
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2017

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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Non-accelerated filer

(Do not check if a smaller reporting
company)

Accelerated filer

Smaller reporting company

Emerging Company

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

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

As of May 3, 2017, the registrant had 36,388,981 shares of common stock issued and outstanding.

**MOBIVITY HOLDINGS CORP.
INDEX**

	<u>Page</u>
<u>Part I. Financial Information</u>	1
<u>Item 1. Financial Statements</u>	1
<u>Condensed Consolidated Balance Sheets</u>	1
<u>Condensed Consolidated Statements of Income and Comprehensive Income</u>	2
<u>Condensed Consolidated Statement of Stockholders' Equity</u>	3
<u>Condensed Consolidated Statements of Cash Flows</u>	4
<u>Notes to Condensed Consolidated Financial Statements</u>	5
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	15
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	19
<u>Item 4. Controls and Procedures</u>	19
<u>Item 6. Exhibits</u>	20
<u>Signature Page</u>	20

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

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
ASSETS		
Current assets		
Cash	\$ 1,207,020	\$ 1,188,485
Restricted cash	1,000,000	1,000,000
Accounts receivable, net of allowance for doubtful accounts of \$2,512 and \$15,503, respectively	114,210	1,244,484
Other current assets	222,243	179,376
Total current assets	2,543,473	3,612,345
Goodwill	803,118	803,118
Intangible assets, net	818,170	627,119
Other assets	105,134	109,776
TOTAL ASSETS	\$ 4,269,895	\$ 5,152,358
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 641,943	\$ 701,347
Accrued interest	4,019	2,020
Accrued and deferred personnel compensation	578,573	671,677
Deferred revenue and customer deposits	407,436	160,023
Notes payable, net - current maturities	1,066,150	1,011,910
Other current liabilities	106,532	115,051
Total current liabilities	2,804,653	2,662,028
Non-current liabilities		
Notes payable, net - long term	353,108	361,166
Total non-current liabilities	353,108	361,166
Total liabilities	3,157,761	3,023,194
Commitments and Contingencies (See Note 9)		
Stockholders' equity		
Common stock, \$0.001 par value; 100,000,000 shares authorized; 36,388,981 and 36,388,981, shares issued and outstanding	36,389	36,389
Equity payable	100,862	100,862
Additional paid-in capital	77,035,800	76,698,383
Accumulated other comprehensive loss	(38,220)	(32,999)
Accumulated deficit	(76,022,697)	(74,673,471)
Total stockholders' equity	1,112,134	2,129,164
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 4,269,895	\$ 5,152,358

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

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

	Three Months Ended	
	March 31,	
	2017	2016
Revenues		
Revenues	\$ 2,113,283	\$ 1,845,240
Cost of revenues	557,388	404,940
Gross profit	1,555,895	1,440,300
Operating expenses		
General and administrative	1,015,418	1,062,953
Sales and marketing	1,208,785	1,248,412
Engineering, research, and development	589,322	349,098
Depreciation and amortization	68,746	146,388
Total operating expenses	2,882,271	2,806,851
Loss from operations	(1,326,376)	(1,366,551)
Other income/(expense)		
Interest income	904	368
Interest expense	(21,106)	(7,593)
Foreign currency (loss) gain	(2,648)	14,550
Total other income/(expense)	(22,850)	7,325
Loss before income taxes	(1,349,226)	(1,359,226)
Income tax expense	-	-
Net loss	(1,349,226)	(1,359,226)
Other comprehensive loss, net of income tax		
Foreign currency translation adjustments	(5,221)	(63,219)
Comprehensive loss	\$ (1,354,447)	\$ (1,422,445)
Net loss per share - basic and diluted	\$ (0.04)	\$ (0.05)
Weighted average number of shares during the period - basic and diluted	36,388,997	29,778,439

