
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2016

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

For the transition period from _____ to _____

Commission file number 000-53851

Mobivity Holdings Corp.

(Exact Name of Registrant as Specified in Its Charter)

Nevada

(State or Other Jurisdiction of
Incorporation or Organization)

26-3439095

(I.R.S. Employer
Identification No.)

55 N. Arizona Place, Suite 310

Chandler, Arizona 85225

(Address of Principal Executive Offices & Zip Code)

(877) 282-7660

(Registrant's Telephone Number)

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

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

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

Large accelerated filer

Non-accelerated filer

Accelerated filer

Smaller reporting company

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

As of November 14, 2016, the registrant had 33,058,991 shares of common stock issued and outstanding.

**MOBIVITY HOLDINGS CORP.
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Part I - Financial Information**Item 1. Financial Statements****Mobivity Holdings Corp.
Condensed Consolidated Balance Sheets**

	September 30, 2016 <u>(Unaudited)</u>	December 31, 2015 <u>(Audited)</u>
ASSETS		
Current assets		
Cash	\$ 273,539	\$ 634,129
Restricted cash	1,000,000	-
Accounts receivable, net of allowance for doubtful accounts of \$158,915 and \$237,383, respectively	723,724	700,356
Other current assets	161,021	131,345
Total current assets	2,158,284	1,465,830
Goodwill	3,046,108	1,921,072
Intangible assets, net	2,368,537	2,373,689
Other assets	130,996	173,022
TOTAL ASSETS	\$ 7,703,925	\$ 5,933,613
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 686,985	\$ 375,363
Accrued interest	4,112	-
Accrued and deferred personnel compensation	462,027	414,314
Deferred revenue and customer deposits	272,188	72,624
Notes payable	1,283,085	-
Other current liabilities	121,898	197,145
Total current liabilities	2,830,295	1,059,446
Non-current liabilities		
Notes payable	125,789	-
Total non-current liabilities	125,789	-
Total liabilities	2,956,084	1,059,446
Commitments and Contingencies (See Note 9)		
Stockholders' equity		
Common stock, \$0.001 par value; 50,000,000 shares authorized; 33,058,991 and 28,787,991, shares issued and outstanding	33,059	28,788
Equity payable	100,862	100,862
Additional paid-in capital	73,750,605	69,903,527
Accumulated other comprehensive loss	(43,626)	-
Accumulated deficit	(69,093,059)	(65,159,010)
Total stockholders' equity	4,747,841	4,874,167
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 7,703,925	\$ 5,933,613

See accompanying notes to condensed consolidated financial statements (unaudited).

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
Revenues				
Revenues	\$ 2,182,750	\$ 1,303,663	\$ 6,102,501	\$ 3,335,080
Cost of revenues	619,495	286,503	1,618,461	820,455
Gross margin	1,563,255	1,017,160	4,484,040	2,514,625
Operating expenses				
General and administrative	1,139,732	1,068,157	3,125,484	3,276,384
Sales and marketing	1,336,257	1,005,520	3,667,279	2,895,748
Engineering, research, and development	446,447	269,273	1,074,266	584,978
Depreciation and amortization	194,419	105,512	501,866	243,998
Total operating expenses	3,116,855	2,448,462	8,368,895	7,001,108
Loss from operations	(1,553,600)	(1,431,302)	(3,884,855)	(4,486,483)
Other income/(expense)				
Interest income	525	506	2,278	1,054
Interest expense	(25,900)	-	(52,960)	-
Intangible asset impairment	-	(21,188)	-	(21,188)
Change in fair value of derivative liabilities	-	41,795	-	34,980
Gain on adjustment in contingent consideration	-	87,740	-	89,740
Foreign currency gain	372	-	1,488	-
Total other income/(expense)	(25,003)	108,853	(49,194)	104,586
Loss before income taxes	(1,578,603)	(1,322,449)	(3,934,049)	(4,381,897)
Income tax expense	-	-	-	-
Net loss	(1,578,603)	(1,322,449)	(3,934,049)	(4,381,897)
Other comprehensive loss, net of income tax				
Foreign currency translation adjustments	1,696	-	(43,626)	-
Comprehensive loss	\$ (1,576,907)	\$ (1,322,449)	\$ (3,977,675)	\$ (4,381,897)
Net loss per share - basic and diluted	\$ (0.05)	\$ (0.05)	\$ (0.12)	\$ (0.17)
Weighted average number of shares during the period - basic and diluted	33,059,007	28,480,322	31,965,484	25,973,592

See accompanying notes to condensed consolidated financial statements (unaudited).

Mobivity Holdings Corp.
Consolidated Statement of Stockholders' Equity

	Common Stock		Equity	Additional	Accumulated	Accumulated	Total Stockholders'
	Shares	Dollars	Payable	Paid- in Capital	Other Comprehensive Loss	Deficit	Equity
Balance, December 31, 2014	22,748,193	\$ 22,748	\$ 100,862	\$ 62,565,974	\$ -	\$(59,025,964)	\$ 3,663,620
Issuance of common stock for financing, net of transaction costs of \$234,500	4,805,000	4,805	-	4,565,695	-	-	4,570,500
Issuance of common stock for services	310,870	311	-	362,690	-	-	363,001
Issuance of common stock for earnout	903,928	904	-	749,356	-	-	750,260
Stock based compensation	20,000	20	-	1,659,812	-	-	1,659,832
Net loss	-	-	-	-	-	(6,133,046)	(6,133,046)
Balance, December 31, 2015	28,787,991	\$ 28,788	\$ 100,862	\$ 69,903,527	\$ -	\$(65,159,010)	\$ 4,874,167
Issuance of common stock for acquisition	1,015,000	1,015	-	709,485	-	-	710,500
Issuance of common stock for financing	3,256,000	3,256	-	1,950,344	-	-	1,953,600
Stock based compensation	-	-	-	1,187,249	-	-	1,187,249
Foreign currency translation adjustment	-	-	-	-	(43,626)	-	(43,626)
Net loss	-	-	-	-	-	(3,934,049)	(3,934,049)
Balance, September 30, 2016	33,058,991	\$ 33,059	\$ 100,862	\$ 73,750,605	\$ (43,626)	\$(69,093,059)	\$ 4,747,841

See accompanying notes to condensed consolidated financial statements (unaudited).

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

	Nine Months Ended	
	September 30,	
	2016	2015
OPERATING ACTIVITIES		
Net loss	\$ (3,934,049)	\$ (4,381,897)
Adjustments to reconcile net loss to net cash used in operating activities:		
Bad debt expense	152,938	(8,300)
Amortization of deferred financing costs	8,705	-
Common stock issued for services	-	363,001
Stock-based compensation	1,187,249	1,218,649
Depreciation and amortization expense	501,866	243,998
Change in fair value of derivative liabilities	-	(34,980)
Loss on disposal of fixed assets	67,185	6,943
Gain on adjustment in contingent consideration	-	(89,740)
Intangible asset impairment	-	21,188
Increase (decrease) in cash resulting from changes in:		
Accounts receivable	(175,433)	(379,095)
Other current assets	(22,455)	(82,997)
Other assets	23,100	(43,082)
Accounts payable	235,676	87,614
Accrued interest	4,112	-
Accrued and deferred personnel compensation	36,989	(40,311)
Deferred revenue and customer deposits	199,479	(109,069)
Other liabilities	(77,525)	146,420
Net cash used in operating activities	(1,792,163)	(3,081,658)
INVESTING ACTIVITIES		
Purchases of equipment	(30,209)	(46,506)
Acquisitions	11,088	-
Cash paid for patent	(20,915)	-
Capitalized software development costs	(442,267)	(489,850)
Net cash used in investing activities	(482,303)	(536,356)
FINANCING ACTIVITIES		
Deferred financing costs	(32,287)	-
Repayments of notes payable	(4,634)	-
Proceeds from issuance of common stock, net of issuance costs	1,953,600	4,570,500
Net cash provided by financing activities	1,916,679	4,570,500
Effect of foreign currency translation on cash flow	(2,803)	-
Net change in cash	(360,590)	952,486
Cash at beginning of period	634,129	848,230
Cash at end of period	\$ 273,539	\$ 1,800,716
Supplemental disclosures:		
Cash paid during period for:		
Interest	\$ 52,960	\$ -
Non-cash investing and financing activities:		
Restricted cash proceeds from line of credit	\$ 1,000,000	\$ -
Issuance of common stock for earn-out payable	\$ -	\$ 750,260

See accompanying notes to condensed consolidated financial statements (unaudited).

