the FASB issued ASU No. 2016-18, "Statement of Cash Flows (Topic 230)." ASU No. 2016-18 requires that restricted cash be included with cash and cash equivalents when reconciling the change in cash flow. This guidance will be effective for the Company for its fiscal year 2017, with early adoption permitted.

In March 2016, the FASB issued ASU 2016-09, "Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting". The standard is intended to simplify several areas of accounting for share-based compensation arrangements, including the income tax impact, classification on the statement of cash flows and forfeitures. ASU 2016-09 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016, and early adoption is permitted. The Company elected to early adopt the new guidance in the second quarter of fiscal year 2016 which requires us to reflect any adjustments as of January 1, 2016, the beginning of the annual period that includes the interim period of adoption. The primary impact of adoption was the recognition of additional stock compensation expense and paid-in capital for all periods in fiscal year 2016. Additional amendments to the recognition of excess tax benefits, accounting for income taxes and minimum statutory withholding tax requirements had no impact to retained earnings as of January 1, 2016, where the cumulative effect of these changes are required to be recorded. We have elected to account for forfeitures as they occur to determine the amount of compensation cost to be recognized in each period.

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, "Leases (Topic 842)". Under this guidance, an entity is required to recognize right-of-use assets and lease liabilities on its balance sheet and disclose key information about leasing arrangements. This guidance offers specific accounting guidance for a lessee, a lessor and sale and leaseback transactions. Lessees and lessors are required to disclose qualitative and quantitative information about leasing arrangements to enable a user of the financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. This guidance is effective for annual reporting periods beginning after December 15, 2018, including interim periods within that reporting period, and requires a modified retrospective adoption, with early adoption permitted. The Company is currently evaluating the impact of the adoption of this standard will have on our consolidated financial statements.

In September 2015, the FASB issued ASU No. 2015-16, "Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments", which requires the acquirer in a business combination to recognize in the reporting period in which adjustment amounts are determined, any adjustments to provisional amounts that are identified during the measurement period, calculated as if the accounting had been completed at the acquisition date. Prior to the issuance of ASU 2015-16, an acquirer was required to restate prior period financial statements as of the acquisition date for adjustments to provisional amounts. ASU 2015-16 is effective for annual and interim periods beginning after December 15, 2015. The adoption of ASU 2015-16 is not expected to have a material impact on our financial position or results of operations.

In August 2015, the FASB issued ASU No. 2015-14, "Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date". This amendment defers the effective date of the previously issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), until the interim and annual reporting periods beginning after December 15, 2017. The FASB's ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), was issued in three parts: (a) Section A, "Summary and Amendments That Create Revenue from Contracts with Customers (Topic 606) and Other Assets and Deferred Costs-Contracts with Customers (Subtopic 340-40)," (b) Section B, "Conforming Amendments to Other Topics and Subtopics in the Codification and Status Tables" and (c) Section C, "Background Information and Basis for Conclusions." The core principle of the new guidance is that an entity should recognize revenue to depict the transfer of promised 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. Earlier application is permitted for interim and annual reporting periods beginning after December 15, 2016. The Company intends to adopt the provisions of ASU 2015-14 for interim and annual reporting periods beginning after December 15, 2017. The Company is currently evaluating the impact of the adoption of ASU 2015-14 on its consolidated financial statements.

In July 2015, the FASB, issued ASU No. 2015-11, "Inventory (Topic 330): Simplifying the Measurement of Inventory", which requires an entity to measure inventory within the scope of the ASU at the lower of cost and net realizable value. The amendments in ASU 2015-11 are effective for fiscal years beginning after December 15, 2016, including interim periods within that reporting period. Earlier adoption is permitted. The adoption of ASU 2015-11 is not expected to have a material impact on our financial position or results of operations.

In April 2015, the FASB issued ASU 2015-05 regarding Subtopic 350-40, "Intangibles - Goodwill and Other - Internal-Use Software." The amendments in ASU 2015-05 provide guidance to customers about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, the customer should account for the software license element of the arrangement consistent with other software licenses. If a cloud computing arrangement does not include a software

license, the customer should account for the arrangement as a service contract. The amendments in ASU 2015-05 are effective for annual and interim periods beginning after December 15, 2015. Early adoption is permitted. The amendments in ASU 2015-05 may be applied either prospectively to all arrangements entered into or materially modified after the effective date or retrospectively. The adoption of ASU 2015-05 is not expected to have a material impact on our financial position or results of operations.

In May 2014, the FASB issued ASU 2014-09 regarding ASC Topic 606, "Revenue from Contracts with Customers." ASU 2014-09 provides principles for recognizing revenue to depict the transfer of promised 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. In August 2015, the FASB issued ASU 2015-14 to defer the effective date by one year with early adoption permitted as of the original effective date. ASU 2014-09 will be effective for our fiscal year beginning January 1, 2018 unless we elect the earlier date of January 1, 2017. In addition, the FASB issued ASU 2016-08, ASU 2016-10, and ASU 2016-12 in March 2016, April 2016, and May 2016, respectively, to help provide interpretive clarifications on the new guidance in ASC Topic 606. The Company is currently evaluating the accounting, transition, and disclosure requirements of the standard and cannot currently estimate the financial statement impact of adoption.

2. **Acquisitions**

We completed the following acquisitions in furtherance of our strategy to acquire small, privately owned enterprises in the mobile marketing sector through asset purchase structures. We made the acquisitions to expand our market presence and product offerings.

The purchase consideration for each acquisition was allocated to the tangible assets and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values on the acquisition date, with the remaining unallocated consideration recorded as goodwill. An independent valuation expert assisted us in determining these fair values.

We have included the financial results of these acquisitions in our consolidated financial statements from the date of acquisition.

LiveLenz Acquisition

On January 15, 2016, we acquired all of the outstanding capital stock of LiveLenz Inc., a Nova Scotia corporation ("LiveLenz"), pursuant to an agreement dated January 15, 2016 among the Company and the stockholders of LiveLenz. Pursuant to the agreement, we acquired all of the capital stock of LiveLenz in consideration of our issuance of 1,000,000 shares ("Consideration Shares") of our common stock to the LiveLenz stockholders, our issuance of an additional 15,000 shares of our common stock in satisfaction of certain liabilities of LiveLenz, and the assumption of their existing liabilities. The agreement included customary representations, warranties, and covenants by us and the LiveLenz stockholders, including the LiveLenz stockholders' agreement to indemnify us against certain claims or losses resulting from certain breaches of representations, warranties or covenants by the LiveLenz stockholders in the agreement. Pursuant to the agreement, the LiveLenz stockholders have agreed to adjust the number of Consideration Shares downward based on LiveLenz' working capital as of the closing and in the event of any claims for indemnification by us. The LiveLenz stockholders have agreed that 100% of the Consideration Shares will be escrowed for a period of 18 months and subject to forfeiture based on indemnification claims by us or the final determination of LiveLenz' working capital as of the closing date. As of the date of this report, no adjustments have been made to the working capital.

The acquisition was accounted for as a business combination and we valued all assets and liabilities acquired at their fair values on the date of acquisition. An independent valuation expert assisted us in determining these fair values. The assets and liabilities of the acquired entity were recorded at their estimated fair values at the date of the acquisition.

The allocation of the purchase price to assets and liabilities based upon fair value determinations was as follows:

Cash	\$	11,088
Accounts receivable, net		718
Other assets		2,617
Fixed assets		4,407
Intangible assets		20,300
Goodwill		1,129,493
Total assets acquired		1,168,623
Liabilities assumed		(458,123)
Net assets acquired	\$	710,500

[Table of Contents](#)

The purchase price consists of the following:

Common stock	\$ 710,500
Total purchase price	<u>\$ 710,500</u>

The following information presents unaudited pro forma consolidated results of operations for the year ended December 31, 2016, as if the Livelenz acquisition described above had occurred on January 1, 2015. The pro forma financial information is not necessarily indicative of the operating results that would have occurred if the acquisition been consummated as of the date indicated, nor are they necessarily indicative of future operating results.

Mobivity Holdings Corp.
Unaudited Pro Forma Condensed Consolidated Statement of Operations
For the year ended December 31, 2016

	Mobivity	Livelenz	Pro forma adjustments	Pro forma combined
Revenues				
Revenues	\$ 8,432,616	\$ 4,300	\$ -	\$ 8,436,916
Cost of revenues	<u>2,096,392</u>	<u>120</u>	<u>-</u>	<u>2,096,512</u>
Gross profit	6,336,224	4,180	-	6,340,404
Operating expenses				
General and administrative	4,385,763	20,071	-	4,405,834
Sales and marketing	5,038,041	7,087	-	5,045,128
Engineering, research, and development	1,712,750	-	-	1,712,750
Depreciation and amortization	<u>709,456</u>	<u>76</u>	<u>-</u>	<u>709,532</u>
Total operating expenses	<u>11,846,010</u>	<u>27,234</u>	<u>-</u>	<u>11,873,244</u>
Loss from operations	(5,509,786)	(23,054)	-	(5,532,840)
Other income/(expense)				
Interest income	2,780	-	-	2,780
Interest expense	(77,361)	(3,452)	-	(80,813)
Intangible asset impairment	(1,684,203)	-	-	(1,684,203)
Goodwill impairment	(2,247,447)	-	-	(2,247,447)
Foreign currency gain/(loss)	<u>1,556</u>	<u>-</u>	<u>-</u>	<u>1,556</u>
Total other income/(expense)	<u>(4,004,675)</u>	<u>(3,452)</u>	<u>-</u>	<u>(4,008,127)</u>
Loss before income taxes	(9,514,461)	(26,506)	-	(9,540,967)
Income tax expense	-	-	-	-
Net loss	<u>\$ (9,514,461)</u>	<u>\$ (26,506)</u>	<u>\$ -</u>	<u>\$ (9,540,967)</u>
Other comprehensive loss, net of income tax				
Foreign currency translation adjustments	<u>(32,999)</u>	<u>-</u>	<u>-</u>	<u>(32,999)</u>
Comprehensive loss	<u>\$ (9,547,460)</u>	<u>\$ (26,506)</u>	<u>\$ -</u>	<u>\$ (9,573,966)</u>
Net loss per share - basic and diluted	<u>\$ (0.29)</u>			<u>\$ (0.29)</u>
Weighted average number of shares during the period -basic and diluted	<u>32,797,631</u>			<u>32,797,631</u>

[Table of Contents](#)

The following information presents unaudited pro forma consolidated results of operations for the year ended December 31, 2015, as if the Livelenz acquisition described above had occurred on January 1, 2015. The pro forma financial information is not necessarily indicative of the operating results that would have occurred if the acquisition been consummated as of the date indicated, nor are they necessarily indicative of future operating results.

