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, 2019

Commission file number 000-53851

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

Nevada	26-3439095
(State or Other Jurisdiction of Incorporation or Organization)	**(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 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 and post such files). Yes ☒ No ☐

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☐

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 ☒

The aggregate market value of the voting and non-voting common equity held by non-affiliates as of June 30, 2019 was $30,741,668.

As of March 15, 2020, the registrant had 51,615,469 shares of common stock issued and outstanding.

MOBIVITY HOLDINGS CORP.
ANNUAL REPORT ON FORM 10-K
FISCAL YEAR ENDED DECEMBER 31, 2019
TABLE OF CONTENTS

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 marketing campaigns.

Mobivity's Recurrency platform enables multi-unit retailers to leverage the power of their own data to yield maximum customer spend, frequency and loyalty while achieving the highest Return on Marketing Spend (ROMS) possible. Mobivity's customers use Recurrency to:

- Transform messy point-of-sale (POS) data collected from thousands of points of sale into usable intelligence.
- Measure, predict, and boost guest frequency and spend by channel.
- Deploy and manage one-time use offer codes and attribute sales accurately across every channel, promotion and media program.
- Deliver 1:1 promotions and offers with customized Mobile Messaging, Personalized Receipt Promotions and Integrated Loyalty programs.

Mobivity's Recurrency, delivered as a Software-as-a-Service ("SaaS") platform, is used by leading brands including Subway, Sonic Drive-In, Baskin Robbins, Chick-fil-A and Checkers/Rally's across more than 40,000 retail locations globally.

We're living in a data-driven economy. In fact, by 2003 — when the concept of "big data" became common vernacular in marketing- as much data was being created every two day as had been created in all of time prior to 2003. Today, Big Data has grown at such a rate that 90% of the world's data has been created in the past two years. Unfortunately, despite there being so much data accumulated, only one percent of data is being utilized today by most businesses.

The challenge for multi-unit retailers isn't that they don't have enough data; in fact, national retailers are collecting millions of detailed transactions daily from thousands of points of sale around the world. The challenge is being able to make sense of this transaction data, which is riddled with data entry errors, collected by multiple POS systems and complicated by a taxonomy compiled by thousands of different franchisee owners. To normalize such an overwhelming amount of data into usable intelligence and then leverage it to optimize media investment and promotion strategy requires numerous teams of data analysts and data scientists that many retailers and restaurant operators simply don't have. Which is why so many technology and data companies, that can help solve these challenges, have been invested in and acquired by brands including, McDonald's, Starbucks and Yum Brands.

Mobivity's Recurrency platform fills this need with a self-service SaaS offering, enabling operators to intelligently optimize their promotions, media and marketing spend. Recurrency drives system-wide sales producing on average a 13% increase in guest spend and a 26% improvement in frequency, ultimately delivering an average Return on Marketing Spend of 10X. In other words, for every dollar invested in marketing, retailers using Recurrency to manage, optimize and deliver multi-channel consumer promotions generate an average of ten dollars in *incremental* revenue from their customers.

The Recurrency Platform
Mobivity's Recurrency™ platform 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 seven components.

POS Data Capture
Recurrency captures, normalizes, integrates, and stores transaction data and is compatible with most POS systems used by restaurants and retailers today. The result is a clean useful dataset upon which to predict and influence customers' buying behavior and deliver basket-level insights.

Analytics Powered by Machine Learning
Recurrency uses Machine Learning ("ML") to uncover patterns in the buying behaviors of consumers and leverages that data to suggest pricing optimizations, and guide marketing campaigns.

Offers and Promotions
Recurrency provides a digital wallet system for creating and managing dynamic offers and promotions, enabling accurate and complete closed-loop attribution across all channels, media and marketing efforts. Retailers can deploy one-time, limited-use and multi-use promotions across all online and offline marketing channels that are scannable at the POS or redeemable online, enabling fraud-free, controllable promotion delivery and attribution at scale. Marketing teams can use the comprehensive attribution analysis and insights to optimize media mix and spend for maximum Return on Marketing Spend ("ROMS").

Predictive Offers
Recurrency leverages the normalized data captured at the POS and applies Artificial Intelligence ("AI") to build profiles of both known and anonymous customers, analyzes pre and post-redemption behavior and then predicts offers that will drive the highest increases in customer spend and frequency at the lowest discount possible. The result is optimized, personalized promotions that produce the highest ROMS possible.

Personalized Receipt Promotions
Recurrency unlocks the power of transactional data to create relevant and timely customer messages printed on the receipts already being generated at the POS. Both clients and agencies are using Recurrency to drive better results and make decisions around offers, promotions, and customer engagement through the medium of the printed receipt. Software integrated with leading POS systems, such as Oracle, MICROS, or installed directly onto receipt printer platforms, such as Epson's OmniLink product, dynamically controls what is printed on receipts including images, coupons, announcements, or other calls-to-action, such as invitations to participate in a survey. Recurrency offers 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 cloud-based Recurrency for storage and analysis.

Customized Mobile Messaging
Recurrency transforms standard short message service ("SMS"), multimedia messaging service ("MMS"), and rich communication services ("RCS") into a data-driven marketing medium. Recurrency tracks and measures offer effectiveness at a more granular level than other solutions, 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. Our customers use Recurrency's self-service interface to build, segment, target and optimize mobile messaging campaigns to drive increased guest frequency and spend. Recurrency is an industry leader in RCS messaging and has an industry leading broadcast reach.

Belly Loyalty
Mobivity's Belly Loyalty solution drives increased customer engagement and freqency with a customer-facing digital rewards platform via an app and digital pad. Using Belly, customers can customize rewards and leverage pre-built email campaigns and triggers to encourage greater frequency as well as identify and reactivate lapsed customers.

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 POS Data Capture technology. Several years of development went into designing POS Data Capture 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 Recurrency 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/MMS text messaging transactions at a "least cost" relative to competitors while also being capable of supporting SMS/MMS text messaging transactional volume necessary to support our goal of several thousand end users. Leveraging our Recurrency platform allows for full attribution of SMS/MMS offers, which we believe is a unique combination of both SMS/MMS 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 nine 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 Developments

We have entered into the following material transactions since January 1, 2018.

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 2,018,125 shares of our common stock, resulting in additional capital of $2,018,125. 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 fifteen percent (15%) 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 Recurrency Platform. Recurrency enables our customers with the ability to control the content on receipts printed from their POS, and optimized business performance, 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 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.

Unsecured Promissory Note Investments in 2019

During the year ended December 31, 2019, we issued to one of our directors, unsecured notes in the principal aggregate amount of $3,500,000, which are due and payable two years after issuance. 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 conducted the private placement of our securities in July 2019. The note holder participated in the private placement described below, by converting principal of $2,500,000 and accrued interest under the notes totaling $82,916, into 2,582,916 units of our securities. As of December 31, 2019, we have $1,000,000 as a remaining balance of these notes and accrued interest of $13,958.

2019 Private Placement

In July 2019, we commenced a private placement of 7,000,000 units of our securities, at a price of $1.00 per unit. Each unit consists of one share of our common stock and a common stock purchase warrant to purchase one-half share of our common stock, over a two-year period, at an exercise price of $1.25 per share. The offering was conducted by our management and no commission or other selling fees were paid by us. During the year ended December 31, 2019 we issued 5,382,916 units under this placement, of which 2,582,916 units were issued in connection with a conversion of related party notes payable.

Industry Background

Traditionally only sophisticated e-commerce brands, such as Amazon, were capable of personalizing and targeting their marketing to consumers as they navigated online shopping experiences that tracked their every move, all the way to check out. But despite the scale and success of e-commerce, it still accounts for just around 10% of commerce conducted in the U.S. The other 90% of "offline" merchants struggle to leverage data to combine with digital marketing channels and replicate the same personalized marketing tactics employed by successful e-commerce operators. Particularly, merchants are challenged with connecting purchase data collected by traditional point-of-sale terminals and mapping those transactions back to consumers to ensure that follow on marketing messages are personalized to the consumers purchase history.

Offline marketers will increasingly invest in technologies that leverage data to power personalized, digital consumer experiences and mimic how e-commerce marketers operate. This is a trend that has growing support from various industry analysts as well. McKinsey recently reported that "data activated marketing" can boost sales 15%-20% and significantly improve the ROI on marketing spend across marketing channels. While the upside of data driven marketing may seem obvious, marketers are also converging their digital and offline worldviews when it comes to thinking about how they allocate their marketing budgets. Gartner's 2015–2016 Chief Marketing Officer (CMO) Spend Survey reported that 98 percent of CMOs no longer make a clear distinction between marketing online and offline and say the disciplines are merging. We believe that these trends reveal a material insight into how the market is converging towards our value proposition and will further propel our growth; as the market increasingly convinces itself of the upside of targeting its marketing based off of consumer data, as suggested by the McKinsey study, and the Gartner study suggests that offline and digital marketing disciplines are merging, then our unique approach to merging offline point-of-sale data with digital channels.

Data driven marketing will also leverage the rapidly emerging field of "cognitive computing," where computers are becoming intelligent – often referred to as "artificial intelligence". Google CEO, Sundar Pichai, has described how Google is shifting from a mobile first world, to an AI first world; and actions speak louder than words - Google has acquired more artificial intelligence startups than Facebook and Microsoft combined. A recent forecast by Tractica (a market intelligence firm that focuses on human interaction with technology) suggests that annual worldwide AI revenue will grow at a combined annual growth rate of more than 49% to $36.8 billion by 2025. One of the key drivers to progress in this field is called "machine learning," which aims to give computers the ability to learn without being explicitly programmed. This could open up entirely new possibilities where marketing becomes not just automated, but autonomous and entirely free of human intervention. Machine learning is powered by collecting massive amounts of data that can "train" machines to think on their own; an article in Fortune last year went as far as calling "data the new oil". Jim Hare, research vice president at Gartner, proclaimed "As AI accelerates up the Hype Cycle, many software providers are looking to stake their claim in the biggest gold rush in recent years."

The Mobivity Solution

Our Recurrency platform is designed to leverage point-of-sale data, along with cognitive computing, to increase visits, spend, and loyalty from consumers. We do this by **capturing** transaction detail, **analyzing** the data, and **motivating** customers and employees to take actions that improve business performance.

- *Capture*: Recall that more than 90% of our economy still functions "offline". Our Recurrency solution plays an integral part in bringing brick and mortar businesses into the digital future by creating an extensible point of access to their POS data. Recapture is a lightweight software client that can be installed in just about any POS system and immediately enables applications to operate off of real-time POS data.

- *Analyze.* Often times marketers spend a large portion of their budget on marketing programs with little to no visibility into attributable sales. A 2016 IAB/Winterberry study reported cross-channel measurement and attribution would be the No. 1 tactic occupying respondents' time last year, a whopping 63 percent year-over-year increase from the previous year. This is because understanding consumers' offline behavior is mission-critical for brands and agencies looking to bridge the gap between the online and offline worlds. Our Recurrency solution allows for easy access to POS data enabling full attribution of our campaigns, along with potentially linking offline POS data to other forms of digital marketing such as social or search advertising.