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

1. Nature of Operations and Basis of Presentation

Mobivity Holdings Corp. (the “Company” or “we”) is in the business of developing and operating proprietary platforms over which brands and enterprises can conduct national and localized, data-driven mobile marketing campaigns. Our proprietary platforms, consisting of software available to phones, tablets PCs, and Point of Sale (POS) systems, allow resellers, brands and enterprises to market their products and services to consumers through text messages sent directly to the consumers’ via mobile phones, mobile smartphone applications, and dynamically printed receipt content. We generate revenue by charging the resellers, brands and enterprises a per-message transactional fee, through fixed or variable software licensing fees, or via advertising fees.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information and with the instructions to Form 10-Q and Rule 8-03 of Regulation S-X promulgated by the Securities and Exchange Commission (“SEC”). Accordingly, they do not include all of the information and disclosures required by GAAP for annual financial statements. The accompanying unaudited consolidated financial statements should be read in conjunction with the condensed consolidated financial statements and notes thereto in the Company’s Annual Report on Form 10-K for the year ended December 31, 2015 filed with the SEC on March 30, 2016.

In the opinion of management, such statements include all adjustments (consisting only of normal recurring items) which are considered necessary for a fair presentation of our condensed consolidated financial statements as of September 30, 2016, and for the three and nine months ended September 30, 2016 and 2015. The results of operations for the three and nine months ended September 30, 2016 are not necessarily indicative of the operating results for the full year ending December 31, 2016.

2. Summary of Significant Accounting Policies

Principles of Consolidation

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

Use of Estimates

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

Restricted cash

Restricted cash represents funds advanced in accordance with the Company’s Working Capital Line of Credit Facility which requires the Company to maintain collateral with a market value greater than or equal to the limit of liability.

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 September 30, 2016, the Company recorded an advance of \$160,579 against certain receivables under their Working Capital Line of Credit Facility in accordance with the agreement.

As of September 30, 2016 and December 31, 2015, we recorded an allowance for doubtful accounts of \$158,915 and \$237,383, respectively.

Goodwill and Intangible Assets

Goodwill is tested for impairment at a minimum on an annual basis. Goodwill is tested for impairment at the reporting unit level by first performing a qualitative assessment to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying value. If the reporting unit does not pass the qualitative assessment, then the reporting unit's carrying value is compared to its fair value. The fair values of the reporting units are estimated using market and discounted cash flow approaches. Goodwill is considered impaired if the carrying value of the reporting unit exceeds its fair value. The discounted cash flow approach uses expected future operating results. Failure to achieve these expected results may cause a future impairment of goodwill at the reporting unit.

Intangible assets consist of patents and trademarks, purchased customer contracts, purchased customer and merchant relationships, purchased trade names, purchased technology, non-compete agreements, and software development costs. Intangible assets are amortized over the period of estimated benefit using the straight-line method and estimated useful lives ranging from one to twenty years. No significant residual value is estimated for intangible assets.

Software Development Costs

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

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

The Company evaluates the future recoverability of capitalized software development costs on an annual basis. For products that have been released in prior years, the primary evaluation criterion is ongoing relations with the customer.

Impairment of Long-Lived Assets

We evaluate long-lived assets (including intangible assets) for impairment whenever events or changes in circumstances indicate that the carrying amount of a long-lived asset may not be recoverable. An asset is considered impaired if its carrying amount exceeds the undiscounted future net cash flow the asset is expected to generate.

Foreign Currency Translation

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

Revenue Recognition and Concentrations

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

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

During the nine months ended September 30, 2016 and 2015, one customer accounted for 50% and 32%, respectively, of our revenues.

Comprehensive Income (Loss)

Comprehensive income (loss) is defined as the change in equity during a period from transactions and other events and circumstances from non-owner sources. We are required to record all components of comprehensive income (loss) in the consolidated financial statements in the period in which they are recognized. Net income (loss) and other comprehensive income (loss), including foreign currency translation adjustments and unrealized gains and losses on investments, are reported, net of their related tax effect, to arrive at comprehensive income (loss). For the three and nine months ended September 30, 2016, the comprehensive loss was \$1,576,907 and \$3,977,675, respectively. For the three and nine months ended September 30, 2015, the comprehensive loss was equal to the net loss.

Net Loss Per Common Share

Basic net loss per share excludes any dilutive effects of options, shares subject to repurchase and warrants. Diluted net loss per share includes the impact of potentially dilutive securities. During the three and nine months ended September 30, 2016 and 2015, we had securities outstanding which could potentially dilute basic earnings per share in the future, but were excluded from the computation of diluted net loss per share, as their effect would have been anti-dilutive.

Reclassifications

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

Recent Accounting Pronouncements

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

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

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

Adoption of the new standard impacted our previously reported quarterly results for the fiscal year 2016 as follows:

	Three Months Ended March 31, 2016	
	As reported	As adjusted
Income statement:		
Net loss	\$ (1,288,989)	\$ (1,359,226)
Comprehensive net loss	\$ (1,352,208)	\$ (1,422,445)
Net loss per share - basic and diluted	\$ (0.04)	\$ (0.05)
Balance Sheet:		
Common stock, equity payable and paid in capital	\$ 73,053,886	\$ 73,124,123
Retained earnings	\$ (66,447,999)	\$ (66,518,236)

In April 2015, the FASB issued ASU 2015-05 regarding Subtopic 350-40, "Intangibles - Goodwill and Other - Internal-Use Software." The amendments in ASU 2015-05 provide guidance to customers about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, the customer should account for the software license element of the arrangement consistent with other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. The amendments in ASU 2015-05 are effective for annual and interim periods beginning after December 15, 2015. Early adoption is permitted. The amendments in ASU 2015-05 may be applied either prospectively to all arrangements entered into or materially modified after the effective date or retrospectively. The Company is currently evaluating the impact of the adoption of this standard will have on our consolidated financial statements.

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

3. Acquisitions

LiveLenz Acquisition

On January 15, 2016, we acquired all of the outstanding capital stock of LiveLenz Inc., a Nova Scotia corporation ("LiveLenz"), pursuant to an agreement dated January 15, 2016 among the Company and the stockholders of LiveLenz. Pursuant to the agreement, we acquired all of the capital stock of LiveLenz in consideration of our issuance of 1,000,000 shares ("Consideration Shares") of our common stock to the LiveLenz stockholders, our issuance of an additional 15,000 share of our common stock in satisfaction of certain liabilities of LiveLenz, and the assumption of their existing liabilities. The agreement included customary representations, warranties, and covenants by us and the LiveLenz stockholders, including the LiveLenz stockholders' agreement to indemnify us against certain claims or losses resulting from certain breaches of representations, warranties or covenants by the LiveLenz stockholders in the agreement. Pursuant to the agreement, the LiveLenz stockholders have agreed to adjust the number of Consideration Shares downward based on LiveLenz' working capital as of the closing and in the event of any claims for indemnification by us. The LiveLenz stockholders have agreed that 100% of the Consideration Shares will be escrowed for a period of 18 months and subject to forfeiture based on indemnification claims by us or the final determination of LiveLenz' working capital as of the closing date.