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

Mobivity Holdings Corp.
Consolidated Statement of Stockholders' Equity

	Common Stock		Equity Payable	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Dollars					
Balance, December 31, 2015	28,787,991	\$ 28,788	\$ 100,862	\$ 69,903,527	\$ -	\$(65,159,010)	\$ 4,874,167
Issuance of common stock for acquisition	1,015,000	1,015	-	709,485	-	-	710,500
Issuance of common stock for financing	3,256,000	3,256	-	1,950,344	-	-	1,953,600
Issuance of common stock for warrant conversion	3,329,990	3,330	-	2,535,858	-	-	2,539,188
Stock based compensation	-	-	-	1,599,169	-	-	1,599,169
Foreign currency translation adjustment	-	-	-	-	(32,999)	-	(32,999)
Net loss	-	-	-	-	-	(9,514,461)	(9,514,461)
Balance, December 31, 2016	36,388,981	\$ 36,389	\$ 100,862	\$ 76,698,383	\$ (32,999)	\$(74,673,471)	\$ 2,129,164
Stock based compensation	-	-	-	337,417	-	-	337,417
Foreign currency translation adjustment	-	-	-	-	(5,221)	-	(5,221)
Net loss	-	-	-	-	-	(1,349,226)	(1,349,226)
Balance, March 31, 2017	36,388,981	\$ 36,389	\$ 100,862	\$ 77,035,800	\$ (38,220)	\$(76,022,697)	\$ 1,112,134

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

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

	Three Months Ended	
	March 31,	
	2017	2016
<u>OPERATING ACTIVITIES</u>		
Net loss	\$ (1,349,226)	\$ (1,359,226)
Adjustments to reconcile net loss to net cash used in operating activities:		
Bad debt expense	(9,787)	3,743
Amortization of deferred financing costs	4,245	103
Stock-based compensation	337,417	426,846
Depreciation and amortization expense	68,746	146,388
Increase (decrease) in cash resulting from changes in:		
Accounts receivable	1,140,079	(89,753)
Other current assets	(42,760)	(48,897)
Other assets	225	17,700
Accounts payable	(59,548)	419,669
Accrued interest	1,999	-
Accrued and deferred personnel compensation	(93,297)	(116,191)
Deferred revenue and customer deposits	247,289	205,904
Other liabilities	(8,529)	(34,039)
<i>Net cash provided by (used in) operating activities</i>	236,853	(427,753)
<u>INVESTING ACTIVITIES</u>		
Purchases of equipment	(2,490)	(4,237)
Acquisitions	-	10,730
Cash paid for patent	(6,549)	(10,000)
Capitalized software development costs	(246,178)	(51,862)
<i>Net cash used in investing activities</i>	(255,217)	(55,369)
<u>FINANCING ACTIVITIES</u>		
Deferred financing costs	(15,000)	(32,287)
Proceeds from notes payable	53,051	-
Proceeds from issuance of common stock, net of issuance costs	-	1,953,600
<i>Net cash provided by financing activities</i>	38,051	1,921,313
<i>Effect of foreign currency translation on cash flow</i>	(1,152)	(19,307)
<i>Net change in cash</i>	18,535	1,418,884
<i>Cash at beginning of period</i>	1,188,485	634,129
<i>Cash at end of period</i>	\$ 1,207,020	\$ 2,053,013
Supplemental disclosures:		
Cash paid during period for:		
Interest	\$ 52,960	\$ 7,593

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 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, 2016 filed with the SEC on March 31, 2017.

In the opinion of management, such statements include all adjustments (consisting only of normal recurring items) which are considered necessary for a fair presentation of our condensed consolidated financial statements as of March 31, 2017, and for the three months ended March 31, 2017 and 2016. The results of operations for the three months ended March 31, 2017 are not necessarily indicative of the operating results for the full year ending December 31, 2017.

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 March 31, 2017, the Company recorded an advance of \$592,219 against certain receivables under their Working Capital Line of Credit Facility in accordance with the agreement.

As of March 31, 2017 and December 31, 2016, we recorded an allowance for doubtful accounts of \$2,512 and \$15,503, 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 three months ended March 31, 2017 and 2016, one customer accounted for 69% and 46%, 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 months ended March 31, 2017, the comprehensive loss was \$1,354,447. For the three months ended March 31, 2016, the comprehensive loss was \$1,422,445.

Net Loss Per Common Share

Basic net loss per share excludes any dilutive effects of options, shares subject to repurchase and warrants. Diluted net loss per share includes the impact of potentially dilutive securities. During the three months ended March 31, 2017 and 2016, 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.