- *Motivating Consumers.* We motivate consumers and employees to improve business performance through our Recurrency solution. This is where our ability to engage consumers through their mobile phone and track their behavior to any of these offline cash registers, combines with machine learning and artificial intelligence techniques to dial-in targeted marketing engagements that cause consumers to spend more. Recurrency has engaged more than nine million consumers across more than 30,000 retail locations while examining billions of purchase transactions. In one study, we worked with the analytics and data team of one of our largest clients where we studied the behavior of consumers both before and after their enrollment in an SMS marketing program. Together, we took a universe of hundreds of thousands of consumers and examined their purchases for a period of time before they joined. We then tracked their purchases after they joined the program and learned that these consumers increased their overall spend by forty five percent. Restaurants fight tooth and nail for every 1% increase in spend, so this was an amazing result. Another brand challenged us to increase their customer frequency which had historically been an average of just one visit every 60 days. By leveraging our Recurrency platform, we were able to create a targeted offer program that printed coupons on consumers' receipts. In some cases, consumers returned in eight days – far better than the historical average of 60 days. Within 90 days since launching the program, consumers were returning within days (instead of months) and the program is on pace to generate an ROI of more than 400%.

In the future, we intend to develop additional platform features with the goal of driving additional value by helping brick and mortar brands leverage POS data to drive business growth.

Marketing and Sales

We market and sell the services offered over our proprietary 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 a team of representatives employed by us to promote and sell our services both domestically and internationally.

- *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/MMS 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 500 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/MMS text message. In this case, the required resources to facilitate a large number of SMS/MMS messages in a short period of time is much higher and therefore we may charge an additional per-SMS/MMS 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 2019 and 2018 were $3,609,968 and $3,713,787, respectively.

Competition

Combining POS data, cognitive computing, and various marketing applications is relatively new. The majority of our competitors are start-ups or early stage growth companies helping to pioneer the technology necessary to extract POS data and integrate that data with technology channels such as mobile messaging, e-mail, social media, and others. Competitors in this arena include Punchh, Fishbowl Marketing, Bridg, Sparkfly, Paytronix and PosIQ.

We also believe that POS manufacturers could also pose a competitive threat by vertically integrating similar features and capabilities into their core products. Leading vendors in the POS space include Oracle/Micros, NCR, IBM, Square, First Data/Clover, and others.

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

- *Intellectual Property.* We currently own nine patents that cover various approaches to facilitating SMS/MMS text messaging solutions and manipulating receipt content.

- *Competitive pricing*. We are unaware of any solution in the market that offers the ability to aggregate and analyze POS data, activate mobile messaging campaigns, convert print receipts into targeted marketing transactions, and shape employee performance in real-time all from a single platform (Recurrency). Our platform approach will allow for bundled pricing strategies, or a la carte tactics, that could create unfair pricing advantages.

- *Scalability*. We believe that our platform is more scalable than most if not all of our competitors. We have scaled from around 1,000 POS integrations to more than 20,000 in just three years. Aside from the POS manufacturers themselves, we are unaware of any other solutions provider who is currently integrated with as many POS devices as we are.

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 nine 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/MMS text messaging network. The method and system allows for real-time testing of the initiation and completion of SMS/MMS text messages and any delivery delays across the major American mobile phone carriers, and accurately measures the progress on SMS/MMS broadcasts and records when a broadcast has been completed.

U.S Patent number *9,495,671* was granted on November 15, 2016. U.S. Patent *9,727,853* was issued on August 8, 2017. These patents cover 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.

U.S. Patent number 10,475,017 B2 was granted on November 12, 2019. This patent covers a point-of-sale terminal and a computer-readable storage medium that generates transaction information for a commercial transaction, the transaction information including customer information and purchase information. The point-of-sale terminal may generate nutritional information based on the purchase information. The point-of-sale terminal may send the customer information, the purchase information, and location information identifying a location of the POS terminal to an advertising server and may receive responsive advertising content from the advertising server. The point-of-sale terminal may print a receipt including the transaction information, the nutritional information, and the advertising content.

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.

As of the date of this report we own trademarks for Boomtext, SmartReceipt, Livelenz, and several trademarks from the Belly acquisition.

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/MMS 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/MMS 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.

- *Data Privacy Acts.* Individual states and countries have enacted or are moving forward with privacy compliance rules based on industry and types of data collected, such as the California Consumer Privacy Act ("CCPA"), Nevada's Senate Bill 220 and the EU's General Data Protection Regulation ("GDPR"). The acts provide residents the right to know what data is being collected about them and have access to it, whether that information is sold and the ability to refuse that data being sold, as well as the ability to opt out of it's collection. Penalties for non-compliance vary by state and country, for instance the maximum penalty of the CCPA is $7,500 for intentional violations. The largest financial impact of CCPA on a business is the provisioning of the right of consumers to bring forward lawsuits. These situations may arise from instances where their "non-encrypted or non-redacted personal information" is breached, regardless of the harm done to the data. Under the CCPA, consumers can collect between $100 and $750 for each event. If the damages are greater than $750, then the consumer may receive even more.

Employees

As of March 9, 2020, we had 58 employees, consisting of 32 full-time and two part-time in research and development, 16 full-time in sales and marketing, and eight full-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, 2019, we had a working capital deficit of $(3,208,504). 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 business may be adversely affected by the recent COVID-19 outbreak.In December 2019, a novel strain of coronavirus, COVID-19, was reported to have surfaced in Wuhan, China. In January 2020, this coronavirus spread to other countries, including the United States, and efforts to contain the spread of COVID-19 have intensified. At this time, the United States and certain other countries are the subject of lock-downs and self-isolation procedures, which have significantly limited business operations and restricted internal and external meetings. Further, the outbreak and any preventative or protective actions that we or our customers may take in respect of COVID-19 may result in a period of disruption to other work in progress. Our customers' businesses could be disrupted, and our future costs and potential revenues and technology evaluations could be negatively affected. Any resulting financial impact cannot be reasonably estimated at this time but may materially affect our business and financial condition. The extent to which COVID-19 impacts our results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of COVID-19 and the actions to contain COVID-19 or treat its impact, among others.

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 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 August of 2019 Attentive Mobile raised $40M in private venture financing. Similarly, in November of 2019, Punchh raised $40M in private venture funding. 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 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.

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.

We currently operate in limited vertical markets. Our customers primarily operate in the quick serve restaurant (“QSR”) industry. Should this industry be impacted by economical or other unforeseen events, 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 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, excluding common area maintenance charges, are $19,707.

We have a lease through April 2022 for 3,248 square feet of office space located in Halifax, Nova Scotia, at a monthly rental expense of $2,666 to $2,979 per month, excluding common area maintenance charges.

Item 3. Legal Proceedings.

None.

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.

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, 2019	High	Low
Fourth Quarter	$ 1.04	$ 0.88
Third Quarter	$ 1.14	$ 0.85
Second Quarter	$ 1.19	$ 0.79
First Quarter	$ 1.20	$ 0.90

Year Ended December 31, 2018	High	Low
Fourth Quarter	$ 1.88	$ 1.16
Third Quarter	$ 1.60	$ 0.99
Second Quarter	$ 1.12	$ 0.80
First Quarter	$ 1.40	$ 0.95

Holders of Record

As of March 12, 2020, there were 171 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 2019 or 2018.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table sets forth additional information as of December 31, 2019 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, 2019. 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 (a)	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)
Equity compensation plans not approved by security holders(1)	5,781,884	$ 1.15	303,131
Equity compensation plans approved by security holders	-	-	-
Total	5,781,884	$ 1.15	303,131

(1) Comprised of our 2010 and 2013 Incentive Stock Plans.

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

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.

Mobivity's Recurrency platform enables multi-unit retailers to leverage the power of their own data to yield maximum customer spend, frequency and loyalty while achieving the highest Return on Marketing Spend (ROMS) possible. Mobivity's customers use Recurrency to:

- Transform messy point-of-sale (POS) data collected from thousands of points of sale into usable intelligence.
- Measure, predict, and boost guest frequency and spend by channel.
- Deploy and manage one-time use offer codes and attribute sales accurately across every channel, promotion and media program.
- Deliver 1:1 promotions and offers with customized Mobile Messaging, Personalized Receipt Promotions and Integrated Loyalty programs.

Mobivity's Recurrency, delivered as a SaaS platform, is used by leading brands including Subway, Sonic Drive-In, Baskin Robbins, Chick-fil-A and Checkers/Rally's across more than 40,000 retail locations globally.

We're living in a data-driven economy. In fact, by 2003 — when the concept of "big data" became common vernacular in marketing- as much data was being created every two day as had been created in all of time prior to 2003. Today, Big Data has grown at such a rate that 90% of the world's data has been created in the past two years. Unfortunately, despite there being so much data accumulated, only one percent of data is being utilized today by most businesses.

The challenge for multi-unit retailers isn't that they don't have enough data; in fact, national retailers are collecting millions of detailed transactions daily from thousands of points of sale around the world. The challenge is being able to make sense of this transaction data, which is riddled with data entry errors, collected by multiple POS systems and complicated by a taxonomy compiled by thousands of different franchisee owners. To normalize such an overwhelming amount of data into usable intelligence and then leverage it to optimize media investment and promotion strategy requires numerous teams of data analysts and data scientists that many retailers and restaurant operators simply don't have. Which is why so many technology and data companies, that can help solve these challenges, have been invested in and acquired by brands including, McDonald's, Starbucks and Yum Brands.

Mobivity's Recurrency platform fills this need with a self-service SaaS offering, enabling operators to intelligently optimize their promotions, media and marketing spend. Recurrency drives system-wide sales producing on average a 13% increase in guest spend and a 26% improvement in frequency, ultimately delivering an average Return on Marketing Spend of 10X. In other words, for every dollar invested in marketing, retailers using Recurrency to manage, optimize and deliver multi-channel consumer promotions generate an average of ten dollars in *incremental* revenue from their customers.

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 2,018,125 shares of our common stock, resulting in additional capital of $2,018,125. 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 fifteen percent (15%) per annum and the principal and accrued interest is due and payable no later than December 1, 2018. 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. As of December 31, 2019, we have repaid $1,000,000 and have $80,000 as a remaining balance of these notes and accrued interest of $21,333.

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.

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 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.

Unsecured Promissory Note Investments in 2019

During year ended December 31, 2019, we issued to one of our directors, unsecured notes in the principal aggregate amount of $3,500,000, which are due and payable two years after issuance. 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 conducted the private placement of our securities in July 2019. The note holder participated in the private placement described below, by converting principal of $2,500,000 and accrued interest under the notes totaling $82,916, into 2,582,916 units of our securities. As of December 31, 2019, we have $1,000,000 as a remaining balance of these notes.

2019 Private Placement

In July 2019, we commenced a private placement of 7,000,000 units of our securities, at a price of $1.00 per unit. Each unit consists of one share of our common stock and a common stock purchase warrant to purchase one-half share of our common stock, over a two-year period, at an exercise price of $1.25 per share. The offering was conducted by our management and no commission or other selling fees were paid by us. During the year ended December 31, 2019 we issued 5,382,916 units under this placement, of which 2,582,916 units were issued in connection with a conversion of related party notes payable.

Results of Operations

Year Ended December 31, 2019 Compared to Year Ended December 31, 2018

Revenues

Revenues consist primarily of a suite of products under the Recurrency platform. The Recurrency platform is comprised of POS Data Capture, Analytics, Offers and Promotions, Predictive Offers, Personalized Receipt Promotions, Customized Mobile Messaging, Belly Loyalty , and other revenues.