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

Cash	\$	11,088
Accounts receivable, net		718
Inventory		4,457
Other assets		2,617
Fixed assets		4,407
Intangible assets		20,300
Goodwill		<u>1,125,036</u>
Total assets acquired		1,168,623
Liabilities assumed		<u>(458,123)</u>
Net assets acquired	\$	<u>710,500</u>

The purchase price consists of the following:

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

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The following information presents unaudited pro forma consolidated results of operations for the nine months ended September 30, 2015 as if the Livelenz acquisition described above had occurred on January 1, 2015. The pro forma financial information is not necessarily indicative of the operating results that would have occurred if the acquisition been consummated as of the date indicated, nor are they necessarily indicative of future operating results.

Mobivity Holdings Corp.
Unaudited Pro Forma Condensed Consolidated Statement of Operations
Nine Months Ended September 30, 2015

	<u>Mobivity</u>	<u>Livelenz</u>	<u>Pro forma adjustments</u>	<u>Pro forma combined</u>
Revenues				
Revenues	\$ 3,335,080	\$ 187,059	\$ -	\$ 3,522,139
Cost of revenues	820,455	59,230	-	879,685
Gross margin	2,514,625	127,829	-	2,642,454
Operating expenses				
General and administrative	3,276,384	64,297	-	3,340,681
Sales and marketing	2,895,748	191,180	-	3,086,928
Engineering, research, and development	584,978	-	-	584,978
Depreciation and amortization	243,998	2,819	-	246,817
Total operating expenses	7,001,108	258,296	-	7,259,404
Loss from operations	(4,486,483)	(130,467)	-	(4,616,950)
Other income/(expense)				
Interest income	1,054	-	-	1,054
Interest expense	-	(31,658)	-	(31,658)
Change in fair value of derivative liabilities	34,980	-	-	34,980
Intangible asset impairment	(21,188)	-	-	(21,188)
Gain on adjustment in contingent consideration	89,740	-	-	89,740
Foreign Currency Gain/(Loss)	-	30,426	-	30,426
Total other income/(expense)	104,586	(1,232)	-	103,354
Loss before income taxes	(4,381,897)	(131,699)	-	(4,513,596)
Income tax expense	-	-	-	-
Net loss	\$ (4,381,897)	\$ (131,699)	\$ -	\$ (4,513,596)
Net loss per share - basic and diluted	\$ (0.17)			\$ (0.17)
Weighted average number of shares during the period - basic and diluted	25,973,592			25,973,592

4. Goodwill and Purchased Intangibles

Goodwill

The carrying value of goodwill at September 30, 2016 and December 31, 2015 was \$3,046,108 and \$1,921,072, respectively.

Intangible assets

The following table presents details of our purchased intangible assets as of September 30, 2016 and December 31, 2015:

	Balance at December 31, 2015	Additions	Impairments	Amortization	Fx and Other	Balance at September 30, 2016
Patents and trademarks	\$ 78,931	\$ 32,915	\$ -	\$ (7,789)	\$ 1,295	\$ 105,352
Customer and merchant relationships	1,373,513	-	-	(124,865)	-	1,248,648
Non-compete agreement	-	7,200	-	(5,599)	729	2,330
Trade name	135,567	1,100	-	(12,495)	119	124,291
Acquired technology	187,298	-	-	(17,027)	-	170,271
	<u>\$ 1,775,309</u>	<u>\$ 41,215</u>	<u>\$ -</u>	<u>\$ (167,775)</u>	<u>\$ 2,143</u>	<u>\$ 1,650,892</u>

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

The Company recorded an impairment charge for patent application fees that were not granted of \$21,188 for both the three and nine months ended September 30, 2015.

Amortization expense for intangible assets was \$61,016 and \$53,692 for the three months ended September 30, 2016 and 2015, respectively.

Amortization expense for intangible assets was \$167,775 and \$161,076 for the nine months ended September 30, 2016 and 2015, respectively.

The estimated future amortization expense of our intangible assets as of September 30, 2016 is as follows:

Year ending December 31,	Amount
2016	\$ 57,168
2017	218,418
2018	218,075
2019	218,075
2020	217,381
Thereafter	721,775
Total	<u>\$ 1,650,892</u>

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 as of September 30, 2016 and December 31, 2015:

	Balance at December 31, 2015	Additions	Amortization	Balance at September 30, 2016
Software Development Costs	\$ 598,380	\$ 442,267	\$ (323,002)	\$ 717,645
	<u>\$ 598,380</u>	<u>\$ 442,267</u>	<u>\$ (323,002)</u>	<u>\$ 717,645</u>

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

Amortization expense for software development costs was \$134,590 and \$50,262 for the three months ended September 30, 2016 and 2015, respectively.

Amortization expense for software development costs was \$323,002 and \$77,055 for the nine months ended September 30, 2016 and 2015, respectively.

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The estimated future amortization expense of software development costs as of September 30, 2016 is as follows:

Year ending December 31,	Amount
2016	\$ 147,076
2017	421,410
2018	149,159
2019	-
2020	-
Thereafter	-
Total	\$ 717,645

6. Notes Payable and Interest Expense

The following table presents details of our notes payable as of September 30, 2016 and December 31, 2015:

Facility	Maturity	Interest Rate	Balance at September 30, 2016	Balance at December 31, 2015
BDC Term Loan	December 15, 2017	12%	\$ 343,665	\$ -
ACOA Note	May 1, 2021	-	65,209	-
SVB Working Capital Line of Credit Facility	March 30, 2018	Variable	1,000,000	-
Total Debt			1,408,874	-
Less current portion			(1,283,085)	-
Long-term debt, net of current portion			\$ 125,789	\$ -

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, 2017.

ACOA Note

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

SVB Working Capital Line of Credit Facility

In March 2016, we entered into a Working Capital Line of Credit Facility (the “Facility”) with Silicon Valley Bank (“SVB”) to provide up to \$2 million to finance our general working capital needs. The Facility is funded based on cash on deposit balances and advances against our accounts receivable based on customer invoicing. Interest on Facility borrowings is calculated at rates between the prime rate minus 1.75% and prime rate plus 3.75% based on the borrowing base formula used at the time of borrowing. The Facility contains standard events of default, including payment defaults, breaches of representations, breaches of affirmative or negative covenants, and bankruptcy. During the nine months ended September 30, 2016, the Company borrowed \$1,000,000, under this facility.

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

The Company capitalized debt issuance costs of \$32,287 as of September 30, 2016 related to the Facility, which are being amortized on a straight-line basis to interest expense over the two-year term of the Facility.

Interest Expense

Interest expense was \$25,900 and \$0 during the three months ended September 30, 2016 and 2015, respectively.

Interest expense was \$52,960 and \$0 during the nine months ended September 30, 2016 and 2015, respectively.

7. Stockholders' Equity

Common Stock

2015

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

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

In March 2015, we conducted the private placement of our securities for the gross proceeds of \$4,805,000. In the private placement, we sold 4,805,000 units of our securities at a price of \$1.00 per unit. As of May 1, 2015, net proceeds of \$4,570,500 have been received by the Company (this amount is less offering costs of \$234,500). Each unit consists of one share of our common stock and a common stock purchase warrant to purchase one-quarter share of our common stock, over a five year period, at an exercise price of \$1.20 per share and grant date fair value of \$0.93. We entered into a Registration Rights Agreement with the investors, pursuant to which we agreed to cause a resale registration statement covering the common shares made part of the units to be filed by April 30, 2015.

EGE acted as placement agent for the private placement and received \$234,500 in commissions from us. In addition, for its services as placement agent, we issued to EGE warrants to purchase an aggregate of 293,125 warrants, exercisable for a period of five years from the closing date. We issued 234,500 warrants at an exercise price of \$1.00 and 58,625 warrants at an exercise price of \$1.20.