Mobivity Holdings Corp.
Unaudited Pro Forma Condensed Consolidated Statement of Operations
For the year ended December 31, 2015

	<u>Mobivity</u>	<u>Livelenz</u>	<u>Pro forma adjustments</u>	<u>Pro forma combined</u>
Revenues				
Revenues	\$ 4,618,988	\$ 230,214	\$ -	\$ 4,849,202
Cost of revenues	1,066,669	71,301	-	1,137,970
Gross profit	3,552,319	158,913	-	3,711,232
Operating expenses				
General and administrative	4,555,895	70,633	-	4,626,528
Sales and marketing	4,150,793	222,747	-	4,373,540
Engineering, research, and development	728,741	-	-	728,741
Depreciation and amortization	361,840	3,705	-	365,545
Total operating expenses	9,797,269	297,085	-	10,094,354
Loss from operations	(6,244,950)	(138,172)	-	(6,383,122)
Other income/(expense)				
Interest income	1,540	-	-	1,540
Interest expense	(847)	(45,403)	-	(46,250)
Intangible asset impairment	(21,188)	-	-	(21,188)
Change in fair value of derivative liabilities	42,659	-	-	42,659
Gain on adjustment of contingent consideration	89,740	-	-	89,740
Foreign currency gain/(loss)	-	39,118	-	39,118
Total other income/(expense)	111,904	(6,285)	-	105,619
Loss before income taxes	(6,133,046)	(144,457)	-	(6,277,503)
Income tax expense	-	-	-	-
Net loss	\$ (6,133,046)	\$ (144,457)	\$ -	\$ (6,277,503)
Net loss per share - basic and diluted	\$ (0.23)			\$ (0.24)
Weighted average number of shares during the period -basic and diluted	26,684,927			26,684,927

3. Goodwill and Intangible Assets

Goodwill

The following table presents goodwill and impairment for the years ended December 31, 2016 and 2015:

	<u>Goodwill</u>
December 31, 2014	\$ 1,921,072
Acquired	-
Impairment	-
December 31, 2015	1,921,072
Acquired	1,129,493
Impairment	(2,247,447)
December 31, 2016	\$ 803,118

We conducted our annual impairment test of goodwill as of December 31, 2016 and 2015, which resulted in impairment charges of \$2,247,447 and \$0, respectively.

[Table of Contents](#)

Intangible assets

The following table presents components of identifiable intangible assets for the years ended December 31, 2016 and 2015:

	December 31, 2016				December 31, 2015			
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Useful Life (Years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Useful Life (Years)
Patents and trademarks	\$ 161,298	\$ (48,761)	\$ 112,537	12	\$ 117,000	\$ (38,069)	\$ 78,931	15
Customer contracts	-	-	-	-	628,502	(628,502)	-	-
Customer and merchant relationships	1,620,112	(1,442,112)	178,000	10	2,830,139	(1,456,626)	1,373,513	10
Trade name	171,883	(124,224)	47,659	10	353,192	(217,625)	135,567	10
Acquired technology	521,540	(521,540)	-	10	686,135	(498,837)	187,298	10
Non-compete agreement	7,443	(7,443)	-	-	90,462	(90,462)	-	-
	<u>\$ 2,482,276</u>	<u>\$ (2,144,080)</u>	<u>\$ 338,196</u>		<u>\$ 4,705,430</u>	<u>\$ (2,930,121)</u>	<u>\$ 1,775,309</u>	

During the years ended December 31, 2016 and 2015, we recorded amortization expense related to our intangible assets of \$212,086 and \$214,455, respectively, which is included in depreciation and amortization in the consolidated statement of operations.

During the years ended December 31, 2016 and 2015, we recorded impairment charges related to our intangible assets of \$1,266,387 and \$21,188, respectively.

Expected future intangible asset amortization as of December 31, 2016 is as follows:

Year ending December 31,	Amount
2017	\$ 43,029
2018	43,029
2019	43,029
2020	42,927
2021	40,148
Thereafter	126,034
Total	<u>\$ 338,196</u>

4. Software Development Costs

The Company has capitalized certain costs for software developed or obtained for internal use during the application development stage as it relates to specific contracts. The amounts capitalized include external direct costs of services used in developing internal-use software and for payroll and payroll-related costs of employees directly associated with the development activities.

The following table presents details of our software development costs for the years ended December 31, 2016 and 2015:

	December 31, 2016				December 31, 2015			
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Useful Life (Years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Useful Life (Years)
Software Development Costs	\$ 886,539	\$ (597,616)	\$ 288,923	2	\$ 736,666	\$ (138,286)	\$ 598,380	2
	<u>\$ 886,539</u>	<u>\$ (597,616)</u>	<u>\$ 288,923</u>		<u>\$ 736,666</u>	<u>\$ (138,286)</u>	<u>\$ 598,380</u>	

Software development costs are being amortized on a straight line basis over their estimated useful life of two years.

During the years ended December 31, 2016, we recorded amortization expense for software development costs of \$469,937 and \$138,286, respectively which is included in depreciation and amortization in the consolidated statement of operations.

During the years ended December 31, 2016 and 2015, we recorded impairment charges of \$417,816 and \$0, respectively,

related to our software development costs as a result of customer contracts that became impaired.

[Table of Contents](#)

The estimated future amortization expense of software development costs as of December 31, 2016 is as follows:

Year ending December 31,	Amount
2017	\$ 184,642
2018	100,832
2019	3,449
2020	-
2021	-
Thereafter	-
Total	\$ 288,923

5. Notes Payable and Interest Expense

Notes Payable

The following table presents details of our notes payable as of December 31, 2016 and 2015:

Facility	Maturity	Interest Rate	Balance at December 31, 2016	Balance at December 31, 2015
BDC Term Loan	December 15, 2018	12%	\$ 333,260	\$ -
ACOA Note	May 1, 2021	-	59,995	-
SVB Working Capital Line of Credit Facility	March 30, 2018	Variable	979,821	-
Total Debt			1,373,076	-
Debt discount			21,003	-
Less current portion			(1,032,913)	-
Long-term debt, net of current portion			\$ 361,166	\$ -

BDC Term Loan

On January 8, 2016, Livelenz (a wholly-owned subsidiary of the Company,) entered into an amendment of their original loan agreement dated August 26, 2011 with the Business Development Bank of Canada (“BDC”). Under this agreement the loan will mature, and the commitments will terminate on December 15, 2018. The company recorded \$1,529 of debt issuance costs as part of the acquisition of Livelenz. During the twelve months ended December 31, 2016, the company recorded \$841 of amortization expense. As of December 31, 2016, the company has \$824 of debt issuance costs remaining, which are being amortized on a straight-line basis to interest expense over the remaining term of the facility.

ACOA Note

On April 29, 2016, Livelenz (a wholly-owned subsidiary of the Company), entered into an amendment of the original agreement dated December 2, 2014 with the Atlantic Canada Opportunities Agency (“ACOA”). Under this agreement the note will mature, repayments began on June 1, 2016, and the commitments will terminate on May 1, 2021.

SVB Working Capital Line of Credit Facility

In March 2016, we entered into a Working Capital Line of Credit Facility (the “Facility”) with Silicon Valley Bank (“SVB”) to provide up to \$2 million to finance our general working capital needs. The Facility is funded based on cash on deposit balances and advances against our accounts receivable based on customer invoicing. Interest on Facility borrowings is calculated at rates between the prime rate minus 1.75% and prime rate plus 3.75% based on the borrowing base formula used at the time of borrowing. The Facility contains standard events of default, including payment defaults, breaches of representations, breaches of affirmative or negative covenants, and bankruptcy. During the twelve months ended December 31, 2016, the Company borrowed \$1,000,000, under this facility.

Under the terms of the Facility, the Company is obligated to pay a commitment fee on the available unused amount of the Facility commitments equal to 0.5% per annum.

The Company capitalized debt issuance costs of \$32,287 as of December 31, 2016 related to the Facility, which are being amortized on a straight-line basis to interest expense over the two-year term of the Facility. During the twelve months ended December 31, 2016, the company recorded \$12,108 of amortization expense. As of December 31, 2016, the company has \$20,179 of debt issuance costs remaining.

Interest Expense

The following table summarizes interest expense for the years ended December 31, 2016 and 2015:

	December 31,	
	2016	2015
Interest expense	\$ 77,361	\$ 847
Total interest expense	\$ 77,361	\$ 847

6. Common Stock and Equity Payable

Common Stock

2015

On January 13, 2015, Michael Bynum, president and a member of the board of directors of Mobivity Holdings Corp, resigned as an officer, director and employee of the Company and all subsidiaries. In connection with Mr. Bynum's resignation, he and the Company entered into a customary separation agreement providing for mutual releases and other standard covenants and acknowledgements. In addition, the separation agreement modified Mr. Bynum's rights to severance under his employment agreement dated May 17, 2013 with the Company. Pursuant to his employment agreement, Mr. Bynum was entitled to one year of salary, or \$200,000, upon his resignation. However, under the separation agreement, Mr. Bynum agreed to accept 260,870 shares of the common stock of the Company in lieu of cash severance. The shares were valued on the closing market price on the date of the separation agreement of January 9, 2015 of \$1.15 which provided a fair market value of the share consideration of \$300,001. In addition, pursuant to his employment agreement, Mr. Bynum's options would continue to vest for three months following his resignation and all vested options would remain exercisable for a period of six months following his resignation. However, under the separation agreement, Mr. Bynum agreed that his options would cease vesting upon his resignation, all unvested options would expire upon resignation and all vested options would remain exercisable for a period of 12 months following his resignation.

On January 21, 2015, the board of directors of the Company appointed William Van Epps to serve as executive chairman of the Company. In connection with the appointment, the Company entered into an employment agreement dated January 19, 2015 with Mr. Van Epps. Pursuant to his employment agreement, the Company has agreed to pay Mr. Van Epps a base salary \$310,000, subject to annual review by the board. The Company has also agreed to pay Mr. Van Epps a signing bonus of 50,000 shares of the Company's common stock. The shares were valued on the closing market price on the date of the employment agreement of January 19, 2015 of \$1.26 which provided a fair market value of the share consideration of \$63,000.

In March 2015, we conducted the private placement of our securities for the gross proceeds of \$4,805,000. In the private placement, we sold 4,805,000 units of our securities at a price of \$1.00 per unit for the net proceeds of \$4,570,500 (after deducting offering costs of \$234,500). Each unit consists of one share of our common stock and a common stock purchase warrant to purchase one-quarter share of our common stock, over a five-year period, at an exercise price of \$1.20 per share and grant date fair value of \$0.93. We entered into a Registration Rights Agreement with the investors, pursuant to which we agreed to cause a resale registration statement covering the common shares made part of the units to be filed by April 30, 2015. The Registration Rights Agreement also provides that we must make certain payments as liquidated damages to the investors if it fails to timely file the registration statement and cause it to become effective. The Registration Rights Agreement was declared effective as of September 10, 2015. As of the date of this filing, liquidated damages in regards to the timely filing of the registration statement have been waived.

EGE acted as placement agent for the private placement and received \$234,500 in commissions from us. In addition, for its services as placement agent, we issued to EGE warrants to purchase an aggregate of 234,500 and 58,625 shares, exercisable for a period of five years from the closing date, at an exercise price of \$1.00 and \$1.20 per share, respectively.

On July 31, 2015 we issued 903,928 shares of our common stock in satisfaction of the SmartReceipt earn-out payable.

On August 14, 2015 we issued 20,000 Restricted Stock Units to a former employee at \$1.18 per share for services and recorded share-based compensation of \$23,800 in general and administrative expense.

2016

On January 15, 2016, we acquired all of the outstanding capital stock of LiveLenz in consideration of our issuance of 1,000,000 shares ("Consideration Shares") of our common stock to the LiveLenz stockholders and our issuance of an additional 15,000 shares of our common stock in satisfaction of certain liabilities of LiveLenz. The LiveLenz stockholders have agreed that 100% of the Consideration Shares will be escrowed for a period of 18 months and subject to forfeiture based on indemnification claims by us or the

[Table of Contents](#)

final determination of LiveLenz' working capital as of the closing date. The Consideration Shares were valued using the closing price on the acquisition closing date of \$0.70 per share for a total acquisition purchase price of \$710,500. As of the date of this report, no adjustments have been made to the working capital.