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.

[Table of Contents](#)

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

3. 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's 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's working capital as of the closing date. As of the date of this report, no adjustments have been made to the working capital.

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		-
Other assets		2,617
Fixed assets		4,407
Intangible assets		20,300
Goodwill		1,129,493
Total assets acquired		1,168,623
Liabilities assumed		(458,123)
Net assets acquired	\$	<u>710,500</u>

The purchase price consists of the following:

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

[Table of Contents](#)

The following information presents unaudited pro forma consolidated results of operations for the three months ended March 31, 2016 as if the Livelenz acquisition described above had occurred on January 1, 2016. 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
Three Months Ended March 31, 2016

	Mobivity	Livelenz	Pro forma adjustments	Pro forma combined
Revenues				
Revenues	\$ 1,845,240	\$ 4,300	\$ -	\$ 1,849,540
Cost of revenues	404,940	120	-	405,060
Gross margin	1,440,300	4,180	-	1,444,480
Operating expenses				
General and administrative	1,062,953	20,071	-	1,083,024
Sales and marketing	1,248,412	7,087	-	1,255,499
Engineering, research, and development	349,098	-	-	349,098
Depreciation and amortization	146,388	76	-	146,464
Total operating expenses	2,806,851	27,234	-	2,834,085
Loss from operations	(1,366,551)	(23,054)	-	(1,389,605)
Other income/(expense)				
Interest income	368	-	-	368
Interest expense	(7,593)	(3,452)	-	(11,045)
Foreign Currency Gain/(Loss)	14,550	-	-	14,550
Total other income/(expense)	7,325	(3,452)	-	3,873
Loss before income taxes	(1,359,226)	(26,506)	-	(1,385,732)
Income tax expense	-	-	-	-
Net loss	<u>\$ (1,359,226)</u>	<u>\$ (26,506)</u>	<u>\$ -</u>	<u>\$ (1,385,732)</u>
Other comprehensive loss, net of income tax				
Foreign currency translation adjustments	(63,219)	-	-	(63,219)
Comprehensive loss	<u>\$ (1,422,445)</u>	<u>\$ (26,506)</u>	<u>\$ -</u>	<u>\$ (1,448,951)</u>
Net loss per share - basic and diluted	<u>\$ (0.05)</u>			<u>\$ (0.05)</u>
Weighted average number of shares during the period - basic and diluted	<u>29,778,439</u>			<u>29,778,439</u>

4. Goodwill and Purchased Intangibles

Goodwill

The carrying value of goodwill at March 31, 2017 and December 31, 2016 was \$803,118.

Intangible assets

The following table presents details of our purchased intangible assets as of March 31, 2017 and December 31, 2016:

	Balance at December 31, 2016	Additions	Impairments	Amortization	Fx and Other	Balance at March 31, 2017
Patents and trademarks	\$ 112,537	\$ 6,550	\$ -	\$ (2,943)	\$ 112	\$ 116,256
Customer and merchant relationships	178,000	-	-	(6,138)	-	171,862
Trade name	47,659	-	-	(1,670)	11	46,000
	<u>\$ 338,196</u>	<u>\$ 6,550</u>	<u>\$ -</u>	<u>\$ (10,751)</u>	<u>\$ 123</u>	<u>\$ 334,118</u>

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

Amortization expense for intangible assets was \$10,751 and \$53,379 for the three months ended March 31, 2017 and 2016, respectively.

The estimated future amortization expense of our intangible assets as of March 31, 2017 is as follows:

<u>Year ending December 31,</u>	<u>Amount</u>
2017	\$ 27,690
2018	43,022
2019	43,022
2020	43,022
2021	40,200
Thereafter	137,162
Total	<u>\$ 334,118</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 March 31, 2017 and December 31, 2016:

	Balance at December 31, 2016	Additions	Amortization	Balance at March 31, 2017
Software Development Costs	\$ 288,923	\$ 246,177	\$ (51,048)	\$ 484,052
	<u>\$ 288,923</u>	<u>\$ 246,177</u>	<u>\$ (51,048)</u>	<u>\$ 484,052</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 \$51,048 and \$89,463 for the three months ended March 31, 2017 and 2016, respectively.