On July 31, 2015 we issued 903,928 shares of our common stock in satisfaction of the SmartReceipt earn-out payable. The earn-out payment was at the rate of \$1.85 per share as further described in Note 10.

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

2016

On January 15, 2016, we acquired all of the outstanding capital stock of LiveLenz in consideration of our issuance of 1,000,000 shares ("Consideration Shares") of our common stock to the LiveLenz stockholders and our issuance of an additional 15,000 share of our common stock in satisfaction of certain liabilities of LiveLenz. The LiveLenz stockholders have agreed that 100% of the Consideration Shares will be escrowed for a period of 18 months and subject to forfeiture based on indemnification claims by us or the final determination of LiveLenz' working capital as of the closing date. The Consideration Shares were valued using the closing price on the acquisition closing date of \$0.70 per share for a total acquisition purchase price of \$710,500.

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

Stock-based Plans

Stock Option Activity

The following table summarizes stock option activity for the year ended December 31, 2015 and for the nine months ended September 30, 2016:

	Options
Outstanding at December 31, 2014	5,382,923
Granted	3,348,000
Exercised	-
Canceled/forfeited/expired	(3,687,695)
Outstanding at December 31, 2015	5,043,228
Granted	1,621,500
Exercised	-
Canceled/forfeited/expired	(842,051)
Outstanding at September 30, 2016	5,822,677

The weighted average exercise price of stock options granted during the period was \$0.72 and the related weighted average grant date fair value was \$0.61 per share.

2015

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

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

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

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

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

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

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

On April 27, 2015, the Company granted one employee 20,000 options to purchase shares of the Company common stock at the closing price as of April 27, 2015 of \$1.10 per share. The options vest 25% on the first anniversary of the grant, then equally in 36 monthly

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installments thereafter and are exercisable until April 27, 2025. The total estimated value using the Black-Scholes Model, based on a volatility rate of 132% and a call option value of \$0.99 was \$19,800.

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

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

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

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

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

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

2016

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

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

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

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

Stock-Based Compensation Expense from Stock Options and Warrants

The impact on our results of operations of recording stock-based compensation expense for the three and nine months ended September 30, 2016 and 2015 were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
General and administrative	\$ 234,069	\$ 198,106	\$ 720,058	\$ 604,709
Sales and marketing	87,646	77,887	259,647	191,516
Engineering, research, and development	37,371	30,789	120,986	75,240
	<u>\$ 359,086</u>	<u>\$ 306,782</u>	<u>\$ 1,100,691</u>	<u>\$ 871,465</u>

Valuation Assumptions

The fair value of each stock option award was calculated on the date of grant using the Black-Scholes option pricing model. The following weighted average assumptions were used for the nine months ended September 30, 2016 and 2015.

	Nine Months Ended September 30,	
	2016	2015
Risk-free interest rate	1.42 %	1.58 %
Expected life (years)	6.00	6.02
Expected dividend yield	- %	- %
Expected volatility	114 %	132 %

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

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

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

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

Restricted stock units

The following table summarizes restricted stock unit activity under our stock-based plans for the year ended December 31, 2015 and for the nine months ended September 30, 2016:

	Shares	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at December 31, 2014	591,436	\$ 0.75	0.89	\$ 305,572
Awarded	82,501	\$ 0.29	-	\$ -
Released	(20,000)	\$ 1.18	-	\$ -
Canceled/forfeited/expired	-	\$ -	-	\$ -
Outstanding at December 31, 2015	653,937	\$ 0.32	0.08	\$ 339,570
Awarded	224,405	\$ 0.72	-	\$ -
Released	-	\$ -	-	\$ -
Canceled/forfeited/expired	-	\$ -	-	\$ -
Outstanding at September 30, 2016	<u>878,342</u>	<u>\$ 0.42</u>	<u>-</u>	<u>\$ 790,508</u>
Expected to vest at September 30, 2016	878,342	\$ -	-	\$ 790,508
Exercisable at September 30, 2016	741,062	\$ -	-	\$ 666,956
Unvested at September 30, 2016	167,010	\$ -	-	\$ 150,309
Unrecognized expense at September 30, 2016	\$ 113,444			

2015

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

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

2016

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

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

Stock Based Compensation from Restricted Stock

The impact on our results of operations of recording stock-based compensation expense for restricted stock units for the three and nine months ended September 30, 2016 and 2015 was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
General and administrative	\$ 28,970	\$ 145,403	\$ 86,558	\$ 347,184
	\$ 28,970	\$ 145,403	\$ 86,558	\$ 347,184

As of September 30, 2016, there was unearned restricted stock unit compensation as described in the tables above. If there are any modifications or cancellations of the underlying unvested awards, we may be required to accelerate, increase or cancel all or a portion of the remaining unearned restricted unit compensation expense. Future unearned restricted unit compensation will increase to the extent we grant additional equity awards.

Warrants Issued to Non-Employees

We issued warrants to purchase 150,556 shares of common stock to non-employees in 2010 and 2011. The valuation assumptions used are consistent with the valuation information for options above. A summary of non-employee warrant activity from December 31, 2015 to September 30, 2016 is presented below:

	Number Outstanding
Outstanding at December 31, 2015	33,333
Granted	-
Exercised	-
Canceled/forfeited/expired	(33,333)
Outstanding at September 30, 2016	-

Warrants Issued to Investors and Placement Agents

2015

In March 2015, we issued warrants to purchase of 1,259,875 shares of common stock at \$1.20 per share in connection with the equity financing. The grant date fair value of the warrants was \$1,170,067 or \$0.93 per share. Additionally, we issued to EGE warrants to

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purchase an aggregate of 234,500 shares, exercisable for a period of five years from the closing date, at an exercise price of \$1.00 per share. The grant date fair value of these warrants was \$225,358 or \$0.96 per share

At September 30, 2016, we have warrants to purchase 7,859,154 shares of common stock at \$1.20 per share and 605,185 at \$1.00 per share, respectively, which are outstanding. Of this amount, warrants to purchase 5,153,358 shares expire in 2018, warrants to purchase 1,816,606 shares expire in 2019, and warrants to purchase 1,494,375 shares expire in 2020.

8. Fair Value Measurements

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

The following table presents assets that are measured and recognized at fair value as of September 30, 2016 on a recurring and non-recurring basis:

Description	Level 1	Level 2	Level 3	Gains (Losses)
Goodwill (non-recurring)	\$ -	\$ -	\$ 3,046,108	\$ -
Intangibles, net (non-recurring)	\$ -	\$ -	\$ 2,368,537	\$ -

The following table presents assets that are measured and recognized at fair value as of December 31, 2015 on a recurring and non-recurring basis:

Description	Level 1	Level 2	Level 3	Gains (Losses)
Goodwill (non-recurring)	\$ -	\$ -	\$ 1,921,072	\$ -
Intangibles, net (non-recurring)	\$ -	\$ -	\$ 2,373,689	\$ (21,188)

9. Commitments and Contingencies

Lease Abandonment

On June 8, 2015, the Company incurred a lease abandonment charge of \$54,849 for the three and nine months ended September 30, 2015, for the former corporate headquarters located at 58 W. Buffalo St. Suite #200 in Chandler, Arizona. Due to the growth of the Company, occupancy has been taken under a new leased spaced. The Company estimated the liability under operating lease agreements and accrued lease abandonment costs in accordance with Accounting Standards Codification ("ASC") 420, Exit or Disposal Cost Obligation ("ASC 420"), as the Company has no future economic benefit from the abandoned space and the lease does not terminate until November 30, 2015. All leased space related to this lease was abandoned and ceased to be used by the Company on June 30, 2015.

Litigation

As of the date of this report, there are no pending legal proceedings to which we or our properties are subject.

10. Related Party Transactions

As discussed previously, we conducted the private placement of our securities during nine months ended September 30, 2015 for the gross proceeds of \$4,805,000. Two officers and two directors of the company participated in the private placement investing a total of \$2,150,000, resulting in 2,150,000 common stock shares and 537,500 of common stock purchase warrants.

