

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2019

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

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

Commission file number 000-53851

**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 N. Arizona Place, Suite 310**

**Chandler, Arizona 85225**

(Address of Principal Executive Offices & Zip Code)

**(877) 282-7660**

(Registrant's Telephone Number)

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 every Interactive Data File required to be submitted 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 such files). Yes  No

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging Company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

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

As of May 9, 2019, the registrant had 45,998,053 shares of common stock issued and outstanding.

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**MOBIVITY HOLDINGS CORP.**

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**PART I – FINANCIAL INFORMATION**

**Item 1. Financial Statements**

**Mobivity Holdings Corp.  
Condensed Consolidated Balance Sheets**

	<b>March 31, 2019</b>	<b>December 31, 2018</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 283,411	\$ 554,255
Accounts receivable, net of allowance for doubtful accounts of \$8,122 and \$10,104, respectively	1,072,985	601,658
Contracts receivable, current	941,154	578,869
Other current assets	834,344	736,309
<b>Total current assets</b>	<b>3,131,894</b>	<b>2,471,091</b>
Goodwill	537,550	537,550
Right to use lease assets	480,370	-
Intangible assets, net	1,771,976	1,781,448
Contracts receivable, long term	1,625,201	2,113,823
Other assets	396,397	527,146
<b>TOTAL ASSETS</b>	<b>\$ 7,943,388</b>	<b>\$ 7,431,058</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 2,375,059	\$ 1,731,628
Accrued interest	22,792	9,167
Accrued and deferred personnel compensation	238,823	350,311
Deferred revenue and customer deposits	1,743,532	1,956,938
Notes payable, net - current maturities	617,140	1,279,590
Other current liabilities	705,570	723,636
<b>Total current liabilities</b>	<b>5,702,916</b>	<b>6,051,270</b>
<b>Non-current liabilities</b>		
Notes payable, net - long term	772,985	194,328
Notes payable, net - long term - related party	1,580,000	-
Other long term liabilities	1,231,874	860,500
<b>Total non-current liabilities</b>	<b>3,584,859</b>	<b>1,054,828</b>
<b>Total liabilities</b>	<b>9,287,775</b>	<b>7,106,098</b>
<b>Commitments and Contingencies (See Note 9)</b>		
<b>Stockholders' equity</b>		
Common stock, \$0.001 par value; 100,000,000 shares authorized; 45,998,053 and 45,998,053, shares issued and outstanding	45,998	45,998
Equity payable	100,862	100,862
Additional paid-in capital	88,189,222	88,008,473
Accumulated other comprehensive loss	(23,690)	4,759
Accumulated deficit	(89,656,779)	(87,835,132)
<b>Total stockholders' equity</b>	<b>(1,344,387)</b>	<b>324,960</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 7,943,388</b>	<b>\$ 7,431,058</b>

*See accompanying notes to these unaudited condensed consolidated financial statements.*

**Mobivity Holdings Corp.**  
**Condensed Consolidated Statements of Operations and Comprehensive Income**  
**(Unaudited)**

	For the Three Months Ended	
	March 31,	
	2019	2018
<b>Revenues</b>		
Revenues	\$ 2,416,617	\$ 3,693,328
Cost of revenues	1,171,909	793,389
<b>Gross profit</b>	1,244,708	2,899,939
<b>Operating expenses</b>		
General and administrative	1,323,935	1,248,343
Sales and marketing	838,567	1,461,580
Engineering, research, and development	577,733	1,531,598
Depreciation and amortization	284,094	96,970
<b>Total operating expenses</b>	3,024,329	4,338,491
<b>Income (loss) from operations</b>	<b>(1,779,621)</b>	<b>(1,438,552)</b>
<b>Other income/(expense)</b>		
Interest income	17	456
Interest expense	(41,905)	(57,489)
Gain on sale of fixed assets	-	(8,722)
Foreign currency (loss) gain	(138)	330
<b>Total other income/(expense)</b>	<b>(42,026)</b>	<b>(65,425)</b>
<b>Income (loss) before income taxes</b>	<b>(1,821,647)</b>	<b>(1,503,977)</b>
Income tax expense	-	-
<b>Net Income (loss)</b>	<b>(1,821,647)</b>	<b>(1,503,977)</b>
<b>Other comprehensive income (loss), net of income tax</b>		
Foreign currency translation adjustments	(28,449)	(12,615)
<b>Comprehensive income (loss)</b>	<b>\$ (1,850,096)</b>	<b>\$ (1,516,592)</b>
<b>Net income (loss) per share:</b>		
<b>Basic</b>	<b>\$ (0.04)</b>	<b>\$ (0.04)</b>
<b>Weighted average number of shares:</b>		
<b>Basic</b>	<b>45,998,053</b>	<b>38,018,733</b>

*See accompanying notes to these unaudited condensed consolidated financial statements.*

**Mobivity Holdings Corp.**  
**Consolidated Statement of Stockholders' Equity**

	Common Stock		Equity Payable	Additional Paid-in Capital	Accumulated	Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity (Dollars)
	Shares	Dollars						
<b>Balance, December 31, 2017</b>	<b>37,025,140</b>	<b>\$ 37,025</b>	<b>\$ 100,862</b>	<b>\$ 77,910,842</b>	<b>\$</b>	<b>(65,764)</b>	<b>\$ (80,619,483)</b>	<b>(2,63)</b>
Issuance of common stock for cash	5,775,000	5,775	-	5,769,225	-	-	-	5,77
Issuance of common stock for warrant conversion	2,102,804	2,103	-	2,253,359	-	-	-	2,25
Issuance of common stock for debt conversion	1,047,583	1,047	-	1,088,439	-	-	-	1,08
Issuance of common stock for cashless warrant conversion	10,234	10	-	(10)	-	-	-	
Issuance of common stock for options exercised	37,292	37	-	21,458	-	-	-	2
Stock based compensation	-	-	-	965,161	-	-	-	96
Foreign currency translation adjustment	-	-	-	-	70,523	-	-	7
Net loss	-	-	-	-	-	-	(7,215,649)	(7,21
<b>Balance, December 31, 2018</b>	<b>45,998,053</b>	<b>\$ 45,998</b>	<b>\$ 100,862</b>	<b>\$ 88,008,473</b>	<b>\$</b>	<b>4,759</b>	<b>\$ (87,835,132)</b>	<b>\$ 32</b>
Stock based compensation	-	-	-	180,749	-	-	-	18
Foreign currency translation adjustment	-	-	-	-	(28,449)	-	-	(2
Net loss	-	-	-	-	-	-	(1,821,647)	(1,82
<b>Balance, March 31, 2019</b>	<b>45,998,053</b>	<b>\$ 45,998</b>	<b>\$ 100,862</b>	<b>\$ 88,189,222</b>	<b>\$</b>	<b>(23,690)</b>	<b>\$ (89,656,779)</b>	<b>\$ (1,34</b>