The estimated future amortization expense of software development costs as of March 31, 2017 is as follows:

<u>Year ending December 31,</u>	<u>Amount</u>
2017	\$ 241,630
2018	211,658
2019	30,764
2020	-
2021	-
Thereafter	-
Total	<u>\$ 484,052</u>

6. Notes Payable and Interest Expense

The following table presents details of our notes payable as of March 31, 2017 and December 31, 2016:

Facility	Maturity	Interest Rate	Balance at March 31, 2017	Balance at December 31, 2016
BDC Term Loan	December 15, 2018	12%	\$ 337,055	\$ 333,260
ACOA Note	May 1, 2021	-	113,348	59,995
SVB Working Capital Line of Credit Facility	March 30, 2018	Variable	968,855	979,821
Total Debt			1,419,258	1,373,076
Debt discount			31,769	21,003
Less current portion			(1,097,919)	(1,032,913)
Long-term debt, net of current portion			\$ 353,108	\$ 361,166

BDC Term Loan

On January 8, 2016, Livelenz (a wholly-owned subsidiary of the Company,) entered into an amendment of their original loan agreement dated August 26, 2011 with the Business Development Bank of Canada (“BDC”). Under this agreement the loan will mature, and the commitments will terminate on December 15, 2018.

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. As of March 31, 2017, the Company owes \$968,855, 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 \$42,287 as of March 31, 2017 related to the Facility, which are being amortized on a straight-line basis to interest expense over the two-year term of the Facility.

Interest Expense

Interest expense was \$21,106 and \$7,593 during the three months ended March 31, 2017 and 2016, respectively.

7. Stockholders' Equity

Common Stock

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’s 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

[Table of Contents](#)

to file with the SEC a resale registration statement covering the common shares. The registration statement was declared effective by the SEC on August 8, 2016.

On October 31, 2016, we issued 3,329,990 shares of our common stock, at a price of \$0.70 per share, for the gross proceeds of \$2,330,993.

As of March 31, 2017 and December 31, 2016 we had an equity payable balance of \$100,862.

Stock-based Plans

Stock Option Activity

The following table summarizes stock option activity for the year ended December 31, 2016 and for the three months ended March 31, 2017:

	<u>Options</u>
Outstanding at December 31, 2015	5,043,228
Granted	1,771,500
Exercised	-
Forfeit/canceled	(577,817)
Expired	(479,031)
Outstanding at December 31, 2016	5,757,880
Granted	322,500
Exercised	-
Forfeit/canceled	(760,728)
Expired	(55,703)
Outstanding at March 31, 2017	<u>5,263,949</u>

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

2016

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

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

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

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

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

2017

On March 23, 2017, the Company granted seven employees 322,500 options to purchase shares of the Company common stock at the closing price as of March 23, 2017 of \$.72 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 23, 2027. The total estimated value using the Black-Scholes Model, based on a volatility rate 86% and an option value of \$0.52 was \$167,700.

Stock-Based Compensation Expense from Stock Options and Warrants

The impact on our results of operations of recording stock-based compensation expense for the three months ended March 31, 2017 and 2016 were as follows:

	Three Months Ended March 31,	
	2017	2016
General and administrative	\$ 222,543	\$ 239,504
Sales and marketing	59,822	51,704
Engineering, research, and development	(7,472)	27,900
	<u>\$ 274,893</u>	<u>\$ 319,108</u>

Valuation Assumptions

The fair value of each stock option award was calculated on the date of grant using the Black-Scholes option pricing model. The following weighted average assumptions were used for the three months ended March 31, 2017 and 2016.