In March 2016, we conducted the private placement of 3,256,000 shares of our common stock, at a price of \$0.60 per share, for the gross proceeds of \$1,953,600. The offering was conducted by our management and no commission or other selling fees were paid by us. Pursuant to the terms of the offering, we entered into registration rights agreement with the investors pursuant to which we agreed to file with the SEC a resale registration statement covering the common shares. The registration statement was declared effective by the SEC on August 8, 2016.

On October 31, 2016, we issued 3,329,990 shares of our common stock, at a price of \$0.70 per share, for the gross proceeds of \$2,330,993. These shares were issued in conjunction with a warrant exercise as further described in Note 8.

As of December 31, 2016 and 2015 we had an equity payable balance of \$100,862.

7. **Stock-based Plans and Stock-based Compensation**

Stock-based Plans

We have the 2010 Incentive Stock Option Plan and the 2013 Incentive Stock Option Plan under which we have granted stock options to our directors, officers and employees. At December 31, 2016, 5,757,880 shares were authorized under the plans and 327,135 shares were available for future grant.

We believe that such awards better align the interests of our directors, officers and employees with those of our shareholders. Option awards are generally granted with an exercise price that equals the fair market value of our stock at the date of grant. These option awards generally vest based on four years of continuous service and have five-year or 10-year contractual terms.

The following table summarizes stock option activity under our stock-based plans as of and for the years ended December 31, 2016 and 2015:

	<u>Shares</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Contractual Term (Years)</u>	<u>Aggregate Intrinsic Value</u>
Outstanding at December 31, 2014	5,382,923	\$ 1.76	8.10	\$ 35,425
Granted	3,348,000	\$ 1.05	-	\$ -
Exercised	-	\$ -	-	\$ -
Forfeit/canceled	(2,511,522)	\$ 1.60	-	\$ -
Expired	(1,176,173)	\$ 1.82	-	\$ -
Outstanding at December 31, 2015	5,043,228	\$ 1.37	8.12	\$ 209,690
Granted	1,771,500	\$ 0.72	-	\$ -
Exercised	-	\$ -	-	\$ -
Forfeit/canceled	(577,817)	\$ 1.01	-	\$ -
Expired	(479,031)	\$ 1.73	-	\$ -
Outstanding at December 31, 2016	5,757,880	\$ 1.16	8.10	\$ 434,630
Expected to vest at December 31, 2016	5,757,880	\$ 1.17	7.16	\$ 70,594
Exercisable at December 31, 2016	2,394,332	\$ 1.52	7.15	\$ -
Unrecognized expense at December 31, 2016	\$ 2,505,275			

The aggregate intrinsic value of options was calculated as the difference between the exercise price of the underlying awards and the quoted price of our common stock. At December 31, 2016, options to purchase 2,499,500 shares of common stock were in-the-money.

The weighted average grant-date fair value of options granted during the years 2016 and 2015 was \$0.61 and \$0.93, respectively.

2015

On January 1, 2015, the Company granted one employee 15,000 options to purchase shares of the Company common stock at the closing price as of January 1, 2015 of \$1.19 per share. The options vest 25% on the first anniversary of the grant, then equally in 36 monthly installments thereafter and are exercisable until January 1, 2025. The total estimated value using the Black-Scholes Model, based on a volatility rate of 132% and a call option value of \$1.07 was \$16,050.

On January 22, 2015, the Company granted one employee 900,000 options to purchase shares of the Company common stock at the closing price as of January 22, 2015 of \$1.28 per share. The options vest in forty-eight equal monthly installments following the grant date and are exercisable until January 22, 2025. The total estimated value using the Black-Scholes Model, based on a volatility rate of 132% and a call option value of \$1.15 was \$1,035,000.

On January 22, 2015, the Company granted three employees 471,500 options to purchase shares of the Company common stock at the closing price as of January 22, 2015 of \$1.28 per share. The options vest 25% on the first anniversary of the grant, then equally in 36 monthly installments thereafter and are exercisable until January 22, 2025. The total estimated value using the Black-Scholes Model, based on a volatility rate of 132% and a call option value of \$1.15 was \$542,225.

On February 11, 2015, the Company granted one employee 3,000 options to purchase shares of the Company common stock at the closing price as of February 11, 2015 of \$1.20 per share. The options vest 25% on the first anniversary of the grant, then equally in 36 monthly installments thereafter and are exercisable until February 11, 2025. The total estimated value using the Black-Scholes Model, based on a volatility rate of 132% and a call option value of \$1.08 was \$3,240.

On February 16, 2015, the Company granted one employee 300,000 options to purchase shares of the Company common stock at the closing price as of February 16, 2015 of \$1.30 per share. The options vest in forty-eight equal monthly installments following the grant date and are exercisable until February 16, 2025. The total estimated value using the Black-Scholes Model, based on a volatility rate of 132% and a call option value of \$1.17 was \$351,000.

On March 2, 2015, the Company granted one employee 100,000 options to purchase shares of the Company common stock at the closing price as of March 2, 2015 of \$1.20 per share. The options vest in forty-eight equal monthly installments following the grant date and are exercisable until March 2, 2025. The total estimated value using the Black-Scholes Model, based on a volatility rate of 132% and a call option value of \$1.08 was \$108,000.

On April 16, 2015, the Company granted five employees 445,000 options to purchase shares of the Company common stock at the closing price as of April 16, 2015 of \$1.20 per share. The options vest 25% on the first anniversary of the grant, then equally in 36 monthly installments thereafter and are exercisable until April 16, 2025. The total estimated value using the Black-Scholes Model, based on a volatility rate of 132% and a call option value of \$1.08 was \$480,600.

On April 27, 2015, the Company granted one employee 20,000 options to purchase shares of the Company common stock at the closing price as of April 27, 2015 of \$1.10 per share. The options vest 25% on the first anniversary of the grant, then equally in 36 monthly installments thereafter and are exercisable until April 27, 2025. The total estimated value using the Black-Scholes Model, based on a volatility rate of 132% and a call option value of \$0.99 was \$19,800.

On May 4, 2015, the Company granted two employees 25,000 options to purchase shares of the Company common stock at the closing price as of May 4, 2015 of \$1.00 per share. The options vest 25% on the first anniversary of the grant, then equally in 36 monthly installments thereafter and are exercisable until May 4, 2025. The total estimated value using the Black-Scholes Model, based on a volatility rate of 132% and a call option value of \$0.90 was \$22,500.

On May 13, 2015, the Company granted one employee 20,000 options to purchase shares of the Company common stock at the closing price as of May 13, 2015 of \$0.99 per share. The options vest 25% on the first anniversary of the grant, then equally in 36 monthly installments thereafter and are exercisable until May 13, 2025. The total estimated value using the Black-Scholes Model, based on a volatility rate of 132% and a call option value of \$0.89 was \$17,800.

On June 1, 2015, the Company granted one employee 2,000 options to purchase shares of the Company common stock at the closing price as of June 1, 2015 of \$0.85 per share. The options vest 25% on the first anniversary of the grant, then equally in 36 monthly installments thereafter and are exercisable until June 1, 2025. The total estimated value using the Black-Scholes Model, based on a volatility rate of 132% and a call option value of \$0.77 was \$1,540.

On August 20, 2015, the Company granted three employees 400,000 options to purchase shares of the Company common stock at the closing price as of August 20, 2015 of \$0.75 per share. The options vest 25% on the first anniversary of the grant, then equally in 36 monthly installments thereafter and are exercisable until August 20, 2025. The total estimated value using the Black-Scholes Model, based on a volatility rate of 132% and a call option value of \$0.67 was \$268,000.

On October 16, 2015, the Company granted 18 employees 514,000 options to purchase shares of the Company common stock at the closing price as of October 16, 2015 of \$0.48 per share. The options vest 25% on the first anniversary of the grant, then equally in 36 monthly installments thereafter and are exercisable until October 16, 2025. The total estimated value using the Black-Scholes Model, based on a volatility rate of 116% and a call option value of \$0.36 was \$185,040.

[Table of Contents](#)

On November 19, 2015, the Company granted four employees 132,500 options to purchase shares of the Company common stock at the closing price as of November 19, 2015 of \$0.41 per share. The options vest 25% on the first anniversary of the grant, then equally in 36 monthly installments thereafter and are exercisable until November 19, 2025. The total estimated value using the Black-Scholes Model, based on a volatility rate of 116% and a call option value of \$0.31 was \$41,075.

2016

On January 15, 2016, the Company granted four employees 167,500 options to purchase shares of the Company common stock at the closing price as of January 15, 2016 of \$0.70 per share. The options vest 25% on the first anniversary of the grant, then equally in 36 monthly installments thereafter and are exercisable until January 15, 2026. The total estimated value using the Black-Scholes Model, based on a volatility rate of 114% and a call option value of \$0.59 was \$98,825.

On January 19, 2016, the Company granted one employee 500,000 options to purchase shares of the Company common stock at the closing price as of January 19, 2016 of \$0.70 per share. The options vest 300,000 in equal monthly installments over 48 months, 100,000 upon a four-year cliff or \$13 million in annual reported revenue, whichever is earlier to occur, and 100,000 upon a four-year cliff or \$22 million in annual reported revenue, whichever is earlier to occur and are exercisable until January 15, 2026. The total estimated value using the Black-Scholes Model, based on a volatility rate of 114% and a call option value of \$0.59 was \$295,000.

On March 24, 2016, the Company granted nine employees 258,000 options to purchase shares of the Company common stock at the closing price as of March 24, 2016 of \$0.70 per share. The options vest 25% on the first anniversary of the grant, then equally in 36 monthly installments thereafter and are exercisable until March 24, 2026. The total estimated value using the Black-Scholes Model, based on a volatility rate of 114% and a call option value of \$0.59 was \$152,220.

On August 23, 2016, the Company granted four employees 695,000 options to purchase shares of the Company common stock at the closing price as of August 23, 2016 of \$0.75 per share. The options vest 25% on the first anniversary of the grant, then equally in 36 monthly installments thereafter and are exercisable until August 23, 2026. The total estimated value using the Black-Scholes Model, based on a volatility rate of 114% and a call option value of \$0.63 was \$440,573.

On November 17, 2016, the Company granted three employees 150,000 options to purchase shares of the Company common stock at the closing price as of November 17, 2016 of \$0.70 per share. The options vest 25% on the first anniversary of the grant, then equally in 36 monthly installments thereafter and are exercisable until November 17, 2026. The total estimated value using the Black-Scholes Model, based on a volatility rate of 114% and a call option value of \$0.59 was \$89,048.

Stock-based Compensation Expense

The impact on our results of operations of recording stock-based compensation expense for the years ended December 31, 2016 and 2015 was as follows:

	Years ended December 31,	
	2016	2015
General and administrative	\$ 953,206	\$ 821,410
Sales and marketing	361,704	229,698
Engineering, research, and development	146,968	112,447
	<u>\$ 1,461,878</u>	<u>\$ 1,163,555</u>

As of December 31, 2016, there was approximately \$2,505,275 of unearned stock-based compensation that will be expensed from 2016 through 2021. If there are any modifications or cancellations of the underlying unvested awards, we may be required to accelerate, increase or cancel all or a portion of the remaining unearned stock-based compensation expense. Future unearned stock-based compensation will increase to the extent we grant additional equity awards.