*See accompanying notes to these unaudited condensed consolidated financial statements.*

**Mobivity Holdings Corp.**  
**Consolidated Statements of Cash Flows**  
**(Unaudited)**

	<b>For the Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2019</b>	<b>2018</b>
<b>OPERATING ACTIVITIES</b>		
Net loss	\$ (1,821,647)	\$ (1,503,977)
Adjustments to reconcile net loss to net cash used in operating activities:		
Bad debt expense	(1,982)	-
Stock-based compensation	180,749	252,842
Amortization of debt discount	-	7,786
Loss on disposal of fixed assets	-	8,722
Depreciation and amortization expense	167,649	96,970
Adjustments due to ASC 606	60,583	(713,568)
Increase (decrease) in cash resulting from changes in:		
Accounts receivable	(469,345)	265,936
Other current assets	24,108	4,151
Other assets	-	264
Accounts payable	555,953	41,690
Accrued interest	-	13,915
Accrued and deferred personnel compensation	(111,488)	149,156
Other liabilities - non-current	-	58,474
Right to use leases	62,753	-
Other liabilities - current	(29,960)	(185,652)
Deferred revenue and customer deposits	(213,406)	166,750
<b>Net cash used in operating activities</b>	<b>(1,596,033)</b>	<b>(1,336,541)</b>
<b>INVESTING ACTIVITIES</b>		
Purchases of equipment	-	(18,078)
Capitalized software development costs	(139,570)	(13,948)
<b>Net cash used in investing activities</b>	<b>(139,570)</b>	<b>(32,026)</b>
<b>FINANCING ACTIVITIES</b>		
Payments on notes payable	(6,792)	(1,902,947)
Proceeds from notes payable – related party	1,500,000	1,080,000
Proceeds from issuance of common stock, net of issuance costs	-	2,163,443
<b>Net cash provided by financing activities</b>	<b>1,493,208</b>	<b>1,340,496</b>
<b>Effect of foreign currency translation on cash flow</b>	<b>(28,449)</b>	<b>(12,615)</b>
<b>Net change in cash</b>	<b>(270,844)</b>	<b>(40,686)</b>
<b>Cash at beginning of period</b>	<b>554,255</b>	<b>460,059</b>
<b>Cash at end of period</b>	<b>\$ 283,411</b>	<b>\$ 419,373</b>
<b>Supplemental disclosures:</b>		
Cash paid during period for:		
Interest	\$ 41,906	\$ 57,489
Non cash investing and financing activities:		
Lease adoption	\$ 538,740	\$ -

*See accompanying notes to these unaudited condensed consolidated financial statements.*

**Mobivity Holdings Corp.**  
**Notes to Condensed Consolidated Financial Statements**  
**(Unaudited)**

**1. Nature of Operations and Basis of Presentation**

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 consumers via mobile phones, mobile smartphone applications, and dynamically printed receipt content. On November 14, 2018, we completed the acquisition of certain operating assets relating to Belly, Inc.’s proprietary digital customer loyalty platform, including client contracts, accounts receivable and intellectual property. 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.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information and with the instructions to Form 10-Q and Rule 8-03 of Regulation S-X promulgated by the Securities and Exchange Commission (“SEC”). Accordingly, they do not include all of the information and disclosures required by GAAP for annual financial statements. The accompanying unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto in the Company’s Annual Report on Form 10-K for the year ended December 31, 2018 filed with the SEC on April 15, 2019.

In the opinion of management, such statements include all adjustments (consisting only of normal recurring items) which are considered necessary for a fair presentation of our condensed consolidated financial statements as of March 31, 2019, and for the three months ended March 31, 2019 and 2018. The results of operations for the three months ended March 31, 2019 are not necessarily indicative of the operating results for the full year ending December 31, 2019.

**2. Summary of Significant Accounting Policies**

***Principles of Consolidation***

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary. All significant intercompany balances and transactions have been eliminated.

***Use of Estimates***

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Significant estimates used are those related to stock-based compensation, asset impairments, the valuation and useful lives of depreciable tangible and certain intangible assets, the fair value of common stock used in acquisitions of businesses, the fair value of assets and liabilities acquired in acquisitions of businesses, and the valuation allowance of deferred tax assets. Management believes that these estimates are reasonable; however, actual results may differ from these estimates.

***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 March 31, 2019, and December 31, 2018, we recorded an allowance for doubtful accounts of \$8,122 and \$10,104 respectively.

***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 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.

Intangible assets consist of patents and trademarks, purchased customer contracts, purchased customer and merchant relationships, purchased trade names, purchased technology, non-compete agreements, and software development costs. 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.

#### ***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 product development 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.

#### ***Impairment of Long-Lived 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.

#### ***Foreign Currency Translation***

The Company translates the financial statements of its foreign subsidiary from the local (functional) currency into US Dollars using the year or reporting period end or average exchange rates in accordance with the requirements of Accounting Standards Codification subtopic 830-10, *Foreign Currency Matters* (“ASC 830-10”). Assets and liabilities of these subsidiaries were translated at exchange rates as of the balance sheet date. Revenues and expenses are translated at average rates in effect for the periods presented. The cumulative translation adjustment is included in the accumulated other comprehensive gain (loss) within shareholders’ equity. Foreign currency transaction gains and losses arising from exchange rate fluctuations on transactions denominated in a currency other than the functional currency are included in the unaudited Condensed Consolidated Statements of Income and Comprehensive Income.

#### ***Revenue Recognition and Concentrations***

Our Receipt and Reach 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. Under Topic 606, revenue is recognized when control of the promised goods or services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services. 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.