Revenues for the twelve months ended December 31, 2019 were $10,056,922, a decrease of $1,499,614, or 13%, compared to $11,556,536 for the twelve months ended December 31, 2018. This decrease is primarily due to a decrease in revenue recognition from our adoption of ASC 606 as of January 1, 2018. The adoption of ASC 606 resulted in a deduction of $905,372 of revenue for the twelve months ended December 31, 2019, that we would not have realized in period under the revenue recognition standards prior to the adoption of ASC 606. The adoption of ASC 606 resulted in our realization of $2,692,692 of revenue for the twelve months ended December 31, 2018 that we would not have realized in period under the revenue recognition standards prior to the adoption of ASC 606.

The following table sets forth our unaudited quarterly consolidated revenue, adjustments under ASC 606, and revenue under the previous standard, for the years ended December 31, 2018 and 2019.

	For the Quarters Ended 2019			
	December 31	September 30	June 30	March 31
Revenues, as reported	$ 2,723,478	$ 2,481,986	$ 2,434,841	$ 2,416,617
Adjustments under ASC 606	254,662	262,187	262,187	126,336
Revenues under previous standard	$ 2,978,140	$ 2,744,173	$ 2,697,028	$ 2,542,953

	For the Quarters Ended 2018			
	December 31	September 30	June 30	March 31
Revenues, as reported	$ 1,935,601	$ 4,561,368	$ 1,366,239	$ 3,693,328
Adjustments under ASC 606	938,514	(2,188,590)	206,115	(1,648,731)
Revenues under previous standard	$ 2,874,115	$ 2,372,778	$ 1,572,354	$ 2,044,597

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 twelve months ended December 31, 2019 was $5,938,298, an increase of $2,005,964, or 51%, compared to $3,932,334 for the twelve months ended December 31, 2018. This increase is primarily due to higher SMS/MMS messages sent during the period and higher application costs associated with messaging fees and surcharges charged by text messaging carriers.

The gross profit margin was also impacted by adjustments to revenue under ASC 606. The gross profit margin was 41% and 66% for the for the twelve months ended December 31, 2019 and 2018, respectively. The gross profit margin was 46% and 56% for the twelve months ended December 31, 2019 and 2018, respectively, when adjusted for ASC 606 revenues. For the for the twelve months ended December 31, 2019 we excluded $905,372 of revenues under ASC 606. For the for the twelve months ended December 31, 2018 we included an additional $2,692,692 of revenues under ASC 606.

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 for the twelve months ended December 31, 2019 were $5,588,329, an increase of $1,432,693, or 34%, compared to $4,155,636 for the twelve months ended December 31, 2018. The increase in general and administrative expense was primarily due to an increase in personnel, legal fees, and stock-based compensation expenses.

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 for the twelve months ended December 31, 2019 were $2,707,356, a decrease of $1,224,113, or 31%, compared to $3,931,469 for the twelve months ended December 31, 2018. The decrease was primarily due to lower personnel and share based compensation expenses.

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 for the twelve months ended December 31, 2019 were $3,609,968, a decrease of $103,819, or 3%, compared to $3,713,787 for the twelve months ended December 31, 2018. The decrease in engineering, research, and development expense was primarily due to a decrease in expenses related to the adoption of ASC 606.

Goodwill Impairment

During 2019 and 2018, we recorded goodwill impairment charges of $0 and $2,288,057, respectively. The impairment charges were based on our valuation of these assets at December 31, 2019 and 2018. In the fourth quarter of 2018, through our annual testing of goodwill, we determined that this one-time, non-cash impairment was required. This non-cash impairment charge does not impact our ability to generate cash flow in the future and it is not tax deductible.

Depreciation and Amortization Expense

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

Depreciation and amortization expenses for the twelve months ended December 31, 2019 were $600,066, an increase of $113,811, or 23%, compared to $486,255 for the twelve months ended December 31, 2018. This increase is primarily attributable to the increased amortization of our developed and acquired technologies.

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 for the twelve months ended December 31, 2019 was $236,706, an increase of $26,284, or 12%, compared to $210,422 for the twelve months ended December 31, 2018. The increase is primarily attributable to the interest on short and long term borrowings during the year.

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, 2019 and 2018 was $1 Canadian equals $0.75 and $0.77 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:

- 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 was a gain of $6,129 and a loss of $7,745 for the years ended December 31, 2019 and 2018, respectively.

Liquidity and Capital Resources

We have $273,599 of cash as of December 31, 2019. We had a net loss of $8.8 million for the year then ended, and we used $5.7 million of cash in our operating activities during 2019. Since December 31, 2019 and through the date of this report, we issued an unsecured note in the amount of $200,000, which is due February 2022. On March 2, 2020 we received proceeds of $234,500 in conjunction with a shareholder exercising stock warrants. This exercise was at a strike price of $1.00 in exchange for 234,500 shares of common stock. This unsecured note alleviated the doubt of a going concern for the Company. Based on our projected 2020 results and, if necessary, our ability to reduce certain variable operating expenses, we believe that our existing capital, and operations, will be sufficient to finance our operations through the first quarter of 2021.

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.

Cash Flows

	Years ended December 31,	
	2019	**2018**
Net cash provided by (used in):		
Operating activities	$ (5,740,287)	$ (4,548,912)
Investing activities	(557,233)	(3,525,151)
Financing activities	5,994,655	8,097,736
Effect of foreign currency translation on cash flow	22,209	70,523
Net change in cash	$ (280,656)	$ 94,196

Operating Activities

We used cash in operating activities totaling $5,740,287 in 2019 and $4,548,912 in 2018, respectively. The increase in cash used in operating activities in 2019 compared to 2018 was due primarily to decrease in deferred revenue from customer prepayments.

Investing Activities

Investing activities during 2019 includes $539,931 of capitalized software development costs, $5,025 of purchases related to securing new patents and $12,277 of equipment purchases. Investing activities during 2018 includes the acquisition of certain Belly assets of $3,000,000, $504,845 of capitalized software development costs, and $20,306 of equipment purchases.

Financing Activities

Financing activities for 2019 include net proceeds from the sale of common stock units of $2,800,000, proceeds from related party notes payable of $3,500,000 offset by payments on notes payable of $305,345. Financing activities for 2018 include net proceeds from the sale of common stock units of $8,051,958, proceeds from notes payable of $3,095,000 offset by payments on notes payable of $3,049,222.

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.

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.

Revenue Recognition and Concentrations

Our Recurrency platform is a hosted solution. 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 through the following steps:

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

During the years ended December 31, 2019 and 2018, two customers accounted for 70% and 67% 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 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 have elected to account for forfeitures as they occur to determine the amount of compensation cost to be recognized in each period.

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.

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.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Mobivity Holdings Corp. (the Company) as of December 31, 2019 and 2018, and the related consolidated statements of operations, stockholders' equity (deficit), and cash flows for each of the years in the two-year period ended December 31, 2019, and the related notes (collectively referred to as the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, 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.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ M&K CPAS, PLLC

We have served as the Company's auditor since 2012.

Houston, TX
March 30, 2020

Mobivity Holdings Corp.
Consolidated Balance Sheets

	December 31, 2019	December 31, 2018
ASSETS		
Current assets		
Cash	$ 273,599	$ 554,255
Accounts receivable, net of allowance for doubtful accounts of $88,071 and $10,104, respectively	614,726	601,658
Contracts receivable, current	526,948	578,869
Other current assets	601,749	736,309
Total current assets	2,017,022	2,471,091
Goodwill	496,352	537,550
Right to use lease assets	260,645	-
Intangible assets, net	1,762,211	1,781,448
Contracts receivable, long term	1,260,371	2,113,823
Other assets	67,787	527,146
TOTAL ASSETS	**$ 5,864,388**	**$ 7,431,058**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 3,256,888	$ 1,731,628
Accrued interest	35,292	9,167
Accrued and deferred personnel compensation	244,953	350,311
Deferred revenue and customer deposits	440,309	1,956,938
Related party notes payable, net - current maturities	140,700	131,392
Notes payable, net - current maturities	540,576	1,148,198
Operating lease liability	258,343	-
Other current liabilities	308,465	723,636
Total current liabilities	5,225,526	6,051,270
Non-current liabilities		
Related party notes payable, net - long term	1,000,000	-
Notes payable, net - long term	567,529	194,328
Operating lease liability	45,460	-
Other long term liabilities	740,218	860,500
Total non-current liabilities	2,353,207	1,054,828
Total liabilities	7,578,733	7,106,098
Commitments and Contingencies (See Note 9)		
Stockholders' equity		
Common stock, $0.001 par value; 100,000,000 shares authorized; 51,380,969 and 45,998,053, shares issued and outstanding	51,381	45,998
Equity payable	100,862	100,862
Additional paid-in capital	94,781,738	88,008,473
Accumulated other comprehensive loss	8,780	4,759
Accumulated deficit	(96,657,106)	(87,835,132)
Total stockholders' equity	(1,714,345)	324,960
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 5,864,388**	**$ 7,431,058**

See accompanying notes to consolidated financial statements.

Mobivity Holdings Corp.
Consolidated Statements of Operations

	For the Year Ended December 31, 2019	For the Year Ended December 31, 2018
Revenues		
Revenues	$ 10,056,922	$ 11,556,536
Cost of revenues	5,938,298	3,932,334
Gross profit	4,118,624	7,624,202
Operating expenses		
General and administrative	5,588,329	4,155,636
Sales and marketing	2,707,356	3,931,469
Engineering, research, and development	3,609,968	3,713,787
Goodwill impairment	-	2,288,057
Depreciation and amortization	600,066	486,255
Total operating expenses	12,505,719	14,575,204
Income (loss) from operations	**(8,387,095)**	**(6,951,002)**
Other income/(expense)		
Interest income	28,160	4,145
Interest expense	(236,706)	(210,422)
Loss on sale of fixed assets	-	(8,722)
Loss on conversion of debt	(232,462)	(41,903)
Foreign currency gain (loss)	6,129	(7,745)
Total other income/(expense)	**(434,879)**	**(264,647)**
Income (loss) before income taxes	**(8,821,974)**	**(7,215,649)**
Income tax expense	-	-
Net Income (loss)	**(8,821,974)**	**(7,215,649)**
Other comprehensive income (loss), net of income tax		
Foreign currency translation adjustments	4,021	70,523
Comprehensive income (loss)	**$ (8,817,953)**	**$ (7,145,126)**
Net income (loss) per share:		
Basic and Diluted	**$ (0.18)**	**$ (0.17)**
Weighted average number of shares:		
Basic and Diluted	**47,720,507**	**42,133,368**

See accompanying notes to consolidated financial statements.