Stock Option Valuation Assumptions

We calculated the fair value of each stock option award on the date of grant using the Black-Scholes option pricing model. The ranges of assumptions were used for the years ended December 31, 2016 and 2015:

	Years ended December 31,	
	2016	2015
Risk-free interest rate	1.23% to 1.84%	1.48% to 1.85%
Expected life (years)	6.00	3.02 to 6.08
Dividend yield	-	-
Expected volatility	113.97% to 114.55%	114.5% to 132.0%

The risk-free interest rate assumption is based upon published interest rates appropriate for the expected life of our employee stock options.

The expected life of the stock options represents the weighted-average period that the stock options are expected to remain outstanding and was determined based on historical experience of similar awards, giving consideration to the contractual terms of the stock-based awards, vesting schedules and expectations of future employee behavior as influenced by changes to the terms of its stock-based awards.

The dividend yield assumption is based on our history of not paying dividends and no future expectations of dividend payouts.

The expected volatility in 2016 and 2015 is based on the historical publicly traded price of our common stock.

Restricted stock units

The following table summarizes restricted stock unit activity under our stock-based plans as of and for the years ended December 31, 2016 and 2015:

	Shares	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at December 31, 2014	591,436	\$ 0.75	0.89	\$ 305,572
Awarded	82,501	\$ 0.29	-	\$ -
Released	(20,000)	\$ 1.18	-	\$ -
Forfeit	-	\$ -	-	\$ -
Outstanding at December 31, 2015	653,937	\$ 0.32	0.08	\$ 305,572
Awarded	340,480	\$ 0.72	0.70	\$ -
Released	-	\$ -	-	\$ -
Forfeit	-	\$ -	-	\$ -
Outstanding at December 31, 2016	994,417	\$ 0.72	0.70	\$ 731,845
Expected to vest at December 31, 2016	994,417	\$ 0.72		
Unrecognized expense at December 31, 2016	\$ 143,963			

2015

On January 22, 2015 the Company granted three independent directors a total of 62,501 restricted stock units. The units were valued based on the closing stock price on the date of grant. All units vest equally in 12 monthly installments beginning January 31, 2015. The shares of Common Stock associated with the Restricted Stock Unit evidenced by this Agreement will be issued to the director upon the earliest to occur of (A) January 22, 2018, (B) a change in control of the Company, and (C) the termination of the director's service with the Company.

On February 10, 2015 the Company granted an employee 20,000 restricted stock units in accordance with a separation agreement. The units were valued based on the closing stock price on the date of grant. All units vest equally in 6 monthly installments beginning on the grant date. The shares of Common Stock associated with the Restricted Stock Unit evidenced by this Agreement were issued on August 14, 2015 in accordance with the agreement.

2016

On April 1, 2016 the Company granted five independent directors a total of 116,070 restricted stock units. The units were valued based on the closing stock price on the date of grant. All units vest equally in 12 monthly installments beginning April 1, 2016. The shares of Common Stock associated with the Restricted Stock Unit evidenced by this Agreement will be issued to the director upon the earliest to occur of (A) April 1, 2019, (B) a change in control of the Company, and (C) the termination of the director's service with the Company.

On August 23, 2016 the Company granted five independent directors a total of 108,335 restricted stock units. The units were valued based on the closing stock price on the date of grant. All units vest equally in 12 monthly installments beginning August 23, 2016. The shares of Common Stock associated with the Restricted Stock Unit evidenced by this Agreement will be issued to the director upon the earliest to occur of (A) August 23, 2019, (B) a change in control of the Company, and (C) the termination of the director's service with the Company.

On November 17, 2016 the Company granted five independent directors a total of 116,075 restricted stock units. The units were valued based on the closing stock price on the date of grant. All units vest equally in 12 monthly installments beginning November 17, 2016. The shares of Common Stock associated with the Restricted Stock Unit evidenced by this Agreement will be issued to the director upon the earliest to occur of (A) November 17, 2019, (B) a change in control of the Company, and (C) the termination of the director's service with the Company.

Restricted Stock Unit Compensation Expense

The impact on our results of operations of recording stock-based compensation expense for years ended December 31, 2016 and 2015 was as follows:

	<u>Years ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
General and administrative	\$ 137,291	\$ 496,278
	<u>\$ 137,291</u>	<u>\$ 496,278</u>

8. Warrants to Purchase Common Stock

The following table summarizes non-employee warrant activity under our stock-based plans as of and for the years ended December 31, 2016 and 2015:

	<u>Shares</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Contractual Term (Years)</u>
Outstanding at December 31, 2014	150,001	\$ 1.92	-
Granted	-	\$ -	-
Exercised	-	\$ -	-
Canceled/forfeited/expired	(116,668)	\$ 1.92	-
Outstanding at December 31, 2015	33,333	\$ 1.92	-
Granted	-	\$ -	-
Exercised	-	\$ -	-
Canceled/forfeited/expired	(33,333)	\$ 1.92	-
Outstanding at December 31, 2016	-	\$ -	-
Expected to vest at December 31, 2016	-	\$ -	-
Warrants exercisable	-	\$ -	-

[Table of Contents](#)

The following table summarizes investor warrant activity as of and for the years ended December 31, 2016 and 2015:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)
Outstanding at December 31, 2014	7,112,511	\$ 1.20	3.18
Granted	1,494,375	\$ 1.19	4.17
Exercised	-	\$ -	-
Canceled/forfeited/expired	(108,318)	\$ -	-
Outstanding at December 31, 2015	8,498,568	\$ 1.20	3.00
Granted	-	\$ -	-
Exercised	(3,329,990)	\$ 1.20	-
Canceled/forfeited/expired	(34,229)	\$ 1.20	-
Outstanding at December 31, 2016	5,134,349	\$ 1.18	1.95

We recorded stock-based compensation expense of \$208,195 and \$0 in general and administrative expense for the year ended December 31, 2016 and 2015, respectively in connection with the exercise of investor based warrants.

Warrants Issued to Non-Employees

We issued warrants to purchase 150,835 shares of common stock to non-employees in 2010 and 2011. The valuation assumptions used are consistent with the valuation information for options above.

We recorded stock-based compensation expense of \$0 and \$331 in general and administrative expense for the year ended December 31, 2016 and 2015, respectively.

Warrants Issued in 2015

In March 2015, we issued warrants to the purchase of 1,259,875 common stock units at \$1.20 per share in connection with the equity financing. The grant date fair value of the warrants was \$1,171,683 or \$0.93 per share. Additionally, we issued to EGE warrants to purchase an aggregate of 234,500 units, exercisable for a period of five years from the closing date, at an exercise price of \$1.00 per unit. The grant date fair value of these warrants was \$225,120 or \$0.96 per share.

As of December 31, 2016, we have warrants to purchase 4,529,164 and 605,185 shares of common stock at \$1.20 and \$1.00 per share, respectively, which are outstanding. Of this amount, warrants to purchase 2,762,868 shares expire in 2018, warrants to purchase 1,558,356 shares expire in 2019, and warrants to purchase 813,125 shares expire in 2020.

Warrants Exercised in 2016

Between September 29 and October 31, 2016, we conducted an offer to the holders of our outstanding common stock purchase warrants pursuant to which our warrant holders were permitted to exercise their warrants at a reduced exercise price for a period expiring on October 31, 2016. At the commencement of the warrant offer, there were warrants outstanding that entitled their holders to purchase 8,464,339 shares of our common stock at exercise prices of \$1.00 and \$1.20 per share. As of December 31, 2016, there have been 3,329,990 warrants exercised to purchase 3,329,990 shares of our common stock, resulting in additional capital of \$2,330,993. We recorded stock based compensation expense of \$208,195 in connection with this transaction. The warrant offer was conducted by our management and there were no commissions paid by us in connection with the solicitation.

9. Income Taxes

For the years ended December 31, 2016 and 2015 the provisions for income taxes were as follows:

	2016	2015
Federal – current	\$ -	\$ -
State – current	-	-
Foreign – current	-	-
Total	\$ -	\$ -

[Table of Contents](#)

Under ASC 740, deferred income tax assets and liabilities reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Significant components of our net deferred tax assets and liabilities as of December 31, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Deferred tax assets (liabilities):		
Net operating loss carryforwards	\$ 11,774,000	\$ 9,896,000
Stock based compensation	4,254,000	3,534,000
Accrued compensation	68,000	54,000
Depreciation and amortization	7,148,000	6,063,000
Other	48,000	58,000
Total deferred tax assets	23,292,000	19,605,000
Valuation allowance for net deferred tax assets	(23,292,000)	(19,605,000)
Total	<u>\$ -</u>	<u>\$ -</u>

The Company has provided a valuation allowance against deferred tax assets recorded as of December 31, 2016 and 2015 due to uncertainties regarding the realization of such assets.

The net change in the total valuation allowance for the year ended December 31, 2016 was an increase of approximately \$3,687,000. The net change in the total valuation allowance for the year ended December 31, 2015 was an increase of approximately \$2,351,000. In assessing the valuation of deferred tax assets, the Company considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during periods in which those temporary differences become deductible. The Company considers projected future taxable income and planning strategies in making this assessment. Based on the level of historical operating results and projections for the taxable income for the future, the Company has determined that it is more likely than not that the deferred tax assets will not be realized. Accordingly, the Company has recorded a valuation allowance to reduce deferred tax assets to zero. There can be no assurance that the Company will ever be able to realize the benefit of some or all of the federal and state loss carryforwards, either due to ongoing operating losses or due to ownership changes, which limit the usefulness of the loss carryforwards.

As of December 31, 2016, the Company has available net operating loss carryforwards of approximately \$30,000,000 for federal income tax purposes, which will start to expire in 2026. The net operating loss carryforwards for state purposes are approximately \$28,000,000 and will start to expire in 2017.

The difference between the provision for income taxes and income taxes computed using the U.S. federal income tax rate for the years ended December 31, 2016 and 2015 was as follows:

	<u>2016</u>	<u>2015</u>
Computed expected tax expense	\$ (3,235,000)	\$ (2,085,000)
State taxes, net of federal benefit	(612,000)	(343,000)
Expiration of NOL carryforwards	143,000	-
Other	17,000	77,000
Change in valuation allowance	3,687,000	2,351,000
Total	<u>\$ -</u>	<u>\$ -</u>

The Company has determined that during 2010 it experienced a “change of ownership” as defined by Section 382 of the Internal Revenue Code. As such, utilization of net operating loss carryforwards and credits generated before the 2010 change in ownership will be limited to approximately \$207,000 per year until such carryforwards are fully utilized. The pre change net operating loss carryforward was approximately \$7,000,000.

The Company files income tax returns in the U.S. federal jurisdiction Arizona and California. It also files income tax returns in Nova Scotia, Canada. Because the Company is carrying forward federal and state net operating losses from 2006, the Company is subject to U.S. federal and state income tax examinations by tax authorities for all years since 2006. The Company does not have a liability for any uncertain tax positions. As of December 31, 2016, no accrued interest or penalties are recorded in the financial statements.