Accounting Standards Update (“ASU”) No. 2014-09, Revenue from Contracts with Customers (Accounting Standards Codification 606 (“ASC 606”), is a comprehensive revenue recognition standard that superseded nearly all existing revenue recognition guidance. The Company adopted this standard effective January 1, 2018, applying the modified retrospective method. Upon adoption, the Company discontinued revenue deferral under the sell-through model and commenced recording revenue upon delivery to distributors, net of estimated returns. Generally, the new standard results in earlier recognition of revenues.



We determine revenue recognition under ASC 606 through the following steps:

- ① identification of the contract, or contracts, with a customer;
- ① identification of the performance obligations in the contract;
- ① identification of the transaction price;
- ① allocation of the transaction price to the performance obligations in the contract; and
- ① recognition of revenue when, or as, we satisfy a performance obligation.

During the three months ended March 31, 2019 and 2018, two customers accounted for 78% and 66% of our revenues, respectively.

#### ***Comprehensive Income (Loss)***

Comprehensive income (loss) is defined as the change in equity during a period from transactions and other events and circumstances from non-owner sources. We are required to record all components of comprehensive income (loss) in the consolidated financial statements in the period in which they are recognized. Net income (loss) and other comprehensive income (loss), including foreign currency translation adjustments and unrealized gains and losses on investments, are reported, net of their related tax effect, to arrive at comprehensive income (loss). For the three months ended March 31, 2019 and 2018, the comprehensive loss was \$1,850,096 and \$1,516,592, respectively.

#### ***Net Loss Per Common Share***

Basic net loss per share excludes any dilutive effects of options, shares subject to repurchase and warrants. Diluted net loss per share includes the impact of potentially dilutive securities. During the three months ended March 31, 2019 and 2018, we had securities outstanding which could potentially dilute basic earnings per share in the future but were excluded from the computation of diluted net loss per share, as their effect would have been anti-dilutive.

#### ***Reclassifications***

Certain amounts from prior periods have been reclassified to conform to the current period presentation.

#### ***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 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 adopted this standard as of January 1, 2019.

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 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.

In January 2017, the FASB issued ASU 2017-04, Simplifying the Test for Goodwill Impairment, which removes the second step of the two-step goodwill impairment test. Under ASU 2017-04, an entity will apply a one-step quantitative test and record the amount of goodwill impairment as the excess of a reporting unit's carrying amount over its fair value, not to exceed the total amount of goodwill allocated to the reporting unit. ASU 2017-04 does not amend the optional qualitative assessment of goodwill impairment. Additionally, an entity should consider income tax effects from any tax-deductible goodwill on the carrying amount of the reporting unit when measuring the goodwill impairment loss, if applicable. ASU 2017-04 is effective for annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019; early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company is currently in the process of evaluating the impact of adopting ASU 2017-04 and cannot currently estimate the financial statement impact of adoption.

### 3. Goodwill and Purchased Intangibles

#### Goodwill

The carrying value of goodwill at March 31, 2019 and December 31, 2018 was \$537,550.

#### Intangible assets

The following table presents details of our purchased intangible assets as of March 31, 2019 and December 31, 2018:

	Balance at December 31, 2018	Additions	Impairments	Amortization	Fx and Other	Balance at March 31, 2019
Patents and trademarks	\$ 104,986	\$ -	\$ -	\$ (3,196)	\$ 656	\$ 102,446
Customer and merchant relationships	836,088	-	-	(24,803)	-	811,285
Trade name	59,996	-	-	(2,320)	60	57,736
Acquired technology	161,092	-	-	(4,075)	-	157,017
Non-compete agreements	76,791	-	-	(3,965)	-	72,826
	<u>\$ 1,238,953</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (38,359)</u>	<u>\$ 716</u>	<u>\$ 1,201,310</u>

The intangible assets are being amortized on a straight-line basis over their estimated useful lives of one to twenty years.

Amortization expense for intangible assets was \$37,769 and \$10,669 for the three months ended March 31, 2019 and 2018, respectively.

The estimated future amortization expense of our intangible assets as of March 31, 2019 is as follows:

Year ending December 31,	Amount
2019	\$ 151,078
2020	150,154
2021	148,220
2022	147,208
2023	140,600
Thereafter	464,050
Total	<u>\$ 1,201,310</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 as of March 31, 2019 and December 31, 2018:

	Balance at December 31, 2018	Additions	Amortization	Balance at March 31, 2019
Software Development Costs	\$ 542,495	\$ 139,570	\$ (111,399)	\$ 570,666
	<u>\$ 542,495</u>	<u>\$ 139,570</u>	<u>\$ (111,399)</u>	<u>\$ 570,666</u>

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

Amortization expense for software development costs was \$111,399 and \$79,016 for the three months ended March 31, 2019 and 2018, respectively.

The estimated future amortization expense of software development costs as of March 31, 2019 is as follows:

Year ending December 31,	Amount
2019	\$ 265,578
2020	266,993
2021	38,095
2022	-
2023	-
Thereafter	-
Total	<u>\$ 570,666</u>

## 5. Operating Lease Assets

*Adoption of Accounting Standards Codification ("ASC") Topic 842, "Leases."* We adopted Topic 842 on January 1, 2019, using the modified retrospective method and the optional transition method to record the adoption impact through a cumulative adjustment to equity. Results for reporting periods beginning after January 1, 2019, are presented under Topic 842, while prior periods are not adjusted and continue to be reported under the accounting standards in effect for those periods.