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

	Common Stock		Equity	Additional	Accumulated Other	Accumulated	Total Stockholders'
	Shares	Dollars	Payable	Paid-in Capital	Comprehensive Loss	Deficit	Equity(Deficit)
Balance, December 31, 2017	**37,025,140**	**$ 37,025**	**$ 100,862**	**$ 77,910,842**	**$ (65,764)**	**$ (80,619,483)**	**$ (2,636,518)**
Issuance of common stock for cash	5,775,000	5,775	-	5,769,225	-	-	5,775,000
Issuance of common stock for warrant conversion	2,102,804	2,103	-	2,253,358	-	-	2,255,461
Issuance of common stock for debt conversion	1,047,583	1,048	-	1,088,439	-	-	1,089,487
Issuance of common stock for cashless warrant conversion	10,234	10	-	(10)	-	-	-
Issuance of common stock for options exercised	37,292	37	-	21,458	-	-	21,495
Stock based compensation	-	-	-	965,161	-	-	965,161
Foreign currency translation adjustment	-	-	-	-	70,523	-	70,523
Net loss	-	-	-	-	-	(7,215,649)	(7,215,649)
Balance, December 31, 2018	**45,998,053**	**$ 45,998**	**$ 100,862**	**$ 88,008,473**	**$ 4,759**	**$ (87,835,132)**	**$ 324,960**
Issuance of common stock for cash	2,800,000	2,800	-	2,797,200	-	-	2,800,000
Issuance of common stock for debt conversion	2,582,916	2,583	-	2,812,795	-	-	2,815,378
Stock based compensation	-	-	-	1,163,270	-	-	1,163,270
Foreign currency translation adjustment	-	-	-		4,021	-	4,021
Net loss	-	-	-	-	-	(8,821,974)	(8,821,974)
Balance, December 31, 2019	**51,380,969**	**$ 51,381**	**$ 100,862**	**$ 94,781,738**	**$ 8,780**	**$ (96,657,106)**	**$ (1,714,345)**

See accompanying notes to consolidated financial statements.

Mobivity Holdings Corp.
Consolidated Statements of Cash Flows

	For the Year Ended December 31,	
	2019	2018
OPERATING ACTIVITIES		
Net loss	$ (8,821,974)	$ (7,215,649)
Adjustments to reconcile net loss to net cash used in operating activities:		
Bad debt expense	103,284	33,477
Loss on conversion of debt	232,462	41,903
Amortization of deferred financing costs	-	-
Stock-based compensation	1,163,270	965,161
Loss on disposal of fixed assets	-	8,722
Depreciation and amortization expense	600,066	425,247
Goodwill impairment	-	2,288,057
Adjustments due to ASC 606	464,510	(1,209,823)
Increase (decrease) in cash resulting from changes in:		
Accounts receivable	(115,288)	249,479
Other current assets	569,430	(946,448)
Operating lease assets/liabilities	14,887	-
Other assets	8,615	-
Accounts payable	1,581,238	582,700
Accrued interest	109,041	120,304
Accrued and deferred personnel compensation	(96,790)	(244,874)
Other liabilities - non-current	(31,028)	(157,630)
Other liabilities - current	(5,178)	(17,550)
Deferred revenue and customer deposits	(1,516,832)	528,012
Net cash used in operating activities	**(5,740,287)**	**(4,548,912)**
INVESTING ACTIVITIES		
Purchases of equipment	(12,277)	(20,306)
Acquisition of Belly	-	(3,000,000)
Cash paid for patent	(5,025)	-
Capitalized software development costs	(539,931)	(504,845)
Net cash used in investing activities	**(557,233)**	**(3,525,151)**
FINANCING ACTIVITIES		
Payments on notes payable	(305,345)	(3,049,222)
Proceeds from related party notes payable	3,500,000	-
Proceeds from notes payable	-	3,095,000
Proceeds from issuance of common stock, net of issuance costs	2,800,000	8,051,958
Net cash provided by financing activities	**5,994,655**	**8,097,736**
Effect of foreign currency translation on cash flow	22,209	70,523
Net change in cash	**(280,656)**	**94,196**
Cash at beginning of period	**554,255**	**460,059**
Cash at end of period	**$ 273,599**	**$ 554,255**
Supplemental disclosures:		
Cash paid during period for:		
Interest	$ 210,581	$ 210,422
Non cash investing and financing activities:		
Issuance of common stock for cashless exercise	$ -	$ 10
Issuance of common stock for debt conversion	$ 2,582,916	$ 1,047,584
Lease adoption	$ 538,740	$ -

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

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.

Mobivity's Recurrency platform enables multi-unit retailers to leverage the power of their own data to yield maximum customer spend, frequency and loyalty while achieving the highest Return on Marketing Spend (ROMS) possible. Mobivity's customers use Recurrency to:

- Transform messy point-of-sale (POS) data collected from thousands of points of sale into usable intelligence.
- Measure, predict, and boost guest frequency and spend by channel.
- Deploy and manage one-time use offer codes and attribute sales accurately across every channel, promotion and media program.
- Deliver 1:1 promotions and offers with customized Mobile Messaging, Personalized Receipt Promotions and Integrated Loyalty programs.

Mobivity's Recurrency, delivered as a SaaS platform, is used by leading brands including Subway, Sonic Drive-In, Baskin Robbins, Chick-fil-A and Checkers/Rally's across more than 40,000 retail locations globally.

We're living in a data-driven economy. In fact, by 2003 — when the concept of "big data" became common vernacular in marketing- as much data was being created every two day as had been created in all of time prior to 2003. Today, Big Data has grown at such a rate that 90% of the world's data has been created in the past two years. Unfortunately, despite there being so much data accumulated, only one percent of data is being utilized today by most businesses.

The challenge for multi-unit retailers isn't that they don't have enough data; in fact, national retailers are collecting millions of detailed transactions daily from thousands of points of sale around the world. The challenge is being able to make sense of this transaction data, which is riddled with data entry errors, collected by multiple POS systems and complicated by a taxonomy compiled by thousands of different franchisee owners. To normalize such an overwhelming amount of data into usable intelligence and then leverage it to optimize media investment and promotion strategy requires numerous teams of data analysts and data scientists that many retailers and restaurant operators simply don't have. Which is why so many technology and data companies, that can help solve these challenges, have been invested in and acquired by brands including, McDonald's, Starbucks and Yum Brands.

Mobivity's Recurrency platform fills this need with a self-service SaaS offering, enabling operators to intelligently optimize their promotions, media and marketing spend. Recurrency drives system-wide sales producing on average a 13% increase in guest spend and a 26% improvement in frequency, ultimately delivering an average Return on Marketing Spend of 10X. In other words, for every dollar invested in marketing, retailers using Recurrency to manage, optimize and deliver multi-channel consumer promotions generate an average of ten dollars in *incremental* revenue from their customers.

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

Liquidity

We have $273,599 of cash as of December 31, 2019. We had a net loss of $8.8 million for the year then ended, and we used $5.7 million of cash in our operating activities during 2019. Since December 31, 2019 and through the date of this report, we issued an unsecured note in the amount of $200,000, which is due February 2022. On March 2, 2020 we received proceeds of $234,500 in conjunction with a shareholder exercising stock warrants. This exercise was at a strike price of $1.00 in exchange for 234,500 shares of common stock. This unsecured note alleviated the doubt of a going concern for the Company. Based on our projected 2020 results and, if necessary, our ability to reduce certain variable operating expenses, we believe that our existing capital, and operations, will be sufficient to finance our operations through the first quarter of 2021.

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, 2019, and 2018, we recorded an allowance for doubtful accounts of $88,071 and $10,104, 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, 2019, we had two customer whose balance represented 53% of total accounts receivable. As of December 31, 2018, we had one customer whose balance represented 34% 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 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, 2019 and 2018. As a result of these tests, we recorded impairment charges to our goodwill of $0 and $2,288,057 for the years ended December 31, 2019 and 2018, 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, 2019 and 2018 resulted in no impairment charges.

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. 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, 2019 and 2018 resulted in no impairment charges.

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.

Going Concern Assumption

These financial statements are prepared on a going concern basis. This requires management to evaluate whether it is probable that known conditions or events, considered in the aggregate, would raise substantial doubt about the entity’s ability to continue as a going concern within one year after the date that the financial statements are issued. If such conditions or events are identified, the standard requires management's mitigation plans to alleviate the doubt or a statement of the substantial doubt about the entity's ability to continue as a going concern to be disclosed in the financial statements. During management's evaluation, substantial doubt was raised about the entity's ability to continue as a going concern. As a result of this evaluation, the Company has undertaken financing efforts (as further described in Note 16) to provide continuing financial support so that the Company is able to pay its debts as and when they fall due. Management has concluded that the doubt raised has been alleviated by the additional financing.

Revenue Recognition and Concentrations

Our Recurrency platform is a hosted solution. 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.

During the years ended December 31, 2019 and 2018, two customers accounted for 70% and 67% 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 $40,993 and $88,569 for years ended December 31, 2019 and 2018, respectively. We also include the cost of attending trade shows under marketing expense. We recorded $139,392 and $127,827 of expense related to those activities for the years ended December 31, 2019 and 2018, 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, 2019 and 2018 which were excluded from the calculation because their effect was anti-dilutive.

	December 31,	
	2019	2018
Outstanding employee options	5,781,884	5,012,218
Outstanding restricted stock units	1,152,248	662,800
Outstanding warrants	3,358,459	2,087,060
	10,292,591	7,762,078

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 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. This guidance was effective for the Company for its fiscal year beginning January 1, 2018. The Company adopted the modified retrospective approach to initially apply the update and recognize the remaining contract value at the date of application.

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 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 is reflected in these financial statements.

2. Acquisitions

We completed the following acquisition 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.

***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 have agreed to purchase from Belly, and Belly has agreed to sell to us, 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 is expected to take place on or about November 14, 2018, subject to usual and customary closing conditions. We intended to finance 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 in addition to the monthly payment of accrued interest. The loan is secured by all of our assets other than our intellectual property.

The acquisition was accounted for as an acquisition of asset 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:

Estimated Tangible and Intangible Net Assets	
Accounts receivable, net	$ 9,400
Property and equipment	21,522
Other current assets & Prepaid expenses	18,009
IP/Technology/Patents	991,300
Goodwill	2,022,489
Total identifiable assets acquired	3,062,720
Liabilities assumed	(62,720)
Net assets acquired	$ 3,000,000

The purchase price consisted of $3,000,000 of cash on hand.

The following information presents unaudited pro forma consolidated results of operations for the years ended December 31, 2018, as if the Belly asset acquisition described above had occurred on January 1, 2017. 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 Combined Statement of Operations

For the Year Ended December 31, 2018

	Mobivity	Belly	Pro Forma Combined
Revenues			
Revenues	$ 11,556,536	$ 2,374,846	$ 13,931,382
Cost of revenues	3,932,334	658,999	4,591,333
Gross profit	7,624,202	1,715,847	9,340,049
Operating expenses			
General and administrative	4,197,539	542,136	4,739,675
Sales and marketing	3,931,469	71,543	4,003,012
Engineering, research, and development	3,713,787	64,699	3,778,486
Goodwill impairment	2,288,057	-	2,288,057
Depreciation and amortization	486,255	18,926	505,181
Total operating expenses	14,617,107	697,304	15,314,411
Income (loss) from operations	**(6,992,905)**	**1,018,543**	**(5,974,362)**
Other income/(expense)			
Interest income	4,145	-	4,145
Interest expense	(210,422)	-	(210,422)
Gain on sale of fixed assets	(8,722)	-	(8,722)
Other income	-	20,678	20,678
Foreign currency (loss) gain	(7,745)	-	(7,745)
Total other income/(expense)	**(222,744)**	**20,678**	**(202,066)**
Income (loss) before income taxes	**(7,215,649)**	**1,039,221**	**(6,176,428)**
Income tax expense	-	-	-
Net Income (loss)	**(7,215,649)**	**1,039,221**	**(6,176,428)**
Other comprehensive income (loss), net of income tax			
Foreign currency translation adjustments	70,523	-	70,523
Comprehensive income (loss)	**$ (7,145,126)**	**$ 1,039,221**	**$ (6,105,905)**
Net loss per share:			
Basic and diluted	**$ (0.17)**		**$ (0.15)**
Weighted average number of shares:			
Basic and diluted	**42,133,368**		**42,133,368**

3. New Accounting Standards

Revenue from Contracts with Customers.