10. Fair Value Measurements of Financial Instruments

The following table summarizes our financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2016:

Description	Level 1	Level 2	Level 3	Gains (Losses)
Goodwill (non-recurring)	\$ -	\$ -	\$ 803,118	\$ (2,247,447)
Intangibles, net (non-recurring)	\$ -	\$ -	\$ 627,119	\$ (1,684,203)

The following table summarizes our financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2015:

Description	Level 1	Level 2	Level 3	Gains (Losses)
Goodwill (non-recurring)	\$ -	\$ -	\$ 1,921,072	\$ -
Intangibles, net (non-recurring)	\$ -	\$ -	\$ 2,373,689	\$ (21,188)
Derivative liabilities (recurring)	\$ -	\$ -	\$ -	\$ 42,659
Earn-out payable (recurring)	\$ -	\$ -	\$ -	\$ 89,740

The Company recorded goodwill, intangible assets and an earn-out payable as a result its business combinations, and these assets were valued with the assistance of a valuation consultant and consisted of Level 3 valuation techniques.

The Company recorded derivative liabilities as a result of: (i) the variable maturity conversion feature in its convertible notes payable; (ii) the additional security issuance feature in its convertible notes payable notes, common stock and warrants; and (iii) warrants issued to non-employees that were treated as derivative liabilities. These liabilities were valued with the assistance of a valuation consultant using a Monte-Carlo simulation model. The assumptions used in the Monte-Carlo simulation used to value the derivative liabilities involve expected volatility in the Company's common stock, estimated probabilities related to the occurrence of a future financing, and interest rates. As all the assumptions employed to measure these liabilities are based on management's judgment using internal and external data, this fair value determination is classified in Level 3 of the valuation hierarchy.

The Company's financial instruments consist of cash, accounts receivable, accounts payable, and accrued liabilities. The estimated fair value of cash, accounts receivable, accounts payable and accrued liabilities approximate their carrying amounts due to the short-term nature of these instruments. None of these instruments are held for trading purposes.

11. Commitments and Contingencies

Lease Abandonment

On June 8, 2015, the Company incurred a lease abandonment charge of \$54,849 for the year ended December 31, 2015, for the former corporate headquarters located at 58 W. Buffalo St. Suite #200 in Chandler, Arizona. Due to the growth of the Company, occupancy has been taken under a new leased space. The Company estimated the liability under operating lease agreements and accrued lease abandonment costs in accordance with Accounting Standards Codification ("ASC") 420, Exit or Disposal Cost Obligation ("ASC 420"), as the Company has no future economic benefit from the abandoned space and the lease terminated November 30, 2015. All leased space related to this lease was abandoned and ceased to be used by the Company on June 30, 2015.

Litigation

As of the date of this report, there are no pending legal proceedings to which we or our properties are subject, except for routine litigation incurred in the normal course of business.

Operating Lease

The Company has a lease agreement for 10,395 square feet, for its office facilities in Chandler, AZ through December 2020. Monthly rental payments, including common area maintenance charges, are \$18,408. As of December 31, 2016, we have a deferred rent balance for this lease of \$92,925 recorded in accordance with ASC 840.

The Company also has a lease through January 2018 for approximately 3,023 square feet of office space in San Diego, California at a monthly expense of \$10,429, excluding common area maintenance charges. As of December 31, 2016, we have a deferred rent balance for this lease of \$21,055 recorded in accordance with ASC 840.

The minimum lease payments that are required over the next five years are shown below.

Minimum Lease Payments	
2017	\$ 354,290
2018	231,357
2019	232,155
2020	237,353
2021	-
Thereafter	-
	<u>\$ 1,055,155</u>

Rent expense was \$335,750 and \$342,784 for the years ended December 31, 2016 and 2015.

12. Employee Benefit Plan

The Company has an employee savings plan (the "Plan") pursuant to Section 401(k) of the Internal Revenue Code (the "Code"), covering all of its employees. Participants in the Plan may contribute a percentage of compensation, but not in excess of the maximum allowed under the Code. The Company may make contributions at the discretion of its Board of Directors. During the years ended December 31, 2016 and 2015, the Company made no contributions to the Plan.

13. Related Party Transactions

As discussed previously, we conducted the private placement of our securities during the year ended December 31, 2015 for the gross proceeds of \$4,805,000. Two officers and two directors of the company participated in the private placement investing a total of \$2,150,000, resulting in 2,150,000 common stock shares and 537,500 of common stock purchase warrants.

As discussed previously, we conducted the private placement of our securities during the year ended December 31, 2016 for the gross proceeds of \$1,953,600. One officer and one director of the company participated in the private placement investing a total of \$1,025,000, resulting in 1,708,333 common stock shares.

As discussed previously, we conducted the warrant offering during the year ended December 31, 2016 for the gross proceeds of \$2,330,993. One director of the company participated investing a total of \$437,500, resulting in 625,000 common stock shares.

14. Subsequent Events

There were no subsequent events through the date that the financial statements were issued.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Securities Exchange Act of 1934 (the “Exchange Act”) is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission’s (“SEC”) rules and forms. Disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is accumulated and communicated to management to allow timely decisions regarding required disclosure.

As required by paragraph (b) of Rules 13a-15 or 15d-15 under the Exchange Act, our management, with the participation of our president (our principal executive officer) and our chief financial officer (our principal financial officer and principal accounting officer) evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this annual report, being December 31, 2016 (the “Evaluation Date”). Based on such evaluation and subject to the foregoing, such officers have concluded that, as of the Evaluation Date, the Company’s disclosure controls and procedures are effective at the reasonable assurance level to ensure that information required to be disclosed by the Company in the reports that the Company files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and to ensure that information required to be disclosed by the Company in the reports that the Company files or submits under the Exchange Act is accumulated and communicated to the Company’s management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, if any, within our company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake.

Management’s Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. The term “internal control over financial reporting” is defined as a process designed by, or under the supervision of, an issuer’s principal executive and principal financial officers, or persons performing similar functions, and effected by the issuer’s board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the issuer; and
- (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the issuer are being made only in accordance with authorizations of management and directors of the issuer.

Under the supervision of our Chief Executive Officer, being our principal executive officer, and our Chief Financial Officer, being our principal financial officer and principal accounting officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2016 using the criteria established in Internal Control—2013 Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). This evaluation included review of the documentation of controls, evaluation of the design effectiveness of controls, testing of the operating effectiveness of controls and a conclusion on this evaluation. Based on this evaluation under the criteria established in Internal Control – Integrated Framework, our management concluded that our internal control over financial reporting was not effective as of December 31, 2016.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our company’s annual or interim financial statements will not be prevented or detected on a timely basis. In its assessment of the effectiveness of our internal control over financial reporting as of December 31, 2016, we determined that there was a control deficiency that constituted a material weakness:

- (1) Due to the one-time, non-recurring audit adjustments as proposed by our external auditors and recorded in our accounting records as of December 31, 2016.

[Table of Contents](#)

This control deficiency resulted in a reasonable possibility that a material misstatement of the annual or interim financial statements could not have been prevented or detected on a timely basis. As a result of the material weakness described above, we concluded that we did not maintain effective internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control— 2013 Integrated Framework issued by COSO. Our management continues to evaluate remediation plans for the above deficiency. We plan to take steps to enhance and improve the design of our internal control over financial reporting.

This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management’s report is not subject to attestation by our registered, public accounting firm pursuant to the rules of the Securities and Exchange Commission that permit us to provide only management’s report in this annual report.

Changes in Internal Control

There was no change in our internal control over financial reporting, as defined in Rules 13a-15(f) under the Exchange Act, that occurred during the fiscal year ended December 31, 2016 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

On March 31, 2017, David Jaques tendered his resignation from our board of directors effective as of April 1, 2017. At the time of his resignation, Mr. Jaques served as the chairman of the audit committee of our board of directors.

PART III

Item 10. Directors and Executive Officers

Directors and Executive Officers

The following table sets forth information concerning our executive officers and directors, including their ages, as of February 15, 2017:

Name	Age	Position
Dennis Becker	43	Chief Executive Officer and Chairman of the Board
Christopher Meinerz	50	Chief Financial Officer
William Van Epps	69	Director
John Harris	68	Lead Director and Chairman of Compensation Committee
David Jaques	61	Chairman of Audit Committee and Director
Phillip Guarascio	75	Chairman of Governance and Nominating Committee and Director
Doug Schneider	54	Director
Tom Akin	64	Director

Dennis Becker - Chief Executive Officer, Executive Chairman and Director

Dennis Becker was appointed our Chief Executive Officer and a Director effective as of our acquisition of Mobivity, Inc. in November 2010. Mr. Becker has also served as President and Chief Executive Officer of Mobivity, Inc. since September, 2007. Our board of directors appointed Mr. Becker as Chairman of the Board of Directors effective as of March 31, 2017. Mr. Becker was a founder of Frontier Corporation, a pioneer in providing complex call routing and merchant processing applications, where he was Chief Executive Officer from 2002 to 2005. Mr. Becker was also Chief Executive Officer of Bexel Technologies, which served solutions to large enterprises, from 1999 to 2001. Mr. Becker studied Computer Science at the University of Oregon and served in the United States Air Force.

Mr. Becker has extensive knowledge of the mobile message marketing industry. As a result of these and other professional qualifications, we have concluded that Mr. Becker is qualified to serve as a director.

Christopher Meinerz - Chief Financial Officer

On February 16, 2015, the board of directors of the Company appointed Christopher Meinerz to serve as Chief Financial Officer of the Company. Prior to joining the Company, Mr. Meinerz served as Director, Chief Financial Officer, Chief Compliance Officer, Secretary and Treasurer of Spindle, Inc., a mobile marketing and payment processing company based in Scottsdale, Arizona, from April 2014 to February 2015. Prior to his role with Spindle, Inc., Mr. Meinerz served as Chief Financial Officer and Chief Compliance Officer at Next Generation Insurance Group (“NGI”), a national specialty insurance marketing firm located in Phoenix, Arizona, from

October 2011 to April 2014. Before his tenure at NGI, Mr. Meinerz was Executive Vice President of Finance and Treasury for DDi Corp., an Anaheim, California-based provider of circuit board engineering and manufacturing services, from March 2010 to October 2011. In addition, Mr. Meinerz served as global Vice President of Finance for eTelecare of Scottsdale, Arizona, from January 2006 to December 2009, where he successfully helped launch that company's initial public offering in 2007. Mr. Meinerz is a graduate of the University of Wisconsin with degrees in accounting and finance and is a Certified Public Accountant. He began his career in public accounting with BDO Seidman in Chicago, Illinois, and Grant Thornton in Madison, Wisconsin.

William Van Epps –Director

Mr. Van Epps was appointed to the Company's board of directors on October 2, 2014. He served as Executive Chairman from January 21, 2015 until March 31, 2017. Prior to joining the Company, Mr. Van Epps served as Chief Executive Officer of Agile Pursuits Franchising, Inc., a wholly-owned subsidiary of The Procter and Gamble Company, from December 2009 to October 2011, where he established Tide Dry Cleaners and Mr. Clean Car Wash operations. Prior to his experience at Agile Pursuits Franchising, Inc., Mr. Van Epps served as president at Papa John's International Inc. from April 2006 to April 2009, and as Chief Operating Officer and Senior Vice President of Papa John's International Inc. from January 2004 to April 2006, where he was responsible for domestic corporate and franchised restaurant operations and international operations. Mr. Van Epps also served as managing director of International at Papa John's International from September 2001 to January 2004. Prior to joining Papa John's, he served as president of the International Division of Yorkshire Global Restaurants from August 1999 to August 2001, where he was responsible for the international development of Long John Silvers and A&W restaurants. From August 1993 to August 1999, Mr. Van Epps served as president of the International Division at AFC Enterprises where he developed international brand deployments for Popeye's, Church's Chicken, Cinnabon, Seattle Coffee Co., and Chesapeake Bakery Cafe. Mr. Van Epps began his career working alongside Pizza Hut founder, Frank Carney, where, from March 1974 through February 1981, he helped expand Pizza Hut into Hong Kong, Thailand and Singapore while also overseeing stores in Australia, New Zealand, as well as a joint venture in Japan.