The following are additional details related to leases recorded on our Balance Sheet as of March 31, 2019:

Leases	Classification	As of March 31, 2019
<b>Assets</b>		
Operating lease assets	Operating lease assets	\$ 480,370
<b>Total lease assets</b>		<u>\$ 480,370</u>
<b>Liabilities</b>		
Current		
Operating lease liabilities	Other current liabilities	\$ 240,231
Noncurrent		
Operating lease liabilities	Noncurrent operating lease liabilities	241,461
<b>Total lease liabilities</b>		<u>\$ 481,692</u>

The maturity analysis below summarizes the remaining future undiscounted cash flows for our operating leases, a reconciliation to operating lease liabilities reported on the Condensed Consolidated Balance Sheet, our weighted-average remaining lease term and weighted average discount rate:

	As of March 31, 2019
2019	\$ 198,327
2020	270,982
2021	35,748
2022	11,916
2023	-
Thereafter	-
Total future lease payments	516,973
Less: imputed interest	(35,281)
<b>Total</b>	<b>\$ 481,692</b>
<b>Weighted Average Remaining Lease Term (years)</b>	
Operating leases	2
<b>Weighted Average Discount Rate</b>	
Operating leases	6.2 %

## 6. Notes Payable and Interest Expense

The following table presents details of our notes payable as of March 31, 2019 and December 31, 2018:

Facility	Maturity	Interest Rate	Balance at March 31, 2019	Balance at December 31, 2018
BDC Term Loan	September 15, 2019	12%	\$ 252,730	\$ 252,837
ACOA Note	May 1, 2021	-	137,395	141,081
Wintrust Bank	November 1, 2021	6.75%	1,000,000	1,000,000
Related Party Note	March 31, 2021	15%	1,580,000	80,000
<b>Total Debt</b>			<b>2,970,125</b>	<b>1,473,918</b>
Less current portion			(617,140)	(1,279,590)
<b>Long-term debt, net of current portion</b>			<b>\$ 2,352,985</b>	<b>\$ 194,328</b>

### *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 September 15, 2019.

### *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, repayments began on June 1, 2016, and the note will mature 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. As of March 31, 2018, this Facility was paid off and closed.

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 \$42,287 as of March 31, 2018 related to the Facility, which have been amortized on a straight-line basis to interest expense over the two-year term of the Facility. As of March 31, 2018, the Company has fully amortized these costs.

#### ***Wintrust Loan***

On November 14, 2018, we entered into a Loan and Security Agreement with Wintrust Bank. The Loan and Security Agreement provides for a single-term loan to us in the original principal amount of \$1,000,000. Interest accrues on the unpaid principal amount at the rate of prime plus 1.5%. The loan is a three-year loan and is interest-only payable for the first six months of the loan. Commencing on May 1, 2019, we will commence monthly payments of principal in the amount of \$33,333.33 in addition to the monthly payment of accrued interest. The loan is secured by all of our assets other than our intellectual property. We used the proceeds of the loan to re-finance a loan in the principal amount of \$1,000,000 we assumed as part of the acquisition of the Belly assets.

#### ***Related Party Notes***

During the three months ended March 31, 2019 we issued unsecured notes in the principle aggregate amount of \$1,500,000, which are due March 2021. These notes bear interest on the unpaid balance at the rate of fifteen percent (15%) per annum. The Company may prepay any of the Notes without notice, subject to a two percent (2%) pre-payment penalty.

#### ***Interest Expense***

Interest expense was \$41,905 and \$57,489 during the three months ended March 31, 2019 and 2018, respectively.

### **7. Stockholders' Equity**

#### ***Common Stock***

##### 2018

On February 7, 2018, the Company issued 12,500 shares of our common stock, at a price of \$0.78 per share, for the gross proceeds of \$9,595 in conjunction with one employee that exercised vested stock options.

On February 23, 2018, the Company issued 1,808 shares of our common stock in a cashless transaction related to a 25,000 warrant exercise.

During the three months ended March 31, 2018, the Company issued 2,018,125 shares of common stock for \$2,018,125 related to the exercise of certain warrants.

In June 2018, the Company commenced a private placement of its common shares at an offering price of \$1.00 per share. As of September 30, 2018, the Company had sold 5,775,000 shares of its common stock for gross proceeds of \$5,775,000. In addition the Company issued 1,047,583 shares of its common stock associated with the cancellation of \$1,000,000 of principal, \$47,583 of accrued interest, and a loss on conversion of \$41,902 under its February 2018 private placement Notes (See Note 5).

On August 29, 2018, the Company issued 24,792 shares of our common stock, at a price of \$0.48 per share, for the gross proceeds of \$11,875 in conjunction with one employee that exercised vested stock options.

On October 19, 2018, the Company issued 84,679 shares of our common stock, at a price of \$1.20 per share, for the gross proceeds of \$101,615 in conjunction with the exercise of warrants.

On November 6, 2018, the Company issued 8,426 shares of our common stock in a cashless transaction related to a 25,000 warrant exercise.

On December 31, 2018, the Company recorded stock based compensation expense of \$260,000 related to restricted stock units for members of our board of directors.

##### 2019

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On March 31, 2019, the Company recorded stock based compensation expense of \$65,000 related to restricted stock units for members of our board of directors.

As of March 31, 2019, and December 31, 2018 we had an equity payable balance of \$100,862 and \$100,862, respectively.

**Stock-based Plans**

Stock Option Activity

The following table summarizes stock option activity for the year ended December 31, 2018 and for the three months ended March 31, 2019:

	<b>Options</b>
Outstanding at December 31, 2017	6,818,948
Granted	855,000
Exercised	(12,500)
Forfeit/canceled	(1,566,589)
Expired	(1,082,641)
Outstanding at December 31, 2018	5,012,218
Granted	290,000
Exercised	-
Forfeit/canceled	(507,557)
Expired	(360,418)
Outstanding at March 31, 2019	<u>4,434,243</u>

The weighted average exercise price of stock options granted during the period was \$0.72 and the related weighted average grant date fair value was \$0.52 per share.

2018

On March 26, 2018, the Company granted one employee a total of 300,000 options to purchase shares of the Company common stock at the closing price as of March 26, 2018 of \$1.10 per share. The Option Shares will vest ratably over forty-eight (48) months and are exercisable until March 26, 2028. The total estimated value using the Black-Scholes Model, based on a volatility rate of 102% and an option fair value of \$.88 was \$265,575.

On February 7, 2018, the Company issued 12,500 shares of our common stock, at a price of \$0.78 per share, for the gross proceeds of \$9,595 in conjunction with one employee that exercised vested stock options.

2019

During the three months ended March 31, 2019, the Company granted six employees a total of 290,000 options to purchase shares of the Company common stock at prices ranging between \$1.00 and \$1.17 per share. The Option Shares will vest ratably over forty-eight (48) months and are exercisable until the period ending March 31, 2029. The total estimated value using the Black-Scholes Model, based on a volatility rate of 90.83% and an option fair value of \$.77 was \$123,430.