	Three Months Ended March 31,	
	2017	2016
Risk-free interest rate	2.04 %	1.56 %
Expected life (years)	6.00	6.00
Expected dividend yield	- %	- %
Expected volatility	86 %	114 %

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 2017 and 2016 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, 2016 and for the three months ended March 31, 2017:

	Shares	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at December 31, 2015	653,937	\$ 0.32	0.08	\$ 305,572
Awarded	340,480	\$ 0.72	0.70	\$ -
Released	-	\$ -	-	\$ -
Canceled/forfeited/expired	-	\$ -	-	\$ -
Outstanding at December 31, 2016	994,417	\$ 0.72	0.70	\$ 731,845
Awarded	112,845	\$ 0.72	-	\$ -
Released	-	\$ -	-	\$ -
Canceled/forfeited/expired	-	\$ -	-	\$ -
Outstanding at March 31, 2017	1,107,262	\$ 0.48	0.75	\$ 863,664
Expected to vest at March 31, 2017	1,107,262	\$ -	-	\$ 863,664
Exercisable at March 31, 2017	862,232	\$ -	-	\$ 672,541
Unvested at March 31, 2017	245,030	\$ -	-	\$ 191,123
Unrecognized expense at March 31, 2017	\$ 162,687			

2016

On April 1, 2016 the Company granted five independent directors a total of 116,070 restricted stock units. The units were valued at \$81,249, or \$0.70 per share, 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 at \$81,251, or \$0.75 per share, based on the closing stock price on the date of grant. All units vest equally in 12 monthly installments beginning August 23, 2016. The shares of Common Stock associated with the Restricted Stock Unit evidenced by this Agreement will be issued to the director upon the earliest to occur of (A) August 23, 2019, (B) a change in control of the Company, and (C) the termination of the director's service with the Company.

On November 17, 2016 the Company granted five independent directors a total of 116,075 restricted stock units. The units were valued at \$81,253, or \$0.70 per share, based on the closing stock price on the date of grant. All units vest equally in 12 monthly installments beginning November 17, 2016. The shares of Common Stock associated with the Restricted Stock Unit evidenced by this Agreement will be issued to the director upon the earliest to occur of (A) November 17, 2019, (B) a change in control of the Company, and (C) the termination of the director's service with the Company.

2017

On March 23, 2017 the Company granted five independent directors a total of 112,845 restricted stock units. The units were valued at \$81,248, or \$0.72 per share, based on the closing stock price on the date of grant. All units vest equally in 12 monthly installments beginning March 23, 2017. The shares of Common Stock associated with the Restricted Stock Unit evidenced by this Agreement will be issued to the director upon the earliest to occur of (A) March 23, 2020, (B) a change in control of the Company, and (C) the termination of the director's service with the Company.

Stock Based Compensation from Restricted Stock

The impact on our results of operations of recording stock-based compensation expense for restricted stock units for the three months ended March 31, 2017 and 2016 was as follows:

	Three Months Ended March 31,	
	2017	2016
General and administrative	\$ 62,524	\$ 37,501
	<u>\$ 62,524</u>	<u>\$ 37,501</u>

As of March 31, 2017, there was unearned restricted stock unit compensation as described in the tables above. If there are any modifications or cancellations of the underlying unvested awards, we may be required to accelerate, increase or cancel all or a portion of the remaining unearned restricted unit compensation expense. Future unearned restricted unit compensation will increase to the extent we grant additional equity awards.

Warrants Issued to Investors and Placement Agents

At March 31, 2017, we have warrants to purchase 9,058,328 shares of common stock at \$1.20 per share and 1,210,370 at \$1.00 per share, respectively, which are outstanding. Of this amount, warrants to purchase 5,525,736 shares expire in 2018, warrants to purchase 3,116,712 shares expire in 2019, and warrants to purchase 1,626,250 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 March 31, 2017 on a recurring and non-recurring basis:

Description	Level 1	Level 2	Level 3	Gains (Losses)
Goodwill (non-recurring)	\$ -	\$ -	\$ 803,118	\$ -
Intangibles, net (non-recurring)	\$ -	\$ -	\$ 818,170	\$ -

The following table presents assets that are measured and recognized at fair value as of December 31, 2016 on a recurring and non-recurring basis:

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

9. Commitments and Contingencies**Litigation**

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

10. Related Party Transactions

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

11. Subsequent Events

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

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 2016 annual report on Form 10-K filed with the Securities and Exchange Commission, or the SEC, on March 31, 2017 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’s 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’s working capital as of the closing date. As of the date of this report, no adjustments have been made to the working capital.