Mr. Van Epps has extensive knowledge of business development, retail and restaurant operations, and corporate management. As a result of these and other professional qualifications, we have concluded that Mr. Van Epps is qualified to serve as a director.

John Harris – Non-Executive Chairman and Chairman of Compensation Committee

Mr. Harris has been a director since January 2011. Mr. Harris has served as an operating partner with Glendon Todd Capital, a Dallas based private equity firm since February 2011. From 2010 to 2012 Mr. Harris was CEO and investor with Chemical Information Services, a leading provider of database services to the chemical and pharmaceutical industries. From 2006 to 2009, Mr. Harris was President and CEO of eTelecare Global Solutions; a business process outsourcing ("BPO") company delivering technical support, sales, and customer care services to the Fortune 1000 market. In that capacity, he successfully led the company's IPO, privatization and ultimate merger in 2009 that created a \$1 billion BPO services company. Previously, Mr. Harris served in various executive level positions with Electronic Data Systems over a 25 year period. Mr. Harris graduated from the University of West Georgia with a BBA and MBA and is on the Board of Advisors to the Richardson School of Business. He has held board positions with a number of public and private telecommunications and technology services companies, and he currently sits on the boards of Premier Global Services, The Hackett Group, DG FastChannel and BancTec Corporation. He is a member of the compensation committee of the board of each of these companies and sits on the audit committee of the board of DG FastChannel.

Mr. Harris has extensive knowledge of corporate management. As a result of these and other professional qualifications, we have concluded that Mr. Harris is qualified to serve as a director.

David Jaques – Chairman of Audit Committee and Director

David Jaques has served as a director since December 2011. Mr. Jaques has held senior financial positions in banking, corporate and venture capital. In his early career, he held various positions with Barclays Bank in London and provided advisory services in currency and interest rate risk management to the bank's corporate clients. He held a similar role at Barclays Bank, New York from 1988 to 1993. He was Senior Vice President and Treasurer of Silicon Valley Bank between 1994 and 1999; founding CFO for PayPal from 1999 to 2001 and CFO of BlueRun Ventures from 2001 to 2008. Since 2008 he has provided CFO consulting services with Greenough Consulting Group and holds a board position at UBL Interactive, Inc. (UBLI.PK). As noted elsewhere, on March 31, 2017 Mr. Jaques resigned from the board of directors effective as of April 1, 2017.

Mr. Jaques has extensive knowledge of finance and accounting. As a result of these and other professional qualifications, we have concluded that Mr. Jaques is qualified to serve as a director.

Phillip Guarascio - Chairman of Governance and Nominating Committee and Director

Mr. Guarascio has served as a director since March 2014. Mr. Guarascio has been the Chairman and Chief Executive Officer of PG Ventures LLC since May 2000 where he serves as a marketing and advertising business consultant. He was Lead Executive,

[Table of Contents](#)

Marketing and Sales at the National Football League from 2003-2007 and has been a consultant for the William Morris Agency since October 2001. For 16 years, Mr. Guarascio was with General Motors where he served as Vice President of Corporate Advertising and Marketing primarily responsible for worldwide advertising resource management, managing consolidated media placement and before that as General Manager of Marketing and Advertising for General Motors' North American Operations. Mr. Guarascio introduced the GM Card and managed the General Motors corporate brand to a 20 percent increase in customer purchase consideration. He joined General Motors in 1985 after 21 years with the New York advertising agency, D'Arcy, Masius, Benton & Bowles.

Mr. Guarascio has extensive experience in the marketing and advertising industry. Based on this and other professional qualifications, we have concluded that Mr. Guarascio is qualified to serve as a director.

Doug Schneider - Director

Mr. Schneider has been a director since December 2010. Mr. Schneider has a twenty year track record of leadership and success in launching, building, and managing high-tech service oriented companies. He has served as Executive Vice President of the SMB Solutions for the Melbourne IT Group since July 2012 and oversees a \$75MM per year hosting and domain registration business across North American and Asia Pacific. From 2011 to 2012, Mr. Schneider served as CEO for Transaction Wireless, a venture backed technology company where he still resides on the board. From 2007 to 2010, Mr. Schneider was the CEO of Genea Energy, a clean tech company that provides an innovative and comprehensive SaaS based energy services platform for commercial office building portfolios. Mr. Schneider received a Bachelor's degree in Mechanical Engineering from University of California, Davis and an M.B.A. from the Kellogg School of Management at Northwestern University. He also serves as an industry advisor to Pelion Venture Partners, a venture capital firm focused on the information technology sector.

Mr. Schneider has extensive knowledge of corporate management. As a result of these and other professional qualifications, we have concluded that Mr. Schneider is qualified to serve as a director.

Thomas Akin - Director

Mr. Akin has been a director since March 2015. Mr. Akin has been the Managing General Partner of Talkot Partners I, Talkot Partners II, LLC, Talkot Crossover Fund, LP, and Talkot Capital LLC since 1996 and was appointed as a director in March 2015. Mr. Akin served as the Chief Executive Officer of Dynex Capital Inc. from February 04, 2008 to 2013. Mr. Akin had been with Merrill Lynch and Co., including served as its Managing Director of the Western United States for Merrill Lynch Institutional Services from 1991 to 1994 and as Regional Director of the San Francisco and Los Angeles regions for Merrill Lynch Institutional Services from 1981 to 1991. Mr. Akin had been with Salomon Brothers from 1978 to 1981. He has been an Executive Chairman of Dynex Capital Inc. since January 01, 2014 and has been its the Chairman since May 30, 2003. He served as the Chairman of Infotec since 2001. Mr. Akin has been a Director of Acacia Technologies Group of Acacia Research Corp. since May 1998, Dynex Capital Inc, since May 2003, Acacia Research Corp. since May 1998 and eFax.com, Inc. since July 1996. He serves as a Director of ADX. He served as a Director CombiMatrix Corporation since May 1998. Mr. Akin holds a B.A. in Biology from the University of California at Santa Cruz and an M.B.A. from the University of California at Los Angeles.

Because Mr. Akin has extensive experience as a professional investor and public company director, we have concluded that Mr. Akin is qualified to serve as a director.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, requires our directors and executive officers, and persons who beneficially own more than ten percent of a registered class of our equity securities, to file with the SEC initial reports of ownership and reports of changes of ownership of common stock and our other equity securities. Officers, directors and greater than ten percent stockholders are required by SEC regulation to furnish us with copies of all Section 16(a) forms they file.

To our knowledge, based solely on a review of the copies of such reports furnished to us and written representations that no other reports were required, during the fiscal year ended December 31, 2016, our officers, directors and greater than ten percent beneficial owners complied with all Section 16(a) filing requirements applicable to them.

Additional Information about our Board and its Committees

All of our directors except Mr. Becker and Mr. Van Epps are considered by our board of directors to be "independent" as defined in Rule 5605 of the NASDAQ Marketplace Rules.

Audit Committee

During the year ended December 31, 2016, our audit committee was comprised of David Jaques, Tom Akin, and Doug Schneider. During 2016, Mr. Jaques served as the audit committee chair, however, as noted elsewhere, on March 31, 2017, Mr. Jaques resigned from the board of directors effective as of April 1, 2017. Our board of directors has appointed Mr. Akin to serve as chairman of the audit committee effective as of April 1, 2017. All members of our audit committee are independent, as independence is defined in Rule 5605(a)(2) of the NASDAQ Marketplace Rules.

Compensation Committee

During the year ended December 31, 2016, our compensation committee was comprised of John Harris, Phil Guarscio and Tom Akin. Mr. Harris currently serves as compensation committee chair.

Governance and Nominating Committee

During the year ended December 31, 2016, our compensation committee was comprised of Phil Guarscio, John Harris and David Jaques. Mr. Guarscio currently serves as governance and nominating committee chair.

Committee Interlocks and Insider Participation

None of our executive officers serve on the board of directors of another entity, whose executive officers serves on our board of directors.

Code of Ethics

We have adopted a code of ethics for all our employees, including our chief executive officer, principal financial officer and principal accounting officer or controller, and/or persons performing similar functions, which is available on our website, under the link entitled "Code of Ethics".

Item 11. Executive Compensation

The following table summarizes the total compensation earned by our Chief Executive Officer and our other two most highly paid executive officers for the years ended December 31, 2016 and 2015. In reviewing the table, please note that William Van Epps served as our Executive Chairman of the Board during 2015 and 2016. Mr. Becker became the Executive Chairman in March 2017.

Summary Compensation Table*

Name and Principal Position	Year	Salary	Bonus	Stock Awards (1)	Option Awards (1)	All Other Compensation	Total
Dennis Becker, CEO	2016	\$ 277,990	\$ -	\$ -	\$ -	\$ -	\$ 277,990
	2015	\$ 275,908	\$ 44,960	\$ -	\$ 115,000	\$ -	\$ 435,868
Christopher Meinerz, CFO (2)	2016	\$ 192,130	\$ -	\$ -	\$ -	\$ -	\$ 192,130
	2015	\$ 160,404	\$ 4,196	\$ -	\$ 351,000	\$ -	\$ 515,600
William Van Epps, Chairman (3)	2016	\$ 310,000	\$ -	\$ -	\$ -	\$ 51,048	\$ 361,048
	2015	\$ 286,371	\$ 27,385	\$ 63,000	\$ 1,035,000	\$ 77,436	\$ 1,489,191

* In accordance with the rules and regulations promulgated by the Securities and Exchange Commission, the table omits columns that are not applicable.

- (1) The value of the stock and stock option compensation was computed using the Black-Scholes Option Pricing Model and represents the aggregate grant date fair value computed in accordance with ASC Topic 718. For information on the method and assumptions used to calculate the compensation costs, see Note 7 to our audited consolidated financial statements contained herein.
- (2) Christopher Meinerz was appointed Chief Financial Officer effective February 16, 2015. Amounts in the table above reflect his compensation after his appointment and through December 31, 2016.
- (3) William Van Epps was appointed Chairman on January 21, 2015. Amounts in the table above reflect his compensation after his appointment and through December 31, 2016 with the exception of previously issued restricted stock awards as reflected.

The following table presents the outstanding option awards held by each of our named executive officers as of December 31, 2016, including the value of the options awards.

Outstanding Equity Awards at December 31, 2016*

Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Equity Incentive Plan Awards; Number of Securities Underlying Unexercised Unearned Options (#) Unexercisable	Option Exercise Price	Option Expiration Date
Dennis Becker, CEO	47,917	52,083	\$ 1.28	1/22/2025
Dennis Becker, CEO	1,095,481	156,497	\$ 1.80	6/17/2023
Christopher Meinerz, CFO	137,500	162,500	\$ 1.30	2/16/2025
William Van Epps, Chairman	431,250	468,750	\$ 1.28	1/22/2025

* In accordance with the rules and regulations promulgated by the Securities and Exchange Commission, the table omits columns that are not applicable.