Stock-Based Compensation Expense from Stock Options and Warrants

The impact on our results of operations of recording stock-based compensation expense for the three months ended March 31, 2019 and 2018 were as follows:

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2019</b>	<b>2018</b>
General and administrative	\$ 54,232	\$ 125,118
Sales and marketing	39,914	68,480
Engineering, research, and development	21,602	28,698
	<u>\$ 115,748</u>	<u>\$ 222,296</u>

Valuation Assumptions

The fair value of each stock option award was calculated on the date of grant using the Black-Scholes option pricing model. The following weighted average assumptions were used for the three months ended March 31, 2019 and 2018.

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2019</b>	<b>2018</b>
Risk-free interest rate	2.53 %	2.68 %
Expected life (years)	6.00	6.00
Expected dividend yield	-	-
Expected volatility	90.83 %	101.94 %

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 2018 and 2018 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 for the year ended December 31, 2018 and for the three months ended March 31, 2019:

	<b>RSU's</b>
Outstanding at December 31, 2017	662,800
Granted	-
Exercised	-
Forfeit/canceled	-
Expired	-
Outstanding at December 31, 2018	662,800
Granted	222,224
Exercised	-
Forfeit/canceled	-
Expired	-
Outstanding at March 31, 2019	<u>885,024</u>

2018

In the twelve months ended December 31, 2018, the Company did not issue and restricted stock units. In the twelve months ended December 31, 2018, the company recorded \$37,249 in restricted stock units amortization and \$260,000 in board compensation.

2019

On January 1, 2019, the Company granted four independent directors a total of 222,224 restricted stock units. The units were valued at \$260,000 or \$1.17 per share, based on the closing stock price on the date of grant. All units vested immediately. 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, 2022, (B) a change in control of the Company, and (C) the termination of the director's service with the Company.

***Stock Based Compensation from Restricted Stock***

The impact on our results of operations of recording stock-based compensation expense for restricted stock units for the three months ended March 31, 2019 and 2018 was as follows:

	Three Months Ended	
	March 31,	
	2019	2018
General and administrative	\$ 65,002	\$ 30,546
	<u>\$ 65,002</u>	<u>\$ 30,546</u>

As of March 31, 2019, there was unearned restricted stock unit compensation as described in the tables above. 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 restricted unit compensation expense. Future unearned restricted unit compensation will increase to the extent we grant additional equity awards.

***Warrants Issued to Investors and Placement Agents***

At March 31, 2019, we have warrants to purchase 432,500 shares of common stock at \$1.20 per share and 284,500 at \$1.00 per share, respectively, which are outstanding. All of these warrants expire in March 2020.

**8. Fair Value Measurements**

Fair value is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, the authoritative guidance establishes a three-tier value hierarchy, which prioritizes the inputs used in measuring fair value as follows: (Level 1) observable inputs such as quoted prices in active markets; (Level 2) inputs other than the quoted prices in active markets that are observable either directly or indirectly; and (Level 3) unobservable inputs in which there is little or no market data, which requires us to develop our own assumptions. This hierarchy requires companies to use observable market data, when available, and to minimize the use of unobservable inputs when determining fair value. On a recurring basis, we measure certain financial assets and liabilities at fair value.

The following table presents assets that are measured and recognized at fair value as of March 31, 2019 on a recurring and non-recurring basis:

Description	Level 1	Level 2	Level 3	Gains (Losses)
Goodwill (non-recurring)	\$ -	\$ -	\$ 537,550	\$ -
Intangibles, net (non-recurring)	\$ -	\$ -	\$ 1,771,976	\$ -



The following table presents assets that are measured and recognized at fair value as of December 31, 2018 on a recurring and non-recurring basis:

Description	Level 1	Level 2	Level 3	Gains (Losses)
Goodwill (non-recurring)	\$ -	\$ -	\$ 537,550	\$ -
Intangibles, net (non-recurring)	\$ -	\$ -	\$ 1,781,448	\$ -

## 9. Commitments and Contingencies

### Litigation

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

In February 2019, a complaint was filed against us and five of our employees in the U.S. Federal District Court for the Southern District of New York by mGage, LLC (mGage, LLC v. Glenn Stansbury, et al., No. 19-cv-1165-CM (S.D.N.Y. Filed 2/7/19)). In the complaint, the plaintiff alleged that we and five of our employees, who previously worked at mGage, misappropriated confidential information belonging to mGage in violation of the federal Defend Trade Secrets Act, that those same individuals violated non-compete agreements through their employment at Mobivity and that we tortiously interfered with mGage's business opportunities. On February 7, 2019 the court granted a preliminary injunction enjoining Mobivity and the individual employees from working together at Mobivity or using any of the alleged confidential information. The court also directed expedited discovery. The court has set a conference date in the case for June 21, 2019. We deny all liability on the part of Mobivity and we intend to vigorously defend against this lawsuit.

## 10. Related Party Transactions

During February 2018, we commenced an offer to certain investors, officers and directors of the Company of up to \$750,000 in Unsecured Promissory Notes (individually, a "Note" and collectively, the "Notes"). Each Note bears interest on the unpaid balance at the rate of fifteen percent (15%) per annum and the principal and accrued interest is due and payable no later than March 31, 2020. The Company may prepay any of the Notes without notice, subject to a two percent (2%) pre-payment penalty. As of December 31, 2018, the Note investments of \$1,080,000 have been received from certain investors, officers and directors of the Company. The Note offer was conducted by our management and there were no commissions paid by us in connection with the solicitation.

In the three months ended March 31, 2019, we issued unsecured notes in the principle aggregate amount of \$1,500,000, which is due March 2021. These notes bear interest on the unpaid balance at the rate of fifteen percent (15%) per annum. The Company may prepay any of the Notes without notice, subject to a two percent (2%) pre-payment penalty.

## 11. Subsequent Events

On April 1, 2019, the Company granted four independent directors a total of 72,224 restricted stock units. The units were valued at \$65,002 or \$0.90 per share, based on the closing stock price on the date of grant. All units vested immediately. 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, 2022, (B) a change in control of the Company, and (C) the termination of the director's service with the Company.