As discussed previously, we conducted the private placement of our securities during the nine months ended September 30, 2016 for the gross proceeds of \$1,953,600. One officer and one director of the company participated in the private placement investing a total of \$1,025,000, resulting in 1,708,333 common stock shares.

11. Subsequent Events

2016 Warrant Exercise

Between September 29 and October 31, 2016, we conducted an offer to the holders of our outstanding common stock purchase warrants pursuant to which our warrant holders were permitted to exercise their warrants at a reduced exercise price for a period expiring on October 31, 2016. At the commencement of the warrant offer, there were warrants outstanding that entitled their holders to purchase 8,551,168 shares of our common stock at exercise prices of \$1.00 and \$1.20 per share. The holders of all warrants were allowed to conduct cash-based exercises of their warrants at an exercise price of \$0.70 per share up through October 31, 2016. We undertook this limited-time warrant exercise price reduction in order to raise additional capital without incurring further potential dilution to our stockholders. In addition, through the warrant holders' acceptance of our offer, we could significantly reduce the number of outstanding warrants and thereby simplify our capital structure. As of the close of the warrant offer, there have been 3,329,990 warrants exercised to purchase 3,329,990 shares of our common stock, resulting in additional capital of \$2,330,993. The warrant offer was conducted by our management and there were no commissions paid by us in connection with the solicitation.

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

This Quarterly Report on Form 10-Q contains "forward-looking statements" as defined in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, in connection with the Private Securities Litigation Reform Act of 1995 that involve risks and uncertainties, as well as assumptions that, if they never materialize or prove incorrect, could cause our results to differ materially and adversely from those expressed or implied by such forward-looking statements. Such forward-looking statements include statements about our expectations, beliefs or intentions regarding our potential product offerings, business, financial condition, results of operations, strategies or prospects. You can identify forward-looking statements by the fact that these statements do not relate strictly to historical or current matters. Rather, forward-looking statements relate to anticipated or expected events, activities, trends or results as of the date they are made and are often identified by the use of words such as "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," or "will," and similar expressions or variations. Because forward-looking statements relate to matters that have not yet occurred, these statements are inherently subject to risks and uncertainties that could cause our actual results to differ materially from any future results expressed or implied by the forward-looking statements. Many factors could cause our actual activities or results to differ materially from the activities and results anticipated in forward-looking statements. These factors include those risks disclosed under the caption "Risk Factors" included in our 2015 annual report on Form 10-K filed with the Securities and Exchange Commission, or the SEC, on March 30, 2016 and in our subsequent filings with the SEC. Furthermore, such forward-looking statements speak only as of the date of this report. We undertake no obligation to update any forward-looking statements to reflect events or circumstances occurring after the date of such statements.

Overview

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

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

Our unique approach to personalized, targeted offline marketing is marketed through our "SmartSuite" portfolio of solutions that all leverage our proprietary path to point-of-sale data. Our primary SmartSuite product is "SmartSMS" which utilizes SMS text messaging as a communications channel for targeted awareness and offers messages to consumers, leveraging purchase data to measure and target those messages much in the same way an e-commerce operator, like Amazon, uses online shopping cart data. For

example, a consumer might receive a text message near lunch time offering a special discount to purchase a six-inch sub at their nearest Subway location. Once the consumer shows that text message at check out, our SmartReceipt technology kicks in to match that customer's purchase with their offer redemption, thereby providing the ability to assess the effectiveness of the SMS offer. It also builds a purchase history of that customer for more targeted offers in the future.

In addition to SmartSMS, our SmartReceipt solution is capable of controlling the printed receipt to print targeted, graphical messages, including offers and coupons, on the front of the receipt consumer's receive following a purchase. With SmartReceipt, we can also transform the underutilized, printed receipt into a targeted messaging opportunity. As an example, say a consumer purchases a sandwich but doesn't purchase a beverage. SmartReceipt sees the customer's purchase information in real-time – and as the receipt is being printed, it can automatically see that the consumer didn't buy a beverage and dynamically, in real time, add a strong beverage coupon to the printed receipt in an effort to influence that consumer to add a beverage on their next visit.

Our SmartSuite portfolio of solutions is rounded out with “SmartAnalytics,” which provides a set of reporting and analytics tools enabling brands to better understand their sales data across what could be a disparate collection of various point-of-sale devices.

Our goal is to expand our solution offerings to include applications that will leverage offline purchase data to provide attribution and better power mobile and online ad networks, shape marketing from real-time inventory and sales data, and apply emerging machine learning and artificial intelligence technologies to the massive purchase data sets we're accumulating to drive predictive and automated solutions.

Recent Events

2016 Warrant Exercise

Between September 29 and October 31, 2016, we conducted an offer to the holders of our outstanding common stock purchase warrants pursuant to which our warrant holders were permitted to exercise their warrants at a reduced exercise price for a period expiring on October 31, 2016. At the commencement of the warrant offer, there were warrants outstanding that entitled their holders to purchase 8,551,168 shares of our common stock at exercise prices of \$1.00 and \$1.20 per share. The holders of all warrants were allowed to conduct cash-based exercises of their warrants at an exercise price of \$0.70 per share up through October 31, 2016. We undertook this limited-time warrant exercise price reduction in order to raise additional capital without incurring further potential dilution to our stockholders. In addition, through the warrant holders' acceptance of our offer, we could significantly reduce the number of outstanding warrants and thereby simplify our capital structure. As of the close of the warrant offer, there have been 3,329,990 warrants exercised to purchase 3,329,990 shares of our common stock, resulting in additional capital of \$2,330,993. The warrant offer was conducted by our management and there were no commissions paid by us in connection with the solicitation.

LiveLenz Acquisition

On January 15, 2016, we acquired all of the outstanding capital stock of LiveLenz Inc., a Nova Scotia corporation (“LiveLenz”), pursuant to an agreement dated January 15, 2016 among the Company and the stockholders of LiveLenz. Pursuant to the agreement, we acquired all of the capital stock of LiveLenz in consideration of our issuance of 1,000,000 shares (“Consideration Shares”) of our common stock to the LiveLenz stockholders and our issuance of an additional 15,000 share of our common stock in satisfaction of certain liabilities of LiveLenz. The agreement included customary representations, warranties, and covenants by us and the LiveLenz stockholders, including the LiveLenz stockholders' agreement to indemnify us against certain claims or losses resulting from certain breaches of representations, warranties or covenants by the LiveLenz stockholders in the agreement. Pursuant to the agreement, the LiveLenz stockholders have agreed to adjust the number of Consideration Shares downward based on LiveLenz' working capital as of the closing and in the event of any claims for indemnification by us. The LiveLenz stockholders have agreed that 100% of the Consideration Shares will be escrowed for a period of 18 months and subject to forfeiture based on indemnification claims by us or the final determination of LiveLenz' working capital as of the closing date.

2016 Private Placement

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

Working Capital Line of Credit Facility

In March 2016, we entered into a Working Capital Line of Credit Facility (the “Facility”) with Silicon Valley Bank to provide up to \$2 million to finance our general working capital needs. The Facility is funded based on cash on deposit balances and advances against our accounts receivable based on customer invoicing. Interest on Facility borrowings is calculated at rates between the prime

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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.

2015 Securities Purchase Agreement

In March 2015, we conducted the private placement of our securities for the gross proceeds of \$4,805,000. In the private placement, we sold 4,805,000 units of our securities at a price of \$1.00 per unit. Each unit consists of one share of our common stock and a common stock purchase warrant to purchase one-quarter share of our common stock, over a five year period, at an exercise price of \$1.20 per share. We entered into a Registration Rights Agreement with the investors, pursuant to which we filed a resale registration statement covering the common shares made part of the units on April 30, 2015.