Employment Agreements

William Van Epps

On January 19, 2015, we entered into an employment agreement with William Van Epps. Under the terms of the agreement, Mr. Van Epps will serve as our Executive Chairman and receive a base salary of \$310,000, subject to annual review by the board. The Company also agreed to pay Mr. Van Epps a signing bonus of 50,000 shares of the Company's common stock. Mr. Van Epps will be eligible for annual performance bonuses of up to 100% of his base salary for meeting key performance requirements, quotas, and assigned objectives determined annually by the board. Pursuant to his employment agreement with the Company, Mr. Van Epps is

eligible to participate in all benefits, plans, and programs, including improvements or modifications of the same, which are now, or may hereafter be, available to other executive employees of Company. Mr. Van Epps' employment agreement contains standard provisions concerning noncompetition, nondisclosure and indemnification. As noted elsewhere, Mr. Van Epps ceased to serve as Executive Chairman effective as of March 31, 2017, however, Mr. Van Epps remains an employee and serves pursuant to the terms of his employment agreement as amended.

Pursuant to Mr. Van Epps' employment agreement, the Company has granted Mr. Van Epps an option to purchase 900,000 shares of Company common stock, over a five year period from the date of grant, at an exercise price of \$1.28 per share. The options will vest and first become exercisable at the rate of 1/48th per month over a 48 month period commencing on the date of grant. Mr. Van Epps' options shall otherwise be on terms and conditions contained in the Company's current equity incentive plan.

In the event Mr. Van Epps' employment with the Company is terminated by the Company without cause, the Company shall pay Mr. Van Epps, in addition to all other amounts then due and payable, 12 additional monthly installments of his base salary.

Effective March 11, 2016, the board amended the agreement with Mr. Van Epps to pay him an annual base salary of \$310,000 through December 31, 2016 and \$120,000 during the twelve months ending December 31, 2017. Effective January 1, 2018, Mr. Van Epps' base salary will consist of the standard director compensation payable to the Company's independent directors as determined by the compensation committee of the board at the time. Mr. Van Epps will not be eligible for bonuses under the agreement for periods following December 31, 2016, except as determined by the compensation committee. If the agreement is terminated by the Company without cause, then, in addition to the payments set forth above, Mr. Van Epps' stock options shall continue to vest for 12 months following the date of termination and the option to exercise such stock options shall be extended from the 12 month anniversary of the termination date.

Dennis Becker

On January 11, 2011, we entered into an employment agreement with Dennis Becker. Under the terms of the agreement, Mr. Becker will serve as our President and Chief Executive Officer for an initial term of three years from December 24, 2010 (the "Effective Date"). Unless terminated no less than 90 days prior to the expiration date by either party, the agreement is renewed automatically for successive one year periods. Under the agreement, Mr. Becker is paid a base annual salary of \$120,000. The base salary is subject to an annual increase at the sole discretion our board of directors. In addition to regular annual increases, the base salary will be increased by \$30,000 (up to a cumulative maximum of \$60,000) for each acquisition of the stock or all or substantially all of the assets of a third party entity, or the formation of joint ventures resulting in operating cash flows minus capital expenditures and dividends of no less than \$25,000 during a three month period ending six months after the completion of each such acquisition or formation of such joint venture. In addition, his salary will be increased to \$225,000 in the event we complete a financing transaction of no less than \$3,000,000 and we complete one acquisition. The board may further award him, at its sole discretion, an annual bonus of up to 50% of his base salary and grant him stock options.

Effective March 30, 2015, based on the successful results of the March 2015 capital raise, the board increased Mr. Becker's annual base salary by \$50,000 to \$275,000, awarded him a bonus payment of \$30,000, and also granted him options to purchase 100,000 shares of our common stock at an exercise price of \$1.28 with 25% vesting after 1 year from date of grant and 1/36 per month afterwards.

Effective November 17, 2016, the board increased Mr. Becker's annual base salary by \$35,000 to \$310,000 based on his annual merit review.

If the agreement is terminated by us without cause (as defined in the agreement) or the we notify Mr. Becker that we will not renew the agreement, we will be required to pay him a severance payment equal to six months of his base salary payable in regular intervals following such termination or expiration of the agreement.

The agreement includes non-compete, non-solicitation, intellectual property assignment and confidentiality provisions that are customary in our industry.

Christopher Meinerz

On February 16, 2015, the board of directors of Mobivity Holdings Corp. (the "Company") appointed Christopher Meinerz to serve as Chief Financial Officer of the Company. In connection with the appointment, the Company entered into an employment agreement dated February 16, 2015 with Mr. Meinerz.

Pursuant to his employment agreement, the Company has agreed to pay Mr. Meinerz an annual base salary of \$190,000, subject to annual review by the board. Mr. Meinerz will be eligible for annual performance bonuses of up to 25% of his base salary for meeting key performance requirements, quotas, and assigned objectives determined annually by the board. Also pursuant to his employment

[Table of Contents](#)

agreement with the Company, Mr. Meinerz is eligible to participate in all benefits, plans, and programs, including improvements or modifications of the same, which are now, or may hereafter be, available to other executive employees of Company. Mr. Meinerz's employment agreement contains standard provisions concerning noncompetition, nondisclosure and indemnification.

Effective November 17, 2016, the board increased Mr. Meinerz's annual base salary by \$25,000 to \$215,000 based on his annual merit review.

Pursuant to Mr. Meinerz's employment agreement, the Company has granted Mr. Meinerz an option to purchase 300,000 shares of Company common stock, over a ten year period from the date of grant, at an exercise price of \$1.30 per share, representing the closing price of the Company's common stock on February 16, 2015. The options will vest and first become exercisable at the rate of 1/48th per month over a 48 month period commencing on the date of grant. Mr. Meinerz's options shall otherwise be on terms and conditions contained in the Company's current equity incentive plan.

In the event Mr. Meinerz's employment with the Company is terminated by the Company without cause, the Company shall pay Mr. Meinerz, in addition to all other amounts then due and payable, six (6) additional monthly installments of his base salary.

The agreement includes non-compete, non-solicitation, intellectual property assignment and confidentiality provisions that are customary in our industry.

Non-Employee Director Compensation

2016 Director Compensation Table

Name	Fees Earned	Stock Awards (4)	Option Awards	Non-Equity Incentive Plan Compensation	Deferred Compensation Earnings	All Other Compensation	Total
David Jaques	\$ -	\$ 16,250 ⁽¹⁾	\$ -	\$ -	\$ -	\$ -	\$ 16,250
David Jaques	\$ -	\$ 16,250 ⁽²⁾	\$ -	\$ -	\$ -	\$ -	\$ 16,250
David Jaques	\$ -	\$ 16,250 ⁽³⁾	\$ -	\$ -	\$ -	\$ -	\$ 16,250
Doug Schneider	\$ -	\$ 16,250 ⁽¹⁾	\$ -	\$ -	\$ -	\$ -	\$ 16,250
Doug Schneider	\$ -	\$ 16,250 ⁽²⁾	\$ -	\$ -	\$ -	\$ -	\$ 16,250
Doug Schneider	\$ -	\$ 16,250 ⁽³⁾	\$ -	\$ -	\$ -	\$ -	\$ 16,250
John Harris	\$ -	\$ 16,250 ⁽¹⁾	\$ -	\$ -	\$ -	\$ -	\$ 16,250
John Harris	\$ -	\$ 16,250 ⁽²⁾	\$ -	\$ -	\$ -	\$ -	\$ 16,250
John Harris	\$ -	\$ 16,250 ⁽³⁾	\$ -	\$ -	\$ -	\$ -	\$ 16,250
Thomas Akin	\$ -	\$ 16,250 ⁽¹⁾	\$ -	\$ -	\$ -	\$ -	\$ 16,250
Thomas Akin	\$ -	\$ 16,250 ⁽²⁾	\$ -	\$ -	\$ -	\$ -	\$ 16,250
Thomas Akin	\$ -	\$ 16,250 ⁽³⁾	\$ -	\$ -	\$ -	\$ -	\$ 16,250
Phil Guarascio	\$ -	\$ 16,250 ⁽¹⁾	\$ -	\$ -	\$ -	\$ -	\$ 16,250
Phil Guarascio	\$ -	\$ 16,250 ⁽²⁾	\$ -	\$ -	\$ -	\$ -	\$ 16,250
Phil Guarascio	\$ -	\$ 16,250 ⁽³⁾	\$ -	\$ -	\$ -	\$ -	\$ 16,250

- (1) Compensation related to a restricted stock unit granted for services in 2016 of 116,070 shares. The shares of Common Stock associated with the restricted stock unit evidenced by this Agreement will, to the extent the holder's rights with respect to the restricted stock unit have become vested in accordance with Paragraph 3, be issued to the Participant upon the earliest to occur of (A) settlement date of three years from date of grant, (B) a Change in Control of the Company, and (C) the termination of the Participant's employment with the Company. As of December 31, 2016, 77,380 units have vested.
- (2) Compensation related to a restricted stock unit granted for services in 2016 of 108,335 shares. The shares of Common Stock associated with the restricted stock unit evidenced by this Agreement will, to the extent the holder's rights with respect to the restricted stock unit have become vested in accordance with Paragraph 3, be issued to the Participant upon the earliest to occur of (A) settlement date of three years from date of grant, (B) a Change in Control of the Company, and (C) the termination of the Participant's employment with the Company. As of December 31, 2016, 36,115 units have vested.
- (3) Compensation related to a restricted stock unit granted for services in 2016 of 116,075 shares. The shares of Common Stock associated with the restricted stock unit evidenced by this Agreement will, to the extent the holder's rights with respect to the restricted stock unit have become vested in accordance with Paragraph 3, be issued to the Participant upon the earliest to occur of (A) settlement date of three years from date of grant, (B) a Change in Control of the Company, and (C) the termination of the Participant's employment with the Company. As of December 31, 2016, 9,675 units have vested.

- (4) The amounts in this column reflect the aggregate grant date fair value of each RSU granted during the fiscal year, computed in accordance with ASC 718. The valuation assumption used in determining such amounts are described in Note 7 to our consolidated financial statements.

Item 12. Security Ownership of Certain Beneficial Owners and Management

The following table sets forth as of February 28, 2017, certain information regarding the beneficial ownership of our common stock. The table sets forth the beneficial ownership of (i) each person who, to our knowledge, beneficially owns more than 5% of our outstanding shares of Common Stock; (ii) each of our directors and executive officers; and (iii) all of our executive officers and directors as a group. The number of shares owned includes all shares beneficially owned by such persons, as calculated in accordance with Rule 13d-3 promulgated under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). The number of shares beneficially owned by a person includes shares of common stock underlying options or warrants held by that person that are currently exercisable or exercisable within 60 days of February 28, 2017. The shares issuable pursuant to the exercise of those options or warrants are deemed outstanding for computing the percentage ownership of the person holding those options and warrants but are not deemed outstanding for the purposes of computing the percentage ownership of any other person. Unless otherwise indicated, the address of each shareholder is c/o the Company, 55 N. Arizona Place, Suite 310, Chandler, AZ 85225.