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

*This Quarterly Report on Form 10-Q contains "forward-looking statements" as defined in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, in connection with the Private Securities Litigation Reform Act of 1995 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. Such forward-looking statements include statements about our expectations, beliefs or intentions regarding our potential product offerings, business, financial condition, results of operations, strategies or prospects. You can identify forward-looking statements by the fact that these statements do not relate strictly to historical or current matters. Rather, forward-looking statements relate to anticipated or expected events, activities, trends or results as of the date they are made and are often identified by the use of words such as "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," or "will," and similar expressions or variations. Because forward-looking statements relate to matters that have not yet occurred, these statements are inherently subject to risks and uncertainties that could cause our actual results to differ materially from any future results expressed or implied by the forward-looking statements. Many factors could cause our actual activities or results to differ materially from the activities and results anticipated in forward-looking statements. These factors include those risks disclosed under the caption "Risk*

Factors” included in our 2018 annual report on Form 10-K filed with the Securities and Exchange Commission, or the SEC, on April 15, 2019 and in our subsequent filings with the SEC. Furthermore, such forward-looking statements speak only as of the date of this report. We undertake no obligation to update any forward-looking statements to reflect events or circumstances occurring after the date of such statements.

## **Overview**

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 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 personal care, restaurant and retail brands realize their strategy of growing their business by increasing customer frequency, engagement and spend. Mobivity's analytics services 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.

## **Recurrency**

Mobivity's Recurrency platform (formerly “SmartSuite”) unlocks valuable POS and mobile data to help transform customer transactions into actionable and attributable marketing insights. Our technology provides transactional data, in real-time, that uncovers market-basket information and attributes both online and traditional promotions. Recurrency is comprised of Recapture, Recognition, Receipt, Reach, Reup, and Belly Loyalty.

### **Recapture**

Mobivity's Recurrency begins with Recapture, which can capture, normalize, integrate, and store transaction data for almost any POS system. This provides a clean useful dataset upon which to predict and influence your customers' buying behavior and deliver basket-level insights to your business.

### **Recognition**

Mobivity's Recognition is comprised of various reporting and analytics tools to uncover patterns in the buying behaviors of consumers and leverages that data to suggest pricing optimizations, and guide marketing campaigns.

### **Receipt**

Mobivity's Receipt unlocks the power of transactional data to create relevant and timely customer messages. Both clients and agencies are using Receipt to drive better results and make decisions around offers, promotions, and customer engagement through the medium of the printed receipt. Our Receipt solution enables our customers with the ability to control the content on receipts printed from their point of sale, or POS system. Receipt 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. 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 Receipt's server back-end for storage and analysis via Recognition.

### **Reach**

Mobivity's Reach transforms standard short message service ("SMS") and multimedia messaging service ("MMS") messaging into a data-driven marketing medium. Mobivity's Reach tracks and measures offer effectiveness at a more granular level than anything available in the industry, allowing clients to create smarter offers and drive higher redemption rates. 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/MMS mobile marketing campaign. Once the consumer has subscribed to our customer's SMS/MMS mobile marketing campaign, our 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.

### **Reup**

Mobivity's Reup aids marketing to align focusing its attention on engaging the customer and trying to change their buying behavior. Reup allows clients to begin including, and rewarding, employee behavior as a key method to effect customer behavior and drive more revenue. By focusing on small changes - upsizing drinks, adding desserts, and promoting limited time offers - employees can have a dramatic impact on sales.

### **Belly Loyalty**

Mobivity's Belly Loyalty program focuses on a customer engagement with a customer-facing digital rewards platform via an app and digital pad. As a result of the Belly acquisition, Mobivity now has: a highly rated app ("Belly - Rewards Everyday") on IOS and Android that leverages geolocation; an email messaging system that connects our clients to our customers; a loyalty program that rewards customer frequency.

## **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 Recapture POS technology. Several years of development went into designing Recapture such that the process of intercepting POS data and performing actions, such as controlling the receipt printer with receipt is scalable, portable to a wide variety of POS platforms, and does not impact performance factors including the print speed of a typical receipt printer. Furthermore, we believe the transmission of POS 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 Reach platform is more advanced than technologies offered by our competitors and provides us with a significant competitive advantage. With more than ten years of development, we believe that our 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. Leveraging our Recognition platform with Reach allows for full attribution of SMS offers, which we believe is a unique combination of both SMS text messaging and POS data.

### ***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. Today we support more than 30,000 merchant locations globally.

### ***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; (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 seven issued patents that we believe have significant potential application in the technology 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 Events**

*2018 Warrant Exercise*

Between January 19, 2018 and March 31, 2018, we conducted an offer to the holders of our outstanding common stock purchase warrants pursuant to which our warrant holders will be permitted to exercise their warrants at a reduced exercise price for a period expiring on March 31, 2018. At the commencement of the warrant offer, there were warrants outstanding that entitled their holders to purchase 5,134,349 shares of our common stock at exercise prices of \$1.00 and \$1.20 per share. Pursuant to the offer, warrant holders exercised warrants to purchase 1,898,015 shares of our common stock, resulting in additional capital of \$1,898,015. 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. The warrant offer was conducted by our management and there were no commissions paid by us in connection with the solicitation.

*Unsecured Promissory Note Investments in 2018*

During February 2018, we conducted a private placement of Unsecured Promissory Notes (individually, a "Note" and collectively, the "Notes") in the aggregate principal amount of \$1,080,000 to certain investors, officers, and directors of the Company. Each Note bears interest on the unpaid balance at the rate of twelve percent (12%) per annum and the principal and accrued interest is due and payable no later than March 30, 2020. We may prepay any of the Notes without notice, subject to a two percent (2%) pre-payment penalty. The Note offer was conducted by our management and there were no commissions paid by us in connection with the solicitation.

*June 2018 Private Placement*

In June and July 2018, we conducted a private placement of our common shares at an offering price of \$1.00 per shares. We had sold a total of 6,822,583 shares of our common stock for gross proceeds of \$6,822,583 including \$5,775,000 of cash and the cancellation of \$1,000,000 of principal \$47,583 of accrued interest under our February 2018 private placement Notes.