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09, *Revenue from Contracts with Customers ("ASC 606")*, which creates a single source of revenue guidance under U.S. GAAP for all companies in all industries and replaces most existing revenue recognition guidance in U.S. GAAP. Under the new standard, revenue is recognized when a customer obtains control of promised goods or services and is recognized in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services.

Our transition to ASC 606 represents a change in accounting principle. ASC 606 eliminates industry-specific guidance and provides a single revenue recognition model for recognizing revenue from contracts with customers. The core principle of ASC 606 is that a reporting 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 reporting entity expects to be entitled for the exchange of those goods or services.

The Company adopted the new standard in the first quarter of its fiscal 2018, using the modified retrospective method. The Company implemented internal controls and key system functionality to enable the preparation of financial information on adoption. The most significant impact of the adoption of ASC 606 to the Company relates to the acceleration of revenue recognition for sale of custom products subject to non-cancellable customer purchase orders.

The new standard will primarily impact the Company's revenue recognition for software arrangements. In this area, the new standard will accelerate the recognition of revenue. The table below details both the current and expected revenue recognition timing in these areas:

Software arrangements:	Past revenue standard	New ASC 606 revenue standard
Perpetual software licenses	Upfront	Upfront
Enterprise license agreements	Ratable	Upfront
Software support	Ratable	Ratable
SaaS	Ratable	Ratable

The adoption of ASC 606 has an impact on the Company's Consolidated Statements of Operations and Consolidated Balance Sheets but has no impact on cash provided by or used in operating, financing, or investing activities on the Consolidated Statements of Cash Flows.

Financial Statement Impact of Transition to ASC 606

As noted above, we transitioned to ASC 606 using the modified retrospective method on January 1, 2018. The cumulative effect of this transition to applicable contracts with customers that were not completed as of January 1, 2018 was recorded as an adjustment to stockholders' equity as of that date. As a result of applying the modified retrospective method to transition to ASC 606, the following adjustments were made to the consolidated balance sheet as of January 1, 2018:

	December 31, 2017 As Reported	Adjustments due to ASC 606	Adjusted January 1, 2018
ASSETS			
Current assets			
Cash	$ 460,059	$ -	$ 460,059
Accounts receivable, net of allowance for doubtful accounts of $2,280	885,743	544,599	1,430,342
Other current assets	209,536	-	209,536
Total current assets	1,555,338	544,599	2,099,937
Goodwill	803,118	-	803,118
Intangible assets, net	676,436	-	676,436
Accounts receivable, long term	-	424,023	424,023
Other assets	88,916	-	88,916
TOTAL ASSETS	**$ 3,123,808**	**$ 968,622**	**$ 4,092,430**
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities			
Accounts payable	$ 1,096,003	$ -	$ 1,096,003
Accrued interest	1,168	-	1,168
Accrued and deferred personnel compensation	590,500	-	590,500
Deferred revenue and customer deposits	1,429,266	-	1,429,266
Notes payable, net - current maturities	2,236,224	-	2,236,224
Other current liabilities	226,355	191,121	417,476
Total current liabilities	5,579,516	191,121	5,770,637
Non-current liabilities			
Notes payable, net - long term	180,810	-	180,810
Other long term liabilities	-	150,477	150,477
Total non-current liabilities	180,810	150,477	331,287
Total liabilities	5,760,326	341,598	6,101,924
Commitments and Contingencies (See Note 9)			
Stockholders' equity			
Common stock, $0.001 par value; 100,000,000 shares authorized; 37,025,140 and 37,025,140, shares issued and outstanding	37,025	-	37,025
Equity payable	100,862	-	100,862
Additional paid-in capital	77,910,842	-	77,910,842
Accumulated other comprehensive loss	(65,764)	-	(65,764)
Accumulated deficit	(80,619,483)	627,024	(79,992,459)
Total stockholders' equity	(2,636,518)	627,024	(2,009,494)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 3,123,808**	**$ 968,622**	**$ 4,092,430**

The following tables reflect the impact of adoption of ASC 606 on our condensed consolidated statements of operations for the year ended December 31, 2018 and our condensed consolidated balance sheet as of December 31, 2018 and the amounts as if the Previous Standards were in effect ("Amounts Under Previous Standards"):

Condensed Consolidated Statement of Operations

	Twelve Months Ended December 31, 2018		
	As reported	Total Adjustments Under ASC 606	Amounts Under Previous Standards
Revenues			
Revenues	$ 11,556,536	$ 2,692,692	$ 8,863,844
Cost of revenues	3,932,334	-	3,932,334
Gross profit	7,624,202	2,692,692	4,931,510
Operating expenses			
General and administrative	4,155,636	148,287	4,007,349
Sales and marketing	3,931,469	-	3,931,469
Engineering, research, and development	3,713,787	1,334,582	2,379,205
Depreciation and amortization	486,255	-	486,255
Total operating expenses	12,287,147	1,482,869	10,804,278
Income (loss) from operations	**(4,662,944)**	**1,209,823**	**(5,872,768)**
Other income/(expense)			
Interest income	4,145	-	4,145
Interest expense	(210,422)	-	(210,422)
Goodwill impairment	(2,288,057)	-	(2,288,057)
Loss on sale of fixed assets	(8,722)		(8,722)
Loss on conversion of debt	(41,903)		(41,903)
Foreign currency loss	(7,745)	-	(7,745)
Total other income/(expense)	**(2,552,704)**	**-**	**(2,552,704)**
Income (loss) before income taxes	**(7,215,649)**	**1,209,823**	**(8,425,472)**
Income tax expense	-	-	-
Net income (loss)	**(7,215,649)**	**1,209,823**	**(8,425,472)**
Other comprehensive income (loss), net of income tax			
Foreign currency translation adjustments	70,523	-	70,523
Comprehensive income (loss)	**$ (7,145,126)**	**$ 1,209,823**	**$ (8,354,949)**
Net income (loss) per share:			
Basic	**$ (0.17)**	**$ 0.03**	**$ (0.20)**
Weighted average number of shares outstanding:			
Basic	**42,133,368**	**42,133,368**	**42,133,368**

Condensed Consolidated Balance Sheet

	December 31, 2018 As Reported	Total Adjustments Under ASC 606	Amounts Under Previous Standards
ASSETS			
Current assets			
Cash	$ 554,255	$ -	$ 554,255
Accounts receivable, net of allowance for doubtful accounts of $9,828	601,658	-	601,658
Contracts receivable, current	578,869	(578,869)	-
Other current assets	736,309	-	736,309
Total current assets	2,471,091	(578,869)	1,892,222
Goodwill	537,550	-	537,550
Intangible assets, net	1,781,448	-	1,781,448
Contracts receivable, long term	2,113,823	(2,113,823)	-
Other assets	527,146	-	527,146
TOTAL ASSETS	**$ 7,431,058**	**$ (2,692,692)**	**$ 4,738,366**
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities			
Accounts payable	$ 1,731,628	$ -	$ 1,731,628
Accrued interest	9,167	-	9,167
Accrued and deferred personnel compensation	350,311	-	350,311
Deferred revenue and customer deposits	1,956,938	-	1,956,938
Notes payable, net - current maturities	1,279,590	-	1,279,590
Other current liabilities	723,636	(622,369)	101,267
Total current liabilities	6,051,270	(622,369)	5,428,901
Non-current liabilities			
Notes payable, net - long term	194,328	-	194,328
Other long term liabilities	860,500	(860,500)	
Total non-current liabilities	1,054,828	(860,500)	194,328
Total liabilities	7,106,098	(1,482,869)	5,623,229
Commitments and Contingencies (See Note 9)			
Stockholders' equity			
Common stock, $0.001 par value; 100,000,000 shares authorized; 45,998,053 and 45,998,053, shares issued and outstanding	45,998	-	45,998
Equity payable	100,862	-	100,862
Additional paid-in capital	88,008,473	-	88,008,473
Accumulated other comprehensive loss	4,759	-	4,759
Accumulated deficit	(87,835,132)	(1,209,823)	(89,044,955)
Total stockholders' equity	324,960	(1,209,823)	(884,863)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 7,431,058**	**$ (2,692,692)**	**$ 4,738,366**

4. Goodwill and Intangible Assets

Goodwill

The following table presents goodwill and impairment for the years ended December 31, 2019 and 2018:

	Goodwill
December 31, 2017	$ 803,118
Acquired	2,022,489
Impairment	(2,288,057)
December 31, 2018	537,550
Acquired	(41,198)
Impairment	-
December 31, 2019	$ 496,352

We conducted our annual impairment test of goodwill as of December 31, 2019 and 2018, which resulted in impairment charges of $0 and $2,288,057, respectively.

Intangible assets

The following table presents components of identifiable intangible assets for the years ended December 31, 2019 and 2018:

	December 31, 2019				December 31, 2018			
	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	$ 183,583	$ (113,730)	$ 69,853	14	$ 177,944	$ (72,957)	$ 104,987	15
Customer and merchant relationships	2,321,112	(1,581,876)	739,236	10	2,343,112	(1,507,024)	836,088	10
Trade name	197,924	(147,192)	50,732	10	197,868	(137,872)	59,996	10
Acquired technology	684,540	(539,748)	144,792	10	684,540	(523,448)	161,092	10
Non-compete agreement	79,299	(18,368)	60,931	2	79,299	(2,508)	76,791	2
	$ 3,466,458	$ (2,400,914)	$ 1,065,544		$ 3,482,763	$ (2,243,809)	$ 1,238,954	

During the years ended December 31, 2019 and 2018, we recorded amortization expense related to our intangible assets of $178,653 and $63,795, respectively, which is included in depreciation and amortization in the consolidated statement of operations.

During the years ended December 31, 2019 and 2018, we recorded no impairment charges related to our intangible assets.

Expected future intangible asset amortization as of December 31, 2019 is as follows:

Year ending December 31,	Amount
2020	$ 150,737
2021	148,045
2022	147,868
2023	145,359
2024	108,764
Thereafter	364,771
Total	$ 1,065,544

5. 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, 2019 and 2018:

December 31, 2019				December 31, 2018			
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)
$ 2,245,811	$ (1,549,144)	$ 696,667	2	$ 1,781,902	$ (1,239,408)	$ 542,494	2
$ 2,245,811	$ (1,549,144)	$ 696,667		$ 1,781,902	$ (1,239,408)	$ 542,494	

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, 2019 and 2018, we recorded amortization expense for software development costs of $309,736 and $326,631, respectively which is included in depreciation and amortization in the consolidated statement of operations.

During the years ended December 31, 2019 and 2018, we recorded no impairment charges related to our software development costs.