Emerging Growth Equities, Ltd. (“EGE”) acted as placement agent for the private placement and received \$234,500 in commissions from us. In addition, for its services as placement agent, we issued to EGE warrants to purchase an aggregate of 234,500 and 58,625 units, as defined above, exercisable for a period of five years from the closing date, at an exercise price of \$1.00 and \$1.20 per unit, respectively.

Results of Operations

Revenues

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

Revenues for the three months ended September 30, 2016 were \$2,182,750, an increase of \$879,087, or 67%, compared to the same period in 2015. The net increase is primarily attributable to an increase in SmartSMS revenue of \$943,987. This increase was offset by decreases in IVR, Ad Model, and other revenues, which decreased \$111,000 compared to the same period in 2015.

Revenues for the nine months ended September 30, 2016 were \$6,102,501, an increase of \$2,767,421, or 83%, compared to the same period in 2015. The net increase is primarily attributable to an increase in SmartSMS and Smart Receipt revenue of \$2,803,817. This increase was offset by decreases in IVR and Ad Model revenues, which decreased \$54,818 compared to the same period in 2015.

Cost of Revenues

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

Cost of revenues for the three months ended September 30, 2016 was \$619,495, an increase of \$332,992, or 116%, compared to the same period in 2015. This increase is primarily due to higher SMS and application costs as they relate to the increase in revenues.

Cost of revenues for nine months ended September 30, 2016 was \$1,618,461, an increase of \$798,006, or 97%, compared to the same period in 2015. This increase is primarily due to higher SMS and application costs as they relate to the increase in revenues.

General and Administrative

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

General and administrative expenses increased \$71,575, or 7%, during the three months ended September 30, 2016 compared to the same period in 2015. The increase in general and administrative expense was primarily due to increased bad debt expense. This increase was offset by decreases in personnel expenses and share based compensation expenses. Share based compensation, decreased \$80,469 compared to the same period in 2015.

General and administrative decreased \$150,900, or 5%, during the nine months ended September 30, 2016 compared to the same period in 2015. The decrease in general and administrative expense was primarily due to decreased personnel expenses and facilities expenses. Personnel related expenses decreased \$282,158, which included \$145,277 of stock based compensation, compared to the same period in 2015. Facilities expense decreased \$21,139 primarily related to the lease termination charge during 2015. These decreases were offset by an increase in bad debt expense of \$161,238 primarily related to the reserve of aged receivables for one customer.

Sales and Marketing

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

Sales and marketing expenses increased \$330,737, or 33%, during the three months ended September 30, 2016 compared to the same period in 2015. The increase was primarily due to higher personnel costs and also a result of the Livelenz acquisition. During the three months ended September 30, 2016, personnel related expenses, including share-based compensation, increased \$330,827 primarily due to an increase in personnel to support revenue growth and the acquisition of personnel with Livelenz.

Sales and marketing expenses increased \$771,531, or 27%, during the nine months ended September 30, 2016 compared to the same period in 2015. The increase was primarily due to higher personnel costs and also as a result of the Livelenz acquisition. During the nine months ended September 30, 2016, personnel related expenses, including share-based compensation, increased \$645,688 primarily due to an increase in personnel to support revenue growth and the acquisition of personnel with Livelenz.

Engineering, Research & Development

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

Engineering, research & development expenses increased \$177,174, or 66%, during the three months ended September 30, 2016 compared to the same period in 2015. The increase was primarily due to an increase in personnel related costs as compared to 2015 to support the Company's growth.

Engineering, research & development expenses increased \$489,288, or 84%, during the nine months ended September 30, 2016 compared to the same period in 2015. The increase was primarily due to an increase in personnel related costs as compared to 2015 to support the Company's growth.

Depreciation and Amortization

Depreciation and amortization expense consists of depreciation on our equipment and amortization of our intangible assets. Depreciation and amortization expense increased \$88,907 or 84%, during the three months ended September 30, 2016 compared to the same period in 2015. Depreciation and amortization expense increased \$257,868 or 106%, during the nine months ended September 30, 2016 compared to the same period in 2015.

Intangible Asset Impairment

We recorded an intangible asset impairment charge for patent application fees that were not granted of \$21,188 for both the three and nine months ended September 30, 2015. The impairment charges were based on our valuation of these assets at September 30, 2015.

Interest Expense

Interest expense consists of stated or implied interest expense on our notes payable, amortization of note discounts, and amortization of deferred financing costs. Interest expense increased \$25,900, or 100%, during the three months ended September 30, 2016 compared to the same period in 2015. The increase in interest expense is primarily related to interest on notes payable for the Livelenz subsidiary. Interest expense increased \$52,960, or 100%, during the nine months ended September 30, 2016 compared to the same period in 2015. The increase in interest expense is primarily related to interest on notes payable for the Livelenz subsidiary.

Change in Fair Value of Derivative Liabilities

The change in fair value of derivative liabilities for the three months ended September 30, 2016 compared to three months ended September 30, 2015 was a decrease of \$41,795.

The change in fair value of derivative liabilities for the nine months ended September 30, 2016 compared to nine months ended September 30, 2015 was a decrease of \$34,980.

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

Gain on Adjustment in Contingent Consideration

The gain on adjustment in contingent consideration decreased \$87,740 during the three months ended September 30, 2016 compared to the three and nine months ended September 30, 2015.

The gain on adjustment in contingent consideration decreased \$89,740 during the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015.

The gains related to a decrease in the fair value of the contingent consideration resulting from re-measurement of the SmartReceipt and Stamp earn-out liabilities. These earnouts were settled during 2015.

Foreign Currency

The Company's financial results are impacted by volatility in the Canadian/U.S. Dollar exchange rate. The average U.S. Dollar exchange rate for three and nine months ended September 30, 2016 was \$1 Canadian equals \$0.77 and \$0.76 U.S. Dollars, respectively. This compares to an average rate of \$1 Canadian equals \$0.77 and \$0.79 U.S. Dollar during the same periods of 2015. The Company's functional or measurement currency is the U.S. Dollar. Based on a U.S. Dollar functional currency, the following are the key areas impacted by foreign currency volatility:

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

The change in foreign currency were gains of \$372 and \$1,488 for the three and nine months ended September 30, 2016, respectively.

Liquidity and Capital Resources

As of September 30, 2016, we had current assets of \$2,158,284, including \$273,539 in cash, \$1,000,000 in restricted cash and current liabilities of \$2,830,295, resulting in a working deficit of \$(672,011).

Since September 30, 2016, our working capital has increased as a result of our gross receipts of \$2,330,993 from our warrant exercises. We believe as of the date of this report, we have working capital on hand to fund our current level of operations at least through the end of the next fiscal year. However, there can be no assurance that we will not require additional capital. If we require additional capital, we will seek to obtain additional working capital through the sale of our securities and, if available, bank lines of credit. However, there can be no assurance we will be able to obtain access to capital as and when needed and, if so, the terms of any available financing may not be subject to commercially reasonable terms.

Cash Flows

	Nine Months Ended	
	September 30,	
	2016	2015
Net cash provided by (used in):		
Operating activities	\$ (1,792,163)	\$ (3,081,658)
Investing activities	(482,303)	(536,356)
Financing activities	1,916,679	4,570,500
Effect of foreign currency translation on cash flow	(2,803)	-
Net change in cash	<u>\$ (360,590)</u>	<u>\$ 952,486</u>

Operating Activities

We used cash in operating activities totaling \$1,859,348 during the nine months ended September 30, 2016 and \$3,081,658 during the nine months ended September 30, 2015. The decrease in cash used in operating activities was primarily due to a lower net loss, increases in deferred revenue and accounts payable.

Investing Activities

Investing activities during the nine months ended September 30, 2016 includes \$442,267 of capitalized software development costs, \$20,915 of cash paid for patents, \$30,209 of equipment purchases, and \$11,088 of cash proceeds from acquisitions.