2016 Private Placement

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

Working Capital Line of Credit Facility

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

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 March 31, 2017 were \$2,113,283, an increase of \$268,043, or 15%, compared to the same period in 2016. The net increase is primarily attributable to an increase in SmartSMS revenue of \$245,556.

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 March 31, 2017 was \$557,388, an increase of \$152,448, or 38%, compared to the same period in 2016. 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 decreased \$47,535, or 4%, during the three months ended March 31, 2017 compared to the same period in 2016. The decrease in general and administrative expense was primarily due to decreases in personnel expenses and share based compensation expenses.

Sales and Marketing

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

Sales and marketing expenses decreased \$39,627, or 3%, during the three months ended March 31, 2017 compared to the same period in 2016. The decrease was primarily due to lower share based compensation expense.

Engineering, Research & Development

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

Engineering, research & development expenses increased \$240,224, or 69%, during the three months ended March 31, 2017 compared to the same period in 2016. The increase was primarily due to an increase in personnel related costs as compared to 2016 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 decreased \$77,642 or 53%, during the three months ended March 31, 2017 compared to the same period in 2016.

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 \$13,513, or 178%, during the three months ended March 31, 2017 compared to the same period in 2016. The increase in interest expense is primarily related to interest on notes payable for the Livelenz subsidiary

Foreign Currency

The Company's financial results are impacted by volatility in the Canadian/U.S. Dollar exchange rate. The average U.S. Dollar exchange rate for three months ended March 31, 2017 was \$1 Canadian equals \$0.76 U.S. Dollars. This compares to an average rate of \$1 Canadian equals \$0.73 U.S. Dollars during the same periods of 2016. 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.

[Table of Contents](#)

Changes in foreign currency rates also impact the translated value of the Company's working capital that is held in Canadian Dollars. Foreign exchange rate fluctuations result in foreign exchange gains or losses based upon movement in the translated value of Canadian working capital into U.S. Dollars.

The change in foreign currency was a loss of \$2,648 and a gain of \$14,550 for the three months ended March 31, 2017, respectively.

Liquidity and Capital Resources

As of March 31, 2017, we had current assets of \$2,543,473, including \$1,207,020 in cash, \$1,000,000 in restricted cash and current liabilities of \$2,804,653, resulting in a working capital deficit of \$(261,180).

We believe as of the date of this report, we have working capital on hand, along with our expected cash flow from operations, to fund our current level of operations at least through the end of the next 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

	Three Months Ended	
	March 31,	
	2017	2016
Net cash provided by (used in):		
Operating activities	\$ 236,853	\$ (427,753)
Investing activities	(255,217)	(55,369)
Financing activities	38,051	1,921,313
Effect of foreign currency translation on cash flow	(1,152)	(19,307)
Net change in cash	\$ 18,535	\$ 1,418,884

Operating Activities

We received cash from operating activities totaling \$236,853 during the three months ended March 31, 2017 and used cash of \$427,753 during the three months ended March 31, 2016. The decrease in cash used in operating activities was primarily due to a lower net loss and decreases in accounts receivable.

Investing Activities

Investing activities during the three months ended March 31, 2017 includes \$246,178 of capitalized software development costs, \$6,549 of cash paid for patents, and \$2,490 of equipment purchases.

Investing activities during the three months ended March 31, 2016 includes \$4,237 of equipment purchases, \$51,862 of capitalized software development costs, \$10,000 of cash paid for patents, and \$10,730 of cash received from acquisitions.

Financing Activities

Financing activities for the three months ended March 31, 2017 includes net proceeds from proceeds of notes payable of \$53,051, offset by \$15,000 of cash paid for deferred financing fees.

Financing activities for the three months ended March 31, 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.

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 March 31, 2017 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 March 31, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 6. Exhibits

Exhibit No.	Description
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: May 15, 2017

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

Date: May 15, 2017

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

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

I, Dennis Becker, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Mobivity Holdings Corp. for the quarter ended March 31, 2017;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 15, 2017

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

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

I, Christopher Meinerz, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Mobivity Holdings Corp. for the quarter ended March 31, 2017;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 15, 2017

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 March 31, 2017, 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: May 15, 2017

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

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