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

Year ending December 31,	Amount
2019	$ 479,188
2020	217,092
2021	398
2022	-
2023	-
Thereafter	-
Total	$ 696,667

6. Operating Lease Assets

Adoption of Accounting Standards Codification ("ASC") Topic 842, "Leases." The Company 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 December 31, 2019:

Leases	Classification	Amount
Assets		
Operating lease assets	Operating lease assets	$ 260,645
Total lease assets		$ 260,645
Liabilities		
Current		
Operating lease liabilities	Operating lease liabilities	$ 258,343
Noncurrent		
Operating lease liabilities	Noncurrent operating lease liabilities	$ 45,460
Total lease liabilities		$ 303,803

During the year ended December 31, 2019, we recorded amortization expense of $4,419 related to the accretion of the lease liability, which is included in depreciation and amortization in the consolidated statement of operations.

Rent expense was $320,496 and $416,080 for the years ended December 31, 2019 and 2018, respectively.

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:

Year ending December 31,		Amount
2020	$	270,982
2021		35,748
2022		11,916
2023		-
2024		-
Thereafter		-
Total future lease payments		318,646
Less: imputed interest		(14,843)
Total	$	303,803

Weighted Average Remaining Lease Term (years)	
Operating leases	1.34
Weighted Average Discount Rate	
Operating leases	6.75%

7. Notes Payable and Interest Expense

Notes Payable

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

Facility	Maturity	Interest Rate		Balance at December 31, 2019		Balance at December 31, 2018
BDC Term Loan	October 15, 2021	25 %	$	224,307	$	252,837
ACOA Note	May 1, 2021	-		117,131		141,081
Wintrust Bank	November 1, 2021	Prime + 1.5 %		766,667		1,000,000
Related Party Note	March 31, 2020	15 %		1,140,700		80,000
Total Debt				2,248,805		1,473,918
Less current portion				(681,276)		(1,279,590)
Long-term debt, net of current portion			$	1,567,529	$	194,328

Principal payments on notes payables are due as follows:

Year ending December 31,	Amount
2020	$ 681,276
2021	1,521,070
2022	37,971
2023	8,488
2024	-
Thereafter	-
Total future debt payments	**2,248,805**

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, 2018, the company recorded $856 of amortization expense. As of December 31, 2018, the company has $0 of debt issuance costs remaining. On January 8, 2018, 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. Under this amendment the interest rate on the loan increases to 20%.

On July 26, 2019, Livelenz, 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 October 15, 2021. In accordance with the amendment, the Company will commence monthly payments beginning on August 15, 2019 of principal in the amount of $8,500 in addition to the monthly payment of accrued interest. These payments increase to $10,000 on November 15, 2019, $12,000 on May 15, 2020, $14,000 on November 15, 2020 and $16,000 on May 15, 2021 in addition to the monthly interest.

ACOA Note

On November 6, 2017, 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, 2023. The monthly principal payment amount of $3,000 increased to $3,500 beginning on November 1, 2019, $4,000 on November 1, 2020, $4,500 on November 1, 2021 and $2,215 during the remaining term of the agreement.

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 $47,287 as of December 31, 2017 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, 2018, the company recorded $27,393 of amortization expense. As of December 31, 2018, the company has $0 of debt issuance costs remaining.

Bridge Loan Promissory Note

On April 19, 2018, the Company entered into a bridge financing agreement ("Promissory Note") for up to $1,000,000. The Promissory Note carries an interest rate of 2% per thirty days and a facility fee of 1% of the maximum loan amount. Under this agreement the note automatically renews every thirty days until paid in full. As of September 30, 2018, this Promissory Note has been paid off and closed.

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 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. As of December 31,2019, we did not comply with our debt service coverage ratio covenant under this Loan.

Related Party Notes

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 fifteen percent (15%) per annum and the principal and accrued interest is due and payable no later than December 1, 2018. 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. As of December 31, 2019, we have repaid $1,000,000 and have $80,000 as a remaining balance of these notes plus accrued interest for $21,333.

During the year ended December 31, 2019 we issued unsecured notes in the principle aggregate amount of $3,500,000, which become due two years after the date of issuance. 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.

On July 2, 2019 $2,500,000 this note and the accrued interest of $82,916 was converted into equity and we recorded a loss on conversion of debt of $232,462 for the year ended December 31, 2019. As of December 31, 2019, we have a principal balance of $1,000,000 and accrued interest of $13,958 outstanding.

Interest Expense

The following table summarizes interest expense for the years ended December 31, 2019 and 2018:

	December 31,	
	2019	2018
Interest expense	$ 236,706	$ 210,422
Total interest expense	$ 236,706	$ 210,422

8. Common Stock and Equity Payable

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

In July 2019, the Company commenced a private placement of its common stock units, with each unit consisting of one share of our common stock and a warrant to purchase to one-half share of our common stock at an exercise price of $1.25 per share at an offering price of $1.00 per unit. As of December 31, 2019, the Company had sold 2,800,000 units of its common stock for gross proceeds of $2,800,000. In addition, the Company issued 2,582,916 units of its common stock associated with the conversion of $2,500,000 of principal, $82,916 of accrued interest, and a loss on conversion of $232,462 (See Note 7).

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

9. 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, 2019, 5,781,884 shares were authorized under the plans and 30,728,202 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 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, 2019 and 2018:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term(Years)	Aggregate Intrinsic Value
Outstanding at December 31, 2017	6,818,948	$ 1.06	8.12	$ 209,690
Granted	855,000	$ 1.25	-	$ -
Exercised	(37,292)	0.57		
Forfeit/canceled	(1,566,589)	$ 0.74	-	$ -
Expired	(1,082,641)	$ 1.18	-	$ -
Outstanding at December 31, 2018	4,987,426	$ 1.16	7.12	$ 1,215,067
Granted	2,592,500	$ 1.01	-	$ -
Exercised	-	$ -	-	$ -
Forfeit/canceled	(923,389)	$ 1.00	-	$ -
Expired	(874,653)	$ 0.93	-	$ -
Outstanding at December 31, 2019	5,781,884	$ 1.15	7.16	$ 527,868
Expected to vest at December 31, 2019	5,781,884	$ 1.15	7.16	$ 527,868
Exercisable at December 31, 2019	3,339,437	$ 1.29	5.76	$ 343,255
Unrecognized expense at December 31, 2019	$ 1,568,273			

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, 2019, options to purchase 1,969,208 shares of common stock were in-the-money.

The weighted average grant-date fair value of options granted during the years 2019 and 2018 was $0.71 and $1.25, respectively.

2018

On January 1, 2018, the Company granted two employees a total of 10,000 options to purchase shares of the Company common stock at the closing price as of January 1, 2018 of $1.20 per share. The Option Shares will vest ratably over forty-eight (48) months and are exercisable until January 1, 2028. The total estimated value using the Black-Scholes Model, based on a volatility rate of 104.04% and an option fair value of $.97 was $9,729.

On January 8, 2018, the Company granted one employee a total of 50,000 options to purchase shares of the Company common stock at the closing price as of January 8, 2018 of $1.20 per share. The Option Shares will vest ratably over forty-eight (48) months and are exercisable until January 8, 2028. The total estimated value using the Black-Scholes Model, based on a volatility rate of 104.06% and an option fair value of $.97 was $48,682.

On January 29, 2018, the Company granted one employee a total of 20,000 options to purchase shares of the Company common stock at the closing price as of January 29, 2018 of $1.03 per share. The Option Shares will vest ratably over forty-eight (48) months and are exercisable until January 29, 2028. The total estimated value using the Black-Scholes Model, based on a volatility rate of 103.49% and an option fair value of $.83 was $16,690.

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 15, 2018, the Company granted one employee a total of 100,000 options to purchase shares of the Company common stock at the closing price as of February 15, 2018 of $1.12 per share. The Option Shares will vest ratably over forty-eight (48) months and are exercisable until February 15, 2028. The total estimated value using the Black-Scholes Model, based on a volatility rate of 103.60% and an option fair value of $.91 was $90,904.

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 101.94% and an option fair value of $.88 was $265,575.

On April 16, 2018, the Company granted one employee a total of 50,000 options to purchase shares of the Company common stock at the closing price as of April 16, 2018 of $1.06 per share. The Option Shares will vest ratably over forty-eight (48) months and are exercisable until April 16, 2028. The total estimated value using the Black-Scholes Model, based on a volatility rate of 102.07% and an option fair value of $.85 was $42,693.

On May 7, 2018, the Company granted one employee a total of 10,000 options to purchase shares of the Company common stock at the closing price as of May 7, 2018 of $0.90 per share. The Option Shares will vest ratably over forty-eight (48) months and are exercisable until May 7, 2028. The total estimated value using the Black-Scholes Model, based on a volatility rate of 101.42% and an option fair value of $.72 was $7,231.

On June 1, 2018, the Company granted one employee a total of 10,000 options to purchase shares of the Company common stock at the closing price as of June 1, 2018 of $1.12 per share. The Option Shares will vest ratably over forty-eight (48) months and are exercisable until June 1, 2028. The total estimated value using the Black-Scholes Model, based on a volatility rate of 95.44% and an option fair value of $.87 was $8,705.

2019

On January 7, 2019, the Company granted one employee a total of 10,000 options to purchase shares of the Company common stock at the closing price as of January 7, 2019 of $1.17 per share. The Option Shares will vest ratably over forty-eight (48) months and are exercisable until January 7, 2029. The total estimated value using the Black-Scholes Model, based on a volatility rate of 90.82% and an option fair value of $.88 was $8,821.

On January 21, 2019, the Company granted one employee a total of 15,000 options to purchase shares of the Company common stock at the closing price as of January 21, 2019 of $1.17 per share. The Option Shares will vest ratably over forty-eight (48) months and are exercisable until January 21, 2029. The total estimated value using the Black-Scholes Model, based on a volatility rate of 90.75% and an option fair value of $.88 was $13,239.

On February 12, 2019, the Company granted one employee a total of 150,000 options to purchase shares of the Company common stock at the closing price as of February 12, 2019 of $1.00 per share. The Option Shares will vest ratably over forty-eight (48) months and are exercisable until February 12, 2029. The total estimated value using the Black-Scholes Model, based on a volatility rate of 90.79% and an option fair value of $.75 was $113,046.

On February 18, 2019, the Company granted one employee a total of 15,000 options to purchase shares of the Company common stock at the closing price as of February 18, 2019 of $1.05 per share. The Option Shares will vest ratably over forty-eight (48) months and are exercisable until February 18, 2029. The total estimated value using the Black-Scholes Model, based on a volatility rate of 90.88% and an option fair value of $.84 was $12,537.

On February 25, 2019, the Company granted one employee a total of 50,000 options to purchase shares of the Company common stock at the closing price as of February 25, 2019 of $1.00 per share. The Option Shares will vest ratably over forty-eight (48) months and are exercisable until February 25, 2029. The total estimated value using the Black-Scholes Model, based on a volatility rate of 90.88% and an option fair value of $.75 was $37,697.

On March 11, 2019, the Company granted one employee a total of 50,000 options to purchase shares of the Company common stock at the closing price as of March 11, 2019 of $1.00 per share. The Option Shares will vest ratably over forty-eight (48) months and are exercisable until March 11, 2029. The total estimated value using the Black-Scholes Model, based on a volatility rate of 90.90% and an option fair value of $.75 was $37,688.

On May 17, 2019, the Company granted three employees a total of 1,775,000 options to purchase shares of the Company common stock at the closing price as of May 17, 2019 of $1.04 per share. The Option Shares will vest ratably over forty-eight (48) months and are exercisable until May 17, 2029. The total estimated value using the Black-Scholes Model, based on a volatility rate of 80.17% and an option fair value of $.72 was $1,283,178.