*June 30, 2018 Customer Contract Expansion*

On June 30, 2018 we expanded our partnership with one of our largest customers to foster additional customer engagement and long-term growth through utilization of Mobivity's Receipt solution. With our Receipt solution which enables our customers with the ability to control the content on receipts printed from their point of sale, or POS system, and optimized business performance (Recognition), we have crafted a complete and self-optimizing solution for increasing customer acquisition, frequency and spend.

The renewed and expanded partnership utilizes the Mobivity platform for all of our customer's locations for a term of five years and includes a co-marketing commitment from both companies to ensure the continued growth in consumer subscribers to the program. The five-year term includes a six figure monthly minimum commitment that is prepaid to Mobivity on a quarterly basis.

*November 2018 Acquisition of Certain Belly, Inc Assets*

On November 14, 2018, we entered into an Asset Purchase Agreement with Belly, Inc., a Delaware corporation, pursuant to which we purchased from Belly, certain operating assets relating to Belly's proprietary digital customer loyalty platform, including client contracts, accounts receivable and intellectual property, in exchange for our payment of \$3,000,000, subject to working capital adjustments. Belly was founded in 2001 and was originally funded by Andreessen Horowitz, Lightbank, NEA, DAG Ventures, Cisco and 7-Ventures, LLC (a subsidiary of 7-Eleven, Inc). Belly is a platform-first technology company enabling businesses of all sizes to create digital connections that result in personal relationships with their customers. Belly's platform has been deployed to more than 5,000 merchant locations and 7 million consumers. Our acquisition of the Belly assets is expected to be accretive to our top and bottom line revenue figures. The Asset Purchase Agreement contains customary representations, warranties and indemnities on the part of Belly. The closing of the acquisition took place on November 14, 2018, subject to usual and customary closing conditions. We financed the acquisition through our cash on hand.

In connection with our acquisition of the Belly assets, on November 14, 2018, we entered into a Loan and Security Agreement with Wintrust Bank. The Loan and Security Agreement provides for a single-term loan to us in the original principal amount of \$1,000,000. Interest accrues on the unpaid principal amount at the rate of prime plus 1.5%. The loan is a three-year loan and is interest-only payable for the first six months of the loan. Commencing on May 1, 2019, we will commence monthly payments of principal in the amount of \$33,333.33 in addition to the monthly payment of accrued interest. The loan is secured by all of our assets other than our intellectual property. We used the proceeds of the loan to re-finance a loan in the principal amount of \$1,000,000 we assumed as part of the acquisition of the Belly assets.

During the three months ended March 31, 2019 we issued unsecured notes in the principle aggregate amount of \$1,500,000, which are due March 2021. These notes bear interest on the unpaid balance at the rate of fifteen percent (15%) per annum. The Company may prepay any of the Notes without notice, subject to a two percent (2%) pre-payment penalty.

## **Results of Operations**

### ***Revenues***

Revenues consist primarily of a suite of products under the Recurrency platform. The Recurrency platform is comprised of Recapture, Recognition, Receipt, Reach, Reup, Belly Loyalty, advertising model revenues which are paid on a per coupon redemption basis, and other revenues.

Revenues for the three months ended March 31, 2019 were \$2,416,617, a decrease of \$1,276,711, or 35%, compared to the same period in 2018. This decrease is primarily due to the recognition of revenue under ASC 606 of \$1,648,731 during the three months ended March 31, 2018 compared to the reduction of revenue under ASC 606 of \$126,336 during the three months ended March 31, 2019.

### ***Cost of Revenues***

Cost of revenues consist primarily of cloud-based software licensing fees, short code maintenance expenses, personnel related expenses, and other expenses.

Cost of revenues for the three months ended March 31, 2019 was \$1,171,909, an increase of \$378,520, or 48%, compared to the same period in 2018. This increase is primarily due to higher SMS and application costs associated with messaging fees and surcharges charged by text messaging carriers.

### ***General and Administrative***

General and administrative expenses consist primarily of salaries and personnel related expenses, consulting costs and other expenses.

General and administrative expenses increased \$75,592, or 6%, to \$1,323,935 during the three months ended March 31, 2019 compared to \$1,248,343 for the same period in 2018. The increase in general and administrative expense was primarily due to an increase in personnel and share based compensation expenses.

### ***Sales and Marketing***

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

Sales and marketing expenses decreased \$623,013, or 43%, to \$838,567 during the three months ended March 31, 2019 compared to \$1,461,580 for the same period in 2018. The decrease was primarily due to lower personnel and share based compensation expenses.

### ***Engineering, Research & Development***

Engineering, research & development costs include salaries, stock based compensation expenses, travel, consulting costs, and other expenses.

Engineering, research & development expenses decreased \$953,865, or 62%, to \$577,733 during the three months ended March 31, 2019 compared to \$1,531,598 for the same period in 2018. This decrease is primarily due to the recognition of expenses under ASC 606 of \$841,647 during the three months ended March 31, 2018 compared to the reduction of engineering, research & development expenses under ASC 606 of \$68,179 during the three months ended March 31, 2019.

### **Depreciation and Amortization**

Depreciation and amortization expense consist of depreciation on our equipment and amortization of our intangible assets. Depreciation and amortization expense increased \$187,126 or 193%, during the three months ended March 31, 2019 compared to the same period in 2018. This increase is primarily due to the increase in amortization of intangibles and pre-paid assets.

### **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 decreased \$15,584, or 27%, during the three months ended March 31, 2019 compared to the same period in 2018. The decrease in interest expense for the three months ended March 31, 2019 is primarily related to the reduction in borrowings.

### **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 three months ended March 31, 2019 and 2018 was \$1 Canadian equals \$0.75 and \$0.78 U.S. Dollars, respectively. 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:

- ① The Company sells products primarily in U.S. Dollars; therefore, reported revenues are not highly impacted by foreign currency volatility.
- ② 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.
- ③ 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 was a loss of \$931 and \$4,120 for the three months ended March 31, 2019 and 2018, respectively.

### **Liquidity and Capital Resources**

As of March 31, 2019, we had current assets of \$3,131,894, including \$283,411 in cash, and current liabilities of \$5,702,916, resulting in a working capital deficit of \$2,571,022. During the three months ended March 31, 2019 we issued unsecured notes in the principle aggregate amount of \$1,500,000, which are due March 2021. These notes bear interest on the unpaid balance at the rate of fifteen percent (15%) per annum. The Company may prepay any of the Notes without notice, subject to a two percent (2%) pre-payment penalty.