Name of Beneficial Owner	Shares Beneficially Owned	Percentage of Shares Beneficially Owned (1)
Dennis Becker (2)	2,721,999	7 %
Christopher Meinerz (3)	162,500	*
David Jaques (4)	206,317	1
Doug Schneider (5)	238,323	1 %
John Harris (6)	274,093	1 %
Phil Guarascio (7)	186,196	*
William Van Epps (8)	731,787	2 %
Thomas Akin (9)	5,537,774	15 %
Executive Officers and Directors as a Group (eight persons)	10,058,989	28 %
5% Beneficial Owners		
Cornelis F. Wit	2,265,641	6 %
Ballyshannon Family Partners	2,286,272	6 %

* Denotes less than 1%

- (1) Applicable percentage of ownership is based upon 36,388,981 shares of common stock outstanding as of February 28, 2017.
- (2) Includes 1,256,063 shares of common stock issuable pursuant to presently exercisable stock options, including options that will vest within 60 days of February 28, 2017.
- (3) Includes 162,500 shares of common stock issuable pursuant to presently exercisable stock options, including options that will vest within 60 days of February 28, 2017.
- (4) Includes 175,067 shares of common stock issuable upon settlement of restricted stock units, including restricted stock units that will vest within 60 days of February 28, 2017.
- (5) Includes 163,876 shares of common stock issuable upon settlement of restricted stock units, including restricted stock units that will vest within 60 days of February 28, 2017. Includes 74,447 shares of common stock owned of record by The Schneider Family Trust.
- (6) Includes 228,259 shares of common stock issuable upon settlement of restricted stock units, including restricted stock units that will vest within 60 days of February 28, 2017.
- (7) Includes 161,196 shares of common stock issuable upon settlement of restricted stock units, including restricted stock units that will vest within 60 days of February 28, 2017.
- (8) Includes 112,537 shares of common stock issuable upon settlement of restricted stock units, including restricted stock units that will vest within 60 days of February 28, 2017. Includes 506,250 shares of common stock issuable pursuant to presently exercisable stock options that will vest within 60 days of February 28, 2017.
- (9) Includes 2,897,258 shares of Common Stock owned of record by Talkot Fund, L.P.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Certain Relationships and Related Transactions

We had no transactions or series of transactions since January 1, 2012, and we have no currently proposed transactions, to which we have been or are proposed to be a party, in which the amount involved in the transaction or series of transactions exceeds the lesser of \$120,000 or one percent of the average of our total assets as of December 31, 2016 and December 31, 2015, and in which any of our directors, executive officers or persons who we know held more than five percent of any class of our capital stock, including their immediate family members, had or will have a direct or indirect material interest, other than as described below or compensation arrangements that are described under “Employment Agreements” above.

The board conducts an appropriate review of and oversees all related party transactions on a continuing basis and reviews potential conflict of interest situations where appropriate. The board has not adopted formal standards to apply when it reviews, approves or ratifies any related party transaction. However, the board has followed the following standards: (i) all related party transactions must be fair and reasonable to us and on terms comparable to those reasonably expected to be agreed to with independent third parties for the same goods and/or services at the time they are authorized by the board and (ii) all related party transactions should be authorized, approved or ratified by the affirmative vote of a majority of the directors who have no interest, either directly or indirectly, in any such related party transaction.

Indemnification Agreements with Directors and Executive Officers

We have entered into indemnity agreements with certain directors, officers and other key employees of ours under which we agreed to indemnify those individuals under the circumstances and to the extent provided for in the agreements, for expenses, damages, judgments, fines, settlements and any other amounts they may be required to pay in actions, suits or proceedings which they are or may be made a party or threatened to be made a party by reason of their position as a director, officer or other agent of ours, and otherwise to the fullest extent permitted under Nevada law and our bylaws. We also have an insurance policy covering our directors and executive officers with respect to certain liabilities, including liabilities arising under the Securities Act of 1933, as amended, or otherwise. We believe that these provisions and insurance coverage are necessary to attract and retain qualified directors, officers and other key employees.

Item 14. Principal Accounting Fees and Services

The following table represents aggregate fees billed to us for the years ended December 31, 2016 and 2015 by M&K, CPAs, our principal auditors for such periods. All fees described below were approved by the board of directors.

	2016	2015
Audit Fees	\$ 71,500	\$ 72,500
Audit-Related Fees	-	-
Tax Fees	3,513	3,900
All Other Fees	4,000	7,500
Total Fees	<u>\$ 79,013</u>	<u>\$ 83,900</u>

Other Fees consist of charges related to the audits of our acquisition targets Livelenz and SmartReceipt, and the review of our filing on Form S-1 registration statements filed in 2015 and 2016.

Board of Directors’ Pre-Approval Policies and Procedures

The board of directors has adopted a policy for the pre-approval of audit and non-audit services rendered by our independent auditors, M&K CPAs. The policy generally pre-approves specified services in the defined categories of audit services, audit-related services and tax services up to specified amounts. Pre-approval may also be given as part of the board’s approval of the scope of the engagement of the independent auditors or on an individual explicit case-by-case basis before the independent auditors are engaged to provide each service.

The board of directors has determined that the rendering of the services other than audit services by M&K CPAs is compatible with maintaining the principal accountant’s independence.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

(a)(1) Financial Statements

The Financial Statements of Mobivity Holdings Corp. and Report of Independent Registered Public Accounting Firm are included in a separate section of this Form 10-K beginning on page F-1.

(a)(2) Financial Statement Schedules

The schedules required to be filed by this item have been omitted because of the absence of conditions under which they are required, or because the required information is included in the financial statements or the notes thereto.

(a)(3) Exhibits

Exhibit Number	Description
3.1	Articles of Incorporation (2)
3.2	Bylaws (2)
3.3	Amendment to Bylaws (3)
3.4	Articles of Merger filed August 6, 2012 (6)
3.5	Amendment No. 2 to the Bylaws, effective as of May 20, 2013 (15)
3.6	Amendment to Articles of Incorporation filed with the Nevada Secretary of State on November 12, 2013 (9)
4.1	Form of Warrant issued as part of Secured Subordinated Promissory Note, effective as of April 1, 2011 (1)
4.2	Form of Common Stock Purchase Warrant issued pursuant to Convertible Secured Promissory Note Conversion Agreement dated as of June 17, 2013 (7)
4.3	Form of Common Stock Purchase Warrant issued pursuant to Securities Purchase Agreement dated March 10, 2014 (10)
4.6	Form of Common Stock Purchase Warrant issued pursuant to Securities Purchase Agreement dated March 2, 2015 (12)
10.1	Employment Agreement dated December 24, 2010 with Dennis Becker (4)**
10.2	Form of Registration Rights Agreement for 2012 10% Senior Secured Promissory Bridge Note (5)
10.3	Registration Rights Agreement by and among the Company and the purchasers identified on the signature pages thereto, dated as of June 17, 2013 (7)
10.4	2013 Stock Incentive Plan of the Company adopted July 18, 2013 (8) **
10.5	Form of Registration Rights Agreement dated March 10, 2014 between the Company and the investors named herein (10)
10.6	Employment Agreement dated January 21, 2015 with William Van Epps (16) **
10.7	Employment Agreement dated February 16, 2015 with Christopher Meinerz (11) **
10.8	Form of Registration Rights Agreement dated March 2, 2015 between the Company and the investors named herein (12)
10.9	Agreement dated January 15, 2016 between the Company and the shareholders of LiveLenz, Inc. (14)
10.10	Form of Securities Purchase Agreement dated March 7, 2016 between the Company and the investors named herein (17)
10.11	Form of Registration Rights Agreement dated March 7, 2016 between the Company and the investors named herein (17)
10.12	Loan and Security Agreement dated March 30, 2016 is among Silicon Valley Bank, Mobivity, Inc. and the Company (17)
21.1	List of Subsidiaries (13)
31.1	Certification of Dennis Becker, Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
31.2	Certification of Christopher Meinerz, Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
32.1	Certification of Dennis Becker, Chief Executive Officer, and Christopher Meinerz, Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*
101.INS	XBRL Instance Document*
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document*
101.LAB	XBRL Taxonomy Extension Label Linkbase Document*
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document*
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document*

- * Filed herewith
- ** Indicates management compensatory plan, contract or arrangement

- (1) Incorporated by reference to the Company's Annual Report on Form 10-K filed on April 14, 2011
- (2) Incorporated by reference to the Registration Statement on Form S-1 filed with the SEC on October 20, 2008, File No. 333-154455
- (3) Incorporated by reference to the Company's Current Report on Form 8-K filed December 2, 2011
- (4) Incorporated by reference to the Company's Current Report on Form 8-K filed January 18, 2011
- (5) Incorporated by reference to the Company's Current Report on Form 8-K filed June 4, 2012
- (6) Incorporated by reference to the Company's Current Report on Form 8-K filed October 19, 2012
- (7) Incorporated by reference to the Company's Current Report on Form 8-K filed June 20, 2013
- (8) Incorporated by reference to the Company's Quarterly Report on Form 10-Q filed August 14, 2013
- (9) Incorporated by reference to the Company's Quarterly Report on Form 10-Q filed November 14, 2013
- (10) Incorporated by reference to the Company's Current Report on Form 8-K filed March 18, 2014
- (11) Incorporated by reference to the Company's Current Report on Form 8-K filed February 20, 2015
- (12) Incorporated by reference to the Company's Current Report on Form 8-K filed March 6, 2015
- (13) Incorporated by reference to the Registration Statement on Form S-1 filed with the SEC on August 16, 2013, File No. 333-190692
- (14) Incorporated by reference to the Company's Current Report on Form 8-K filed January 22, 2016
- (15) Incorporated by reference to the Company's Current Report on Form 8-K filed May 24, 2013
- (16) Incorporated by reference to the Company's Current Report on Form 10-K filed March 31, 2015
- (17) Incorporated by reference to the Company's Current Report on Form 10-K filed March 30, 2016

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

DATE: March 31, 2017

MOBIVITY HOLDINGS CORP.

/s/ Dennis Becker

Dennis Becker

Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Dennis Becker</u>	Chief Executive Officer and Chairman of the Board	March 31, 2017
<u>/s/ Christopher Meinerz</u>	Chief Financial Officer	March 31, 2017
<u>/s/ William Van Epps</u>	Director	March 31, 2017
<u>/s/ Phillip Guarascio</u>	Director	March 31, 2017
<u>/s/ John Harris</u>	Director	March 31, 2017
<u>/s/ David Jaques</u>	Director	March 31, 2017
<u>/s/ Doug Schneider</u>	Director	March 31, 2017
<u>/s/ Thomas Akin</u>	Director	March 31, 2017

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
Pursuant to Rule 13a-14(a) adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Dennis Becker, certify that:

1. I have reviewed this report on Form 10-K of Mobivity Holdings Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Dennis Becker

Dennis Becker
Chief Executive Officer
(Principal Executive Officer)

March 31, 2017

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
Pursuant to Rule 13a-14(a) adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Christopher Meinerz, certify that:

1. I have reviewed this report on Form 10-K of Mobivity Holdings Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Christopher Meinerz

Chief Financial Officer
(Principal Financial Officer)

March 31, 2017

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

In connection with the Annual Report on Form 10-K of Mobivity Holdings Corp., a Nevada corporation (the “Company”), for the period ended December 31, 2016, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), we, Dennis Becker, Chief Executive Officer of the Company, and Christopher Meinerz, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Dated: March 31, 2017

/s/ Dennis Becker

Dennis Becker
Chief Executive Officer
(Principal Executive Officer)

/s/ Christopher Meinerz

Christopher Meinerz
Chief Financial Officer
(Principal Financial and Accounting Officer)