On August 21, 2019, the Company granted four employees a total of 140,000 options to purchase shares of the Company common stock at the closing price as of August 21, 2019 of $0.95 per share. The Option Shares will vest 25% on the first anniversary of the grant, then equally in 36 monthly installments thereafter and are exercisable until August 21, 2029. The total estimated value using the Black-Scholes Model, based on a volatility rate of 80.17% and an option fair value of $.65 was $91,537.

On October 21, 2019, the Company granted one employee 150,000 options to purchase shares of the Company common stock at the closing price as of October 21, 2019 of $0.98 per share. The Option Shares will vest 25% on the first anniversary of the grant, then equally in 36 monthly installments thereafter and are exercisable until October 21, 2029. The total estimated value using the Black-Scholes Model, based on a volatility rate of 74.18% and an option fair value of $.64 was $96,165.

On November 19, 2019, the Company granted twelve employees a total of 237,500 options to purchase shares of the Company common stock at the closing price as of November 19, 2019 of $0.88 per share. The Option Shares will vest 25% on the first anniversary of the grant, then equally in 36 monthly installments thereafter and are exercisable until November 19, 2029. The total estimated value using the Black-Scholes Model, based on a volatility rate of 78.70% and an option fair value of $.60 was $142,409.

Stock-based Compensation Expense

The impact on our results of operations of recording stock-based compensation expense for the years ended December 31, 2019 and 2018 was as follows:

	Years ended December 31,	
	2019	2018
General and administrative	$ 670,188	$ 311,303
Sales and marketing	74,229	225,275
Engineering, research, and development	155,475	131,334
	$ 899,892	$ 667,912

As of December 31, 2019, there was approximately $1,568,273 of unearned stock-based compensation that will be expensed from 2020 through 2024. 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, 2019 and 2018:

	Years ended December 31,	
	2019	2018
Risk-free interest rate	1.49% to 2.65%	2.24% to 3.10%
Expected life (years)	6.00	6.06
Dividend yield	-	-
Expected volatility	74.18% to 90.90%	90.88% to 104.06%

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 2019 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 as of and for the years ended December 31, 2019 and 2018:

	Shares	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at December 31, 2017	662,800	$ 0.72	0.70	$ 795,360
Awarded	-	$ -	-	$ -
Released	-	$ -	-	$ -
Canceled/forfeited/expired	-	$ -	-	$ -
Outstanding at December 31, 2018	662,800	$ 0.72	-	$ 785,418
Awarded	489,448	$ 1.04	-	$ 325,044
Released	-	$ -	-	$ -
Canceled/forfeited/expired	-	$ -	-	$ -
Outstanding at December 31, 2019	1,152,248	$ 0.86	-	$ 1,120,404
Vested at December 31, 2018	1,152,248	$ -	-	$ 1,152,248
Unvested at December 31, 2018	-	$ -	-	$ -
Unrecognized expense at December 31, 2018	$ -			

2019

On January 1, 2019, the Company issued to four independent directors a total of 222,224 restricted stock units. These restricted stock units were issued for the $260,000 of board compensation earned in 2018. 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) January 1, 2022, (B) a change in control of the Company, and (C) the termination of the director's service with the Company.

On March 31, 2019, the Company granted four independent directors a total of 72,224 restricted stock units. The units were valued at $65,001 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) March 31, 2022, (B) a change in control of the Company, and (C) the termination of the director's service with the Company.

On December 31, 2019, the Company granted four independent directors a total of 195,000 restricted stock units. The units were valued at $195,000 or $1.00 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) March 31, 2022, (B) a change in control of the Company, and (C) the termination of the director's service with the Company.

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.

Restricted Stock Unit Compensation Expense

The impact on our results of operations of recording stock-based compensation expense for years ended December 31, 2019 and 2018 was as follows:

	Years ended December 31,	
	2019	**2018**
General and administrative	$ 263,378	$ 297,249
	$ 263,378	$ 297,249

10. Warrants to Purchase Common Stock

The following table summarizes investor warrant activity as of and for the years ended December 31, 2019 and 2018:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)
Outstanding at December 31, 2017	5,134,349	$ 1.19	2.17
Granted	-	$ -	-
Exercised	(2,127,804)	$ -	-
Canceled/forfeited/expired	(894,485)	$ -	-
Outstanding at December 31, 2018	2,112,060	$ 1.19	1.17
Granted	2,691,459	$ -	-
Exercised	-	$ -	-
Canceled/forfeited/expired	(1,445,060)	$ -	-
Outstanding at December 31, 2019	3,358,459	$ 1.23	1.27

We did not record any stock-based compensation expense for the years ended December 31, 2019 and 2018, respectively in connection with the exercise of investor-based warrants.

Warrants Exercised in 2018

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 were 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 2,018,125 shares of our common stock, resulting in additional capital of $2,018,125. 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 significantly reduced the number of outstanding warrants and thereby simplified our capital structure. The warrant offer was conducted by our management and there were no commissions paid by us in connection with the solicitation.

In addition, during the twelve months ended December 31, 2018, warrant holders exercised warrants to purchase 84,679 shares of common stock at $1.20, resulting in additional capital of $101,615 and 50,000 warrants were exercised in cashless exercises resulting in the issuance of 10,234 shares of common stock.

11. Income Taxes

For the years ended December 31, 2019 and 2018 the provisions for income taxes were as follows:

	2019	2018
Federal – current	$ -	$ -
State – current	-	-
Foreign – current	-	-
Total	$ -	$ -

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, 2019 and 2018 are as follows:

		2019		2018
Deferred tax assets (liabilities):				
Net operating loss carryforwards	$	14,136,000	$	11,621,000
Stock based compensation		3,877,000		3,551,000
Accrued compensation		34,000		16,000
Depreciation and amortization		4,241,000		4,759,000
Other		5,000		20,000
Total deferred tax assets		22,293,000		19,967,000
Valuation allowance for net deferred tax assets		(22,293,000)		(19,967,000)
Total	$	-	$	-

The Company has provided a valuation allowance against deferred tax assets recorded as of December 31, 2019 and 2018 due to uncertainties regarding the realization of such assets.

The net change in the total valuation allowance for the year ended December 31, 2019 was an increase of approximately $2,326,000. The net change in the total valuation allowance for the year ended December 31, 2018 was an increase of approximately $2,088,000. 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, 2019, the Company has available net operating loss carryforwards of approximately $51,000,000 for federal income tax purposes, which will start to expire in 2026. The net operating loss carryforwards for state purposes are approximately $51,000,000 and will start to expire in 2028.

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, 2019 and 2018 was as follows:

		2019		2018
Computed expected tax expense	$	(1,853,000)	$	(1,515,000)
State taxes, net of federal benefit		(581,000)		(630,000)
Expiration of NOL carryforwards		44,000		44,000
Other		64,000		13,000
Change in valuation allowance		2,326,000		2,088,000
Total	$	-	$	-

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 $6,000,000. Since 2010 the Company has not conducted a study to assess whether a change of control has occurred or whether there have been multiple changes of control since inception due to the significant complexity and cost associated with such a study. If the Company has experienced a change of control, as defined by Section 382, at any time since 2010, utilization of the net operating loss carryforwards tax credit carryforwards would be subject to further annual limitation under Section 382. Any limitation may result in expiration of a portion of the net operating loss carryforwards before utilization.

The Company files income tax returns in the U.S. federal jurisdiction, Arizona, and California. 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, 2019, no accrued interest or penalties are recorded in the financial statements.

On December 22, 2017, the United States enacted the Tax Cuts and Jobs Act (“TCJA”), which instituted fundamental changes to the taxation of multinational corporations, including a reduction the U.S. corporate income tax rate to 21% beginning in 2018. As a result, the Company re-measured its deferred tax assets and deferred tax liabilities at the new lower corporate income tax rate and reduced its net deferred tax assets by $7,657,000, with a corresponding net adjustment to the valuation allowance of $7,657,000 for the year ended December 31, 2017.

In December 2017, the SEC staff issued Staff Accounting Bulletin No. 118 ("SAB 118") to address the application of U.S. GAAP in situations when a registrant does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the TCJA. The Company has recognized the provisional tax impacts related to the revaluation of the deferred tax assets and liabilities and included these amounts in its consolidated financial statements for the year ended December 31, 2017. The ultimate impact may differ from these provisional amounts due to, among other things, additional analysis, changes in interpretations and assumptions the Company has made, additional regulatory guidance that may be issued, and actions the Company may take as a result of the TCJA. The Company completed the accounting for all of the enacted date income tax effects of the TCJA during 2018. No adjustments were recognized to the provisional amounts recorded at December 31, 2017.

12. 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, 2019:

Description	Level 1	Level 2	Level 3	Gains (Losses)
Goodwill (non-recurring)	$ -	$ -	$ 496,532	$ -
Intangibles, net (non-recurring)	$ -	$ -	$ 1,762,211	$ -

The following table summarizes our financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2018:

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

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'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.

13. 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 August 14, 2019 we entered into a settlement agreement with mGage pursuant to which we and mGage released each other of all claims and we agreed to pay mGage $300,000 over a period of time. As of December 31, 2019, the settlement has been paid in full.

Operating Lease

As described in Note 6, 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 $19,707, to $20,140. As of December 31, 2019, we have an operating lease asset balance for this lease of $194,869 and an operating lease liability balance for this lease of $228,062 recorded in accordance with ASC 840.

The Company also has a lease through April 2022 for 3,248 square feet of office space located in Halifax, Nova Scotia, at a monthly rental expense of $2,665 to $2,979 per month, excluding common area maintenance charges. As of December 31, 2019, we have an operating lease asset balance for this lease of $65,776 and an operating lease liability balance for this lease of $75,741 recorded in accordance with ASC 840.

14. 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, 2019 and 2018, the Company made no contributions to the Plan.

15. Related Party Transactions

Unsecured Promissory Note Investments in 2018

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. The Note offer was conducted by our management and there were no commissions paid by us in connection with the solicitation. As of December 31, 2019, we have repaid $1,000,000 and have $80,000 as a remaining balance of these notes and accrued interest of $21,333.

Unsecured Promissory Note Investments in 2019

During the year ended December 31, 2019, we issued to one of our directors, unsecured notes in the principal aggregate amount of $3,500,000, which are due and payable two years after issuance. 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 conducted the private placement of our securities in July 2019. The note holder participated in the private placement by converting principal of $2,500,000 and accrued interest under the notes totaling $82,916, into 2,582,916 units of our securities. As of December 31, 2019, we have $1,000,000 as a remaining balance of these notes and accrued interest of $13,958.

16. Subsequent Events

Unsecured Promissory Note Investments in 2020

One February 26, 2020, we issued to one of our directors, unsecured notes in the principal aggregate amount of $200,000, which is due and payable two years after issuance. This note bears interest on the unpaid balance at the rate of fifteen percent (15%) per annum. The Company may prepay this note without notice, subject to a two percent (2%) pre-payment penalty.

Warrants Exercised in 2020

On March 2, 2020 one shareholder exercised 234,500 warrants in exchange for 234,500 shares of common stock. This exercise was at the strike price of $1.00 and the company received proceeds of $234,500.

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, 2019 (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 not 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, 2019 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, 2019.

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.

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, 2019, we determined that there was a control deficiency that constituted a material weakness:

(1) Due to the Company not having formal Control procedures related to the approval of related party transactions.