Investing activities during the nine months ended September 30, 2015 includes \$46,506 of equipment purchases and \$489,850 of capitalized software development costs.

Financing Activities

Financing activities for the nine months ended September 30, 2016 includes net proceeds from the sale of common stock units of \$1,953,600 offset by \$32,287 of cash paid for deferred financing fees and repayments of debt of \$4,634.

Financing activities for the nine months ended September 30, 2015 includes net proceeds from the sale of common stock units of \$4,570,500.

Critical Accounting Policies and Estimates

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

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

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

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

As required by Rule 13a-15(b) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Exchange Act Rule 13a-15(e), as of the end of the period covered by this report. Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file under the Exchange Act is accumulated and communicated to our management, as appropriate to allow timely decisions regarding required disclosure. Based on this evaluation, our management, including our Chief Executive Officer and Chief Financial Officer, concluded that as of September 30, 2016 our disclosure controls and procedures were effective.

Changes in Internal Control

There were no changes in our internal control over financial reporting during the three months ended September 30, 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 5. Other Information

Between September 29 and October 31, 2016, we conducted an offer to the holders of our outstanding common stock purchase warrants pursuant to which our warrant holders were permitted to exercise their warrants at a reduced exercise price for a period expiring on October 31, 2016. At the commencement of the warrant offer, there were warrants outstanding that entitled their holders to purchase 8,551,168 shares of our common stock at exercise prices of \$1.00 and \$1.20 per share. The holders of all warrants were allowed to

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conduct cash-based exercises of their warrants at an exercise price of \$0.70 per share up through October 31, 2016. As of the close of the warrant offer, 3,329,990 warrants were exercised for the purchase of 3,329,990 shares of our common stock, resulting in additional capital of \$2,330,993. The issuances of our common shares were conducted pursuant to the exemptions from registration set forth at Section 4(a)(1) of the Securities Act of 1933 and Rule 506 thereunder. The warrant offer was conducted by our management and there were no commissions paid by us in connection with the solicitation.

Item 6. Exhibits

Exhibit No.	Description
4.1	Form of Warrant Exercise Agreement*
31.1	Certification by Chief Executive Officer pursuant to Section 302 of Sarbanes Oxley Act of 2002 *
31.2	Certification by Chief Financial Officer pursuant to Section 302 of Sarbanes Oxley Act of 2002 *
32.1	Certification Pursuant to 18 U.S.C. Section 1350 *
101.INS	XBRL Instance Document *
101.SCH	XBRL Taxonomy Schema Document
101.CAL	XBRL Taxonomy Calculation Linkbase Document *
101.DEF	XBRL Taxonomy Definition Linkbase Document *
101.LAB	XBRL Taxonomy Label Linkbase Document*
101.PRE	XBRL Taxonomy Presentation Linkbase Document *

* Filed electronically herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized

Mobivity Holdings Corp.

Date: November 14, 2016

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

Date: November 14, 2016

By: /s/ Christopher Meinerz
Christopher Meinerz
Chief Financial Officer
(Principal Accounting Officer)

WARRANT EXERCISE AGREEMENT

Mobivity Holdings Corp.
55 N. Arizona Place, Suite 310
Chandler, Arizona 85225

Gentlemen:

The undersigned is the holder of Warrant No. _____ (the “**Warrants**”) issued by Mobivity Holdings Corp., a Nevada corporation (the “**Company**”), which collectively entitle the undersigned to purchase an aggregate of _____ shares (“**Warrant Shares**”) of the Company’s \$0.001 par value common stock (“**Common Stock**”) on the terms and subject to the conditions set forth in the Warrants. Capitalized terms used herein and not otherwise defined herein have the respective meanings set forth in the Warrants.

The undersigned has been advised by the Company that the undersigned has been offered the right through, but not after, October 31, 2016 (“**Offer End Date**”) to exercise all or any portion of the Warrants at the reduced exercise price of \$0.70 per share, subject to:

- the undersigned’s completion of this Warrant Exercise Agreement, including the undersigned’s qualification as an accredited investor in Item 3 below; and
- the undersigned’s delivery of this fully completed and executed Warrant Exercise Agreement with respect to all Warrants being exercised, along with cash payment in the amount of the aggregate exercise price, to the Company on or before 5:00 p.m. California time, on the Offer End Date.

Based on the foregoing, the undersigned hereby tenders this election to exercise the Warrants for the purchase of _____ Warrant Shares at the exercise price of \$0.70 per share. In the event the undersigned elects to exercise less than all of the Warrants, the undersigned hereby designates the following Warrants for exercise hereby:

- The undersigned exercises its right to purchase _____ Warrant Shares pursuant to Warrant No. ____; and
- The undersigned exercises its right to purchase _____ Warrant Shares pursuant to Warrant No. _____.

Payment of the subscription price in the amount of \$ _____ (number of Warrant Shares being purchased x \$0.70) is delivered concurrently by check made payable to “Mobivity Holdings Corp.” or by wire pursuant to the following instructions:

Bank Name: Silicon Valley Bank
Bank Address: 3003 Tasman Drive
Santa Clara, California 95054
Routing/ABA No.: 121140399
Account Name: Mobivity, Inc.
55 N. Arizona Place, Suite 310
Chandler, Arizona 85225
Account Number: 3301009271

Please deliver your executed Warrant Exercise Agreement via mail or email, along with any payments by check (which should be sent by mail), to:

Mobivity Holdings Corp.
55 N. Arizona Place, Suite 310
Chandler, Arizona 85225
Attn: Christopher Meinerz
Email: chris.meinerz@mobivity.com

We have enclosed a self-addressed, postage-paid envelope for your convenience.

By execution below, the undersigned acknowledges that the Company is relying upon the accuracy and completeness of the representations contained herein in complying with its obligations under applicable securities laws.

1. The undersigned acknowledges and represents as follows:

(a) That the undersigned:

(i) alone or with the assistance of the undersigned's own professional advisor who is unaffiliated with and who is not compensated by the Company or any of its affiliates ("**Purchaser Representative**"), has such knowledge and experience in financial and business matters that the undersigned is capable of evaluating the merits and risks of an investment in the Warrant Shares, has the capacity to protect the undersigned's own interests in connection with an investment in the Warrant Shares and has the net worth to undertake such risks such that the undersigned could be reasonably assumed to have the capacity to protect his or her own interests in connection with a purchase of the Warrant Shares (if the undersigned has employed a Purchaser Representative in connection with an evaluation of a purchase of the Warrant Shares, the undersigned has set forth below the name, address and occupation of the Purchaser Representative):

and;

(ii) is an individual who has a pre-existing personal or business relationship with the Company or any of its officers, directors or controlling persons or selling broker, as described below:

(b) That the undersigned had the opportunity to review this Warrant Exercise Agreement, the Company's Warrant Offer Letter dated September 28, 2016 and the Company's reports and registration statements on file with the SEC, including:

· The Company's prospectus dated August 8, 2016 filed with the SEC on August 10, 2016 (the undersigned acknowledges that the prospectus does not relate to the present offering and sale of the Warrant Shares and is referred herein because the prospectus provides the most recent comprehensive disclosure concerning the Company);

- The Company's Quarterly Report on Form 10-Q for the period ended June 30, 2016 filed with the SEC on August 15, 2016; and
- All other reports filed with the SEC subsequent to August 15, 2016 (the aforementioned are collectively referred to as the "**Disclosure Package**").