We believe as of the date of this report, we have the working capital on hand, along with our expected cash flow from operations, to fund our current level of operations at least through the end of the next twelve months. However, there can be no assurance that we will not require additional capital. If we require additional capital, we will seek to obtain additional working capital 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**

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2019</b>	<b>2018</b>
Net cash provided by (used in):		
Operating activities	\$ (1,596,033)	\$ (1,336,541)
Investing activities	(139,570)	(32,026)
Financing activities	1,493,208	1,340,496
Effect of foreign currency translation on cash flow	(28,449)	(12,615)
Net change in cash	<u>\$ (270,844)</u>	<u>\$ (40,686)</u>

*Operating Activities*

We used cash from operating activities totaling \$1,596,033 during the three months ended March 31, 2019. The operating activities included non-cash items related to the stock based compensation of \$180,749, depreciation and amortization of \$167,649, and the adjustments related to ASC 606 of \$60,583.

During the three months ended March 31, 2018, we used cash from operating activities totaling \$1,336,543. The operating activities included non-cash items related to the stock based compensation of \$252,842 and the adjustments related to ASC 606 of \$713,568.

*Investing Activities*

We used \$139,570 for investing activities during the three months ended March 31, 2019 consisted of \$139,570 of capitalized software development costs.

During the three months ended March 31, 2018, we used \$32,026 for investing activities consisted of \$18,078 in purchased equipment and \$13,948 of capitalized software development costs.

*Financing Activities*

Financing activities provided \$1,493,208 for the three months ended March 31, 2019 includes payments on notes payable of \$6,792 and net proceeds from notes payable from related parties of \$1,500,000.

During the three months ended March 31, 2018, financing activities provided \$1,340,496 which included payments on notes payable of \$6,792 and net proceeds from notes payable from related parties of \$1,500,000.

**Critical Accounting Policies and Estimates**

Refer to Note 2, "Summary of Significant Accounting Polices," in the accompanying notes to the condensed consolidated financial statements for a discussion of recent accounting pronouncements.

**Off-Balance Sheet Arrangements**

We have no off-balance sheet arrangements.

**Item 3. Quantitative and Qualitative Disclosures about Market Risk.**

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

**Item 4. Controls and Procedures.**

*Evaluation of Disclosure Controls and Procedures*

As required by Rule 13a-15(b) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Exchange Act Rule 13a-15(e), as of the end of the period covered by this report. Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file under the Exchange Act is accumulated and communicated to our management, as appropriate to allow timely decisions regarding required disclosure. Based on this evaluation, our management, including our Chief Executive Officer and Chief Financial Officer, concluded that as of March 31, 2019 our disclosure controls and procedures were not effective.

*Changes in Internal Control*

There were no changes in our internal control over financial reporting during the three months ended March 31, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**PART II – OTHER INFORMATION**

**Item 1. Legal Proceedings**

In February 2019, a complaint was filed against us and five of our employees in the U.S. Federal District Court for the Southern District of New York by mGage, LLC (mGage, LLC v. Glenn Stansbury, et al., No. 19-cv-1165-CM (S.D.N.Y. Filed 2/7/19)). In the complaint, the plaintiff alleged that we and five of our employees, who previously worked at mGage, misappropriated confidential information belonging to mGage in violation of the federal Defend Trade Secrets Act, that those same individuals violated non-compete agreements through their employment at Mobivity and that we tortiously interfered with mGage’s business opportunities. On February 7, 2019 the court granted a preliminary injunction enjoining Mobivity and the individual employees from working together at Mobivity or using any of the alleged confidential information. The court also directed expedited discovery. The court has set a conference date in the case for June 21, 2019. We deny all liability on the part of Mobivity and we intend to vigorously defend against this lawsuit.

**Item 6. Exhibits**

Exhibit No.	Description
31.1	<a href="#">Certification by Chief Executive Officer pursuant to Section 302 of Sarbanes Oxley Act of 2002 *</a>
31.2	<a href="#">Certification by Chief Financial Officer pursuant to Section 302 of Sarbanes Oxley Act of 2002 *</a>
32.1	<a href="#">Certification Pursuant to 18 U.S.C. Section 1350 *</a>
101.INS	XBRL Instance Document *
101.SCH	XBRL Taxonomy Schema Document
101.CAL	XBRL Taxonomy Calculation Linkbase Document *
101.DEF	XBRL Taxonomy Definition Linkbase Document *
101.LAB	XBRL Taxonomy Label Linkbase Document*
101.PRE	XBRL Taxonomy Presentation Linkbase Document *

\* Filed electronically herewith

**SIGNATURES**

Pursuant to the requirements 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

**Mobivity Holdings Corp.**

Date: May 15, 2019	By: <u>/s/ Dennis Becker</u> Dennis Becker Chairman and Chief Executive Officer (Principal Executive Officer)
Date: May 15, 2019	By: <u>/s/ Charles B. Mathews</u> Charles B. Mathews Chief Financial Officer (Principal Accounting Officer)



**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 Quarterly Report on Form 10-Q of Mobivity Holdings Corp. for the quarter ended March 31, 2019;
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 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 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 the 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.

Date: May 15, 2019

By: /s/ Dennis Becker

Dennis Becker  
Chairman and Chief Executive Officer  
(Principal Executive Officer)

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

I, Charles B. Mathews, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Mobivity Holdings Corp. for the quarter ended March 31, 2019;
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 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 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 the 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.

Date: May 15, 2019

By: /s/ Charles B. Mathews  
Charles B. Mathews  
Chief Financial Officer

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

In connection with the Quarterly Report on Form 10-Q of Mobivity Holdings Corp., a Nevada corporation (the "Company"), for the period ended March 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Dennis Becker, Chief Executive Officer of the Company, and Charles B. Mathews, 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: May 15, 2019

*/s/ Dennis Becker*

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Dennis Becker  
Chairman and Chief Executive Officer  
(Principal Executive Officer)

*/s/ Charles B. Mathews*

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Charles B. Mathews  
Chief Financial Officer  
(Principal Financial and Accounting Officer)