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, 2019, 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.

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, 2019 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

On August 30, 2019, Charles Matthews resigned from his position as Chief Financial Officer. Mr. Matthews resignation did not result from any disagreement with the Company on any matters relating to the Company's operations, policies, or practices.

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 March 15, 2020:

Name	Age	Position
Dennis Becker	46	Chief Executive Officer and Chairman of the Board
Lynn Tiscareno	41	Chief Financial Officer
John Harris	71	Lead Director and Chairman of Compensation Committee
Philip Guarascio	78	Chairman of Governance and Nominating Committee and Director
Doug Schneider	57	Director
Tom Akin	67	Chairman of Audit Committee and 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 Frontieric 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.

Lynn Tiscareno - Chief Financial Officer

On August 30, 2019 the board of directors of the Company appointed Lynn Tiscareno to serve as Chief Financial Officer of the Company. Ms. Tiscareno has served as our Controller and Vice President of Finance since June 2019 and previously served as our Controller from July 2015 to June 2018. From July 2018 to June 2019, Ms. Tiscareno served as Controller of Park Place Communities, a national real estate firm based in Phoenix, Arizona. From February 2015 to July 2015, Ms. Tiscareno served as Chief Financial Officer of Spindle, Inc., a provider of software-based commerce solutions for merchants of all sizes. Ms. Tiscareno has over 18 years of accounting experience, including two years spent as a Senior Associate with PricewaterhouseCoopers. Ms. Tiscareno received her undergraduate degree from the WP Carey School of Business at Arizona State University, where she graduated Magna

Cum Laude. Ms. Tiscareno also received an MBA from the University of Phoenix. Ms. Tiscareno is a licensed certified public accountant with the State of Arizona.

Ms. Tiscareno has extensive knowledge of Generally Accepted Accounting Principles and preparation of financial statements for a publicity traded company. As a result of these and other professional qualifications, we have concluded that Ms. Tiscareno is qualified to serve as an officer.

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 from February 2011 to February 2015. 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 board of The Hackett Group and is the head of their compensation committee..

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.

Philip 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, 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 – Chairman of the Audit Committee and 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 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 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, 2019, 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 are considered by our board of directors to be “independent” as defined in Rule 5605(a)(2) of the NASDAQ Marketplace Rules.

Audit Committee

During the year ended December 31, 2019, our audit committee was comprised of Thomas Akin, John Harris, and Doug Schneider. 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, 2019, 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, 2019, our governance and nominating committee was comprised of Phil Guarscio, John Harris and Thomas Akin. Mr. Guarascio 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, 2019 and 2018. In reviewing the table, please note that:

- Charles Mathews served as our Chief Financial Officer from March 2018 to July 2019; and
- Lynn Tiscareno has served as our Chief Financial Officer since August 2019 and previously served as our Controller from June 2019 to August 2019 and from July 2018 to June 2018.

Summary Compensation Table*

Name and Principal Position	Year	Salary	Bonus	Stock Awards(1)	Option Awards(1)	All Other Compensation	Total
Dennis Becker, Chairman & CEO	2019	$ 310,000	$ -	$ -	$ -	$ -	$ 310,000
	2018	$ 310,000	$ -	$ -	$ -	$ -	$ 310,000
LynnTiscareno, CFO	2019	$ 94,538	$ -	$ -	$ 65,384	$ -	$ 159,922
	2018	$ 80,052	$ -	$ -	$ -	$ -	$ 80,052
Charles Matthews, former CFO	2019	$ 200,949	$ -	$ -	$ -	$ -	$ 200,949
	2018	$ 149,231	$ -	$ -	$ 265,575	$ -	$ 414,806

* 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 9 to our audited consolidated financial statements contained herein.

The following table presents the outstanding option awards held by each of our named executive officers as of December 31, 2019, including the value of the options awards.

Outstanding Equity Awards at December 31, 2019*

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 & Chairman	100,000	-	$ 1.28	1/22/2025
Dennis Becker, CEO & Chairman	1,251,978	-	$ 1.80	6/17/2023
Dennis Becker, CEO & Chairman	645,834	354,166	$ 0.60	5/15/2027
Dennis Becker, CEO & Chairman	500,000	500,000	$ 1.04	5/17/2029
Lynn Tiscareno, CFO	-	100,000	$ 0.95	8/21/2029

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

Employment Agreements

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.

On May 15, 2017, the Company has granted Mr. Becker an option to purchase 1,000,000 shares of Company common stock, over a ten-year period from the date of grant, at an exercise price of $0.60 per share, representing the closing price of the Company's common stock on May 15, 2017. 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. Becker's options shall otherwise be on terms and conditions contained in the Company's current equity incentive plan.

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.

Non-Employee Director Compensation

2019 Director Compensation Table

Name	Fees Earned	Stock Awards	Option Awards	Non-Equity Incentive Plan Compensation	Deferred Compensation Earnings	All Other Compensation	Total
Doug Schneider	$ 65,000	$ -	$ -	$ -	$ -	$ -	$ 65,000
John Harris	$ 65,000	$ -	$ -	$ -	$ -	$ -	$ 65,000
Thomas Akin	$ 65,000	$ -	$ -	$ -	$ -	$ -	$ 65,000
Phil Guarascio	$ 65,000	$ -	$ -	$ -	$ -	$ -	$ 65,000

As of December 31, 2019, the Company recorded an expense of $65,000 per director related to restricted stock units for members of our board of directors for the twelve months ended December 31, 2019.

Item 12. Security Ownership of Certain Beneficial Owners and Management

The following table sets forth as of March 6, 2020, 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 March 6, 2020. 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)	2,877,315	5 %
Lynn Tiscareno (3)	-	-
Doug Schneider (4)	425,685	1 %
John Harris (5)	461,455	1 %
Phil Guarascio (6)	373,558	1 %
Thomas Akin (7)	13,656,675	26 %

Executive Officers and Directors as a Group (six persons)	17,794,688	34 %
5% Beneficial Owners		
Bruce Terker (8)	5,461,082	11 %
Cornelis F. Wit	4,027,669	8 %
Porter Partners, L.P.	3,731,612	7 %

(1) Applicable percentage of ownership is based upon 51,615,469 shares of common stock outstanding as of March 6, 2020.
(2) Includes 2,685,312 shares of common stock issuable pursuant to presently exercisable stock options, including options that will vest within 60 days of March 6, 2020.
(3) Includes no shares of common stock issuable pursuant to presently exercisable stock options, including options that will vest within 60 days of March 6, 2020.
(4) Includes 285,370 shares of common stock issuable upon settlement of restricted stock units, including restricted stock units that will vest within 60 days of March 6, 2020. Includes 74,447 shares of common stock owned of record by The Schneider Family Trust.
(5) Includes 335,623 shares of common stock issuable upon settlement of restricted stock units, including restricted stock units that will vest within 60 days of March 6, 2020.
(6) Includes 296,561 shares of common stock issuable upon settlement of restricted stock units, including restricted stock units that will vest within 60 days of March 6, 2020.
(7) Includes 6,810,036 shares of Common Stock owned of record by Talkot Fund, L.P., 234,694 shares of common stock issuable upon settlement of restricted stock units, including restricted stock units that will vest within 60 days of March 6, 2020 and 517,292 of stock warrants to purchase Common Stock.

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

Certain Relationships and Related 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 the date of this report, 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. As of December 31, 2019, we have repaid $1,000,000 and have $80,000 as a remaining balance of these notes and accrued interest of $21,333.

During the year ended December 31, 2019, we issued to one of our directors, unsecured notes in the principal aggregate amount of $3,500,000, which are due and payable two years after issuance. 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 conducted the private placement of our securities in July 2019. The note holder participated in the private placement described below, by converting principal of $2,500,000 and accrued interest under the notes totaling $82,916, into 2,582,916 units of our securities. As of December 31, 2019, we have $1,000,000 as a remaining balance of these notes and accrued interest of $13,958.

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, 2019 and 2018 by M&K CPAs, our principal auditors for such periods. All fees described below were approved by the board of directors.

	2019	2018
Audit Fees	$ 82,400	$ 65,172
Audit-Related Fees	31,650	41,100
Tax Fees	9,006	3,900
All Other Fees	-	-
Total Fees	$ 123,056	$ 110,172

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 (1)
3.2	Bylaws (1)
3.3	Amendment to Bylaws (2)
3.4	Articles of Merger filed August 6, 2012 (4)
3.5	Amendment No. 2 to the Bylaws, effective as of May 20, 2013 (8)
3.6	Amendment to Articles of Incorporation filed with the Nevada Secretary of State on November 12, 2013 (6)
4.6	Form of Common Stock Purchase Warrant issued pursuant to Securities Purchase Agreement dated March 2, 2015 (7)
10.1	Employment Agreement dated December 24, 2010 with Dennis Becker (3)**
10.4	2013 Stock Incentive Plan of the Company adopted July 18, 2013 (5) **
10.5	Securities Purchase Agreement dated June 28, 2018 between the Company and the Buyers named therein (9)
10.6	Asset Purchase Agreement dated November 14, 2018 between the Company and Belly, Inc. *
10.7	Loan and Security Agreement dated November 14, 2018 between the Company and Wintrust Bank *
21.1	List of Subsidiaries *
31.1	Certification of Dennis Becker, Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
31.2	Certification of Lynn Tiscareno, Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
32.1	Certification of Dennis Becker, Chief Executive Officer, and Lynn Tiscareno, 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 Registration Statement on Form S-1 filed with the SEC on October 20, 2008, File No. 333-154455
(2) Incorporated by reference to the Company's Current Report on Form 8-K filed December 2, 2011
(3) Incorporated by reference to the Company's Current Report on Form 8-K filed January 18, 2011
(4) Incorporated by reference to the Company's Current Report on Form 8-K filed August 10, 2012
(5) Incorporated by reference to the Company's Quarterly Report on Form 10-Q filed August 14, 2013
(6) Incorporated by reference to the Company's Quarterly Report on Form 10-Q filed November 14, 2013
(7) Incorporated by reference to the Company's Current Report on Form 8-K filed March 6, 2015
(8) Incorporated by reference to the Company's Current Report on Form 8-K filed May 24, 2013
(9) Incorporated by reference to the Company's Current Report on Form 8-K filed July 5, 2018

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 30, 2020	**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.

Signature	Title	Date
/s/ Dennis Becker	Chief Executive Officer and Chairman of the Board	March 30, 2020
/s/ Lynn Tiscareno	Chief Financial Officer	March 30, 2020
/s/ Philip Guarascio	Director	March 30, 2020
/s/ John Harris	Director	March 30, 2020
/s/ Doug Schneider	Director	March 30, 2020
/s/ Thomas Akin	Director	March 30, 2020

Exhibit 31.1

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 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: March 30, 2020

By: */s/ Dennis Becker*
Dennis Becker
Chairman and Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.1

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

I, Lynn Tiscareno, 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 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: March 30, 2020

By: */s/ Lynn Tiscareno*
Lynn Tiscareno
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 Annual Report on Form 10-K of Mobivity Holdings Corp., a Nevada corporation (the "Company"), for the period ended December 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 Lynn Tiscareno, 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 30, 2020

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

/s/ Lynn Tiscareno
Lynn Tiscareno
Chief Financial Officer
(Principal Financial and Accounting Officer)