The undersigned acknowledges that it has otherwise been given full and complete access to information regarding the Company and has utilized such access to the undersigned's satisfaction for the purpose of obtaining such information regarding the Company as the undersigned has reasonably requested; and, particularly, the undersigned has been given reasonable opportunity to ask questions of, and receive answers from, representatives of the Company concerning the terms and conditions of the offering of the Warrant Shares and to obtain any additional information, to the extent reasonably available;

(c) That the undersigned recognizes that the Warrant Shares as an investment involves a high degree of risk, including, but not limited to, those risks set forth in the "Risk Factors" section of the Company's prospectus dated August 8, 2016;

(d) That the undersigned realizes that notwithstanding the fact that the Warrant Shares have been registered for resale pursuant to the Company's Registration Statement on Form S-1 (SEC File No. 333-212418) declared effective by the SEC on August 8, 2016, the Warrant Shares are being issued pursuant to an exemption from registration under the U.S. Securities Act of 1933, as amended ("**Securities Act**") and, as such, the transferability of the Warrant Shares is restricted and that legends may be placed on any certificate representing the Warrant Shares substantially to the following effect:

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). THE SECURITIES HAVE BEEN ACQUIRED FOR INVESTMENT AND MAY NOT BE SOLD, TRANSFERRED, ASSIGNED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF A CURRENT AND EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT WITH RESPECT TO SUCH SECURITIES, OR AN OPINION OF THE ISSUER'S COUNSEL TO THE EFFECT THAT REGISTRATION IS NOT REQUIRED UNDER THE SECURITIES ACT.

(e) That the offer made hereby and the exercise of the Warrants at the reduced exercise price will not trigger any anti-dilution adjustment under the terms of the Warrants. For example, the number of Warrant Shares eligible for purchase pursuant to the Warrants are not being increased (or decreased) as a result of the Warrants' exercise at the reduced exercise price.

(f) That notwithstanding any "cashless exercise" or similar provision in the Warrants, the offer made hereby and the exercise of the Warrants at the reduced exercise price is strictly and expressly conditioned on the undersigned's payment of cash consideration for the full amount of the aggregate exercise price at the reduced exercise price.

2. The undersigned represents and warrants that the undersigned is a bona fide resident of, is domiciled in and received the offer and made the decision to invest in the Warrant Shares in the state set forth on the signature page hereof, and the Warrant Shares are being purchased by the undersigned in the undersigned's name solely for the undersigned's own beneficial interest and not as nominee for, or on behalf of, or for the beneficial interest of, or with the intention to transfer to, any other person, trust or

organization. The undersigned further represents that the undersigned is acquiring the Warrant Shares for investment and not with a view towards resale or distribution.

3. The undersigned acknowledges that the offering of the Warrant Shares is subject to the federal securities laws of the United States and state securities laws of those states in which the Warrant Shares are offered, and that, pursuant to the U.S. federal securities laws and state securities laws, the Warrant Shares may be purchased only by persons who come within the definition of an "Accredited Investor" as that term is defined in Rule 501(a) of Regulation D promulgated under the Securities Act.

By initialing one of the categories below, the undersigned represents and warrants that the undersigned comes within the category so initialed and has truthfully set forth the factual basis or reason the undersigned comes within that category. ALL INFORMATION IN RESPONSE TO THIS PARAGRAPH WILL BE KEPT STRICTLY CONFIDENTIAL. The undersigned agrees to furnish any additional information which the Company deems necessary in order to verify the answers set forth below.

Category I The undersigned is a natural person (not a partnership, corporation, etc.) whose individual net worth, or joint net worth with the undersigned's spouse, presently exceeds U.S. \$1,000,000.

Explanation. In calculation of net worth the undersigned may not include equity in the undersigned's primary residence, however, the undersigned can include equity in all other real estate. The calculation of net worth may also include the undersigned's personal property, cash, short-term investments, stocks and securities. Equity in personal property and real estate should be based on the fair market value of such property less debt secured by such property. Any debt that secures the undersigned's primary residence can be excluded from liabilities in calculating the undersigned's net worth, as long as the debt does not exceed the fair market value of the property (except that if the amount of such debt outstanding at the time of the undersigned's purchase of the Shares exceeds the amount outstanding 60 days before such time, other than as a result of the acquisition of the primary residence, the amount of such excess shall be included as a liability). If, however, the amount of the debt exceeds the fair market value of the primary residence and the mortgagee or other lender has recourse to the undersigned personally for any deficiency, that excess liability should be deducted from the undersigned's net worth.

Category II The undersigned is a natural person (not a partnership, corporation, etc.) who had an individual income in excess of U.S. \$200,000 in each of the two most recent years, or joint income with the undersigned's spouse in excess of \$300,000 in each of the two most recent years, and has a reasonable expectation of reaching the same income level in the current year.

Category III The undersigned is a bank as defined in Section 3(a)(2) of the Securities Act or any savings and loan association or other institution as defined in Section 3(a)(5)(A) of the Securities Act whether acting in its individual or fiduciary capacity; a broker or dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934; an insurance company as defined in Section 2(13) of the Securities Act; an investment company registered

under the Investment Company Act of 1940 or a business development company as defined in Section 2(a)(48) of that Act; any Small Business Investment Company licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958; a plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions for the benefit of its employees, if such plan has total assets in excess of \$5,000,000; an employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974 if the investment decision is made by the plan fiduciary, as defined in Section 3(21) of such Act, which is either a bank, savings and loan association, insurance company, or registered investment advisor, or if the employee benefit plan has total assets in excess of \$5,000,000 or, if a self-directed plan, with investment decisions made solely by persons that are accredited investors.

- Category IV _____ The undersigned is a private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940.
- Category V _____ The undersigned is an organization described in Section 501(c)(3) of the Internal Revenue Code, corporation, Massachusetts or similar business trust or partnership, not formed for the specific purpose of acquiring the securities offered, with total assets in excess of \$5,000,000.
- Category VI _____ The undersigned is a trust, with total assets in excess of \$5,000,000, not formed for the specific purpose of acquiring the securities offered hereby, whose purchase is directed by a sophisticated person as described in Rule 506(b)(2)(ii) of Regulation D.
- Category VII _____ The undersigned is an entity in which all of the equity owners are accredited investors.

4. The undersigned, if other than an individual, makes the following additional representations:

(a) The undersigned was not organized for the specific purpose of acquiring the Shares; and

(b) This Warrant Exercise Agreement has been duly authorized by all necessary action on the part of the undersigned, has been duly executed by an authorized representative of the undersigned, and is the legal, valid and binding obligations of the undersigned enforceable in accordance with its terms.

SIGNATURES

Executed this _____ day of _____, 2016, at
_____.

Please print above the exact name(s) in which the Warrant Shares are to be held

The undersigned hereby represents he has read this entire Warrant Exercise Agreement as well as the Disclosure Package.

(For Warrant Holders Who Are Natural Persons)

Address to Which Correspondence
Should be Directed

Signature
(Signature should be the same as the holder named in the Warrants)

Name

Street address

Signature (All record holders should sign)

City, State and Zip Code

Name(s) Typed or Printed

Tax Identification or Social Security Number

()

Telephone Number

(For Warrant Holders That Are Entities)

(Print Name of Entity)
(Entity name should be the same as the holder named in the Warrants)

(Signature of Authorized Signatory)

(Name and Title of Authorized Signer)

ACCEPTANCE

This Warrant Exercise Agreement is accepted as of October __, 2016.

MOBIVITY HOLDINGS CORP.,
a Nevada corporation

By: _____
Dennis Becker, Chief Executive Officer

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OC 287600143v3

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

I, Dennis Becker, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Mobivity Holdings Corp. for the quarter ended September 30, 2016;
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: November 14, 2016

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

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

I, Christopher Meinerz, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Mobivity Holdings Corp. for the quarter ended September 30, 2016;
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: November 14, 2016

By: /s/ Christopher Meinerz
Christopher Meinerz
Chief Financial Officer

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

In connection with the Quarterly Report on Form 10-Q of Mobivity Holdings Corp., a Nevada corporation (the "Company"), for the period ended September 30, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Dennis Becker, Chief Executive Officer of the Company, and Christopher Meinerz, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Dated: November 14, 2016

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

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