

MOBIVITY HOLDINGS CORP.  
Form 10-Q  
May 16, 2016

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, 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

26-3439095

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(State or Other Jurisdiction of Incorporation or Organization) (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 Accelerated filer  
Non-accelerated filer Smaller reporting company

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

As of May 3, 2016, the registrant had 32,642,324 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

|   | March 31,<br>2016<br>(Unaudited) | December 31,<br>2015<br>(Audited) |
|---|----------------------------------|-----------------------------------|
| <b>ASSETS</b>   |                                  |                                   |
| Current assets  |                                  |                                   |
| Cash  | \$ 2,053,013                     | \$ 634,129                        |
| Accounts receivable, net of allowance for doubtful accounts of \$240,973 and<br>\$237,383, respectively | 791,221                          | 700,356                           |
| Other current assets  | 188,965                          | 131,345                           |
| Total current assets  | 3,033,199                        | 1,465,830                         |
| Goodwill  | 3,058,307                        | 1,921,072                         |
| Intangible assets, net  | 2,292,709                        | 2,373,689                         |
| Other assets  | 193,201                          | 173,022                           |
| <b>TOTAL ASSETS</b>   | <b>\$ 8,577,416</b>              | <b>\$ 5,933,613</b>               |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>   |                                  |                                   |
| Current liabilities   |                                  |                                   |
| Accounts payable  | \$ 871,811                       | \$ 375,363                        |
| Accrued and deferred personnel compensation   | 299,115                          | 414,314                           |
| Deferred revenue and customer deposits  | 278,528                          | 72,624                            |
| Notes payable   | 96,903                           | -                                 |
| Other current liabilities   | 169,595                          | 197,145                           |
| Total current liabilities   | 1,715,952                        | 1,059,446                         |
| Non-current liabilities   |                                  | -                                 |
| Notes payable   | 318,796                          | -                                 |
| Total non-current liabilities   | 318,796                          | -                                 |
| Total liabilities   | 2,034,748                        | 1,059,446                         |
| Commitments and Contingencies (See Note 9)  |                                  |                                   |
| Stockholders' equity  | 32,642                           | 28,788                            |

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|   |              |              |
|---|--------------|--------------|
| Common stock, \$0.001 par value; 50,000,000 shares authorized; 32,642,324 and 28,787,991, shares issued and outstanding |              |              |
| Equity payable  | 350,862      | 100,862      |
| Additional paid-in capital  | 72,670,382   | 69,903,527   |
| Accumulated other comprehensive loss  | (63,219)     | -            |
| Accumulated deficit   | (66,447,999) | (65,159,010) |
| Total stockholders' equity  | 6,542,668    | 4,874,167    |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY  | \$ 8,577,416 | \$ 5,933,613 |

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

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Mobivity Holdings Corp.

Condensed Consolidated Statements of Income and Comprehensive Income

(Unaudited)

|  | Three Months Ended<br>March 31, |                |
|--|---------------------------------|----------------|
|  | 2016                            | 2015           |
| Revenues                                       |                                 |                |
| Revenues                                       | \$ 1,845,240                    | \$ 940,172     |
| Cost of revenues                               | 436,624                         | 263,914        |
| Gross margin                                   | 1,408,616                       | 676,258        |
| Operating expenses                             |                                 |                |
| General and administrative                     | 1,048,471                       | 1,161,387      |
| Sales and marketing                            | 1,178,089                       | 1,092,900      |
| Engineering, research, and development         | 331,982                         | 114,144        |
| Depreciation and amortization                  | 146,388                         | 55,746         |
| Total operating expenses                       | 2,704,930                       | 2,424,177      |
| Loss from operations                           | (1,296,314)                     | (1,747,919)    |
| Other income/(expense)                         |                                 |                |
| Interest income                                | 368                             | 56             |
| Interest expense                               | (7,593)                         | -              |
| Change in fair value of derivative liabilities | -                               | 18,325         |
| Foreign currency gain/(loss)                   | 14,550                          | -              |
| Total other income/(expense)                   | 7,325                           | 18,381         |
| Loss before income taxes                       | (1,288,989)                     | (1,729,538)    |
| Income tax expense                             | -                               | -              |
| Net loss                                       | (1,288,989)                     | (1,729,538)    |
| Other comprehensive loss, net of income tax    |                                 |                |
| Foreign currency translation adjustments       | (63,219)                        | -              |
| Comprehensive loss                             | \$ (1,352,208)                  | \$ (1,729,538) |
| Net loss per share - basic and diluted         | \$ (0.04)                       | \$ (0.08)      |
| Weighted average number of shares              |                                 |                |
| during the period - basic and diluted          | 29,778,439                      | 23,022,420     |

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

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Mobivity Holdings Corp.

## Consolidated Statement of Stockholders' Equity

|   | Common Stock |           | Equity     | Additional      | Accumulated<br>Other<br>Comprehensive<br>Loss | Accumulated<br>Deficit | Total Stockholders'<br>Equity |
|---|--------------|-----------|------------|-----------------|---|------------------------|-------------------------------|
|   | Shares       | Dollars   | Payable    | Paid-in Capital |   |                        |                               |
| Balance,<br>December 31,<br>2014  | 22,748,193   | \$ 22,748 | \$ 100,862 | \$ 62,565,974   | \$ -  | \$ (59,025,964)        | \$ 3,663,620                  |
| Issuance of<br>common stock<br>for financing,<br>net of<br>transaction<br>costs of<br>\$234,500 | 4,805,000    | 4,805     | -          | 4,565,695       | -   | -                      | 4,570,500                     |
| Issuance of<br>common stock<br>for services   | 310,870      | 311       | -          | 362,690         | -   | -                      | 363,001                       |
| Issuance of<br>common stock<br>for earnout  | 903,928      | 904       | -          | 749,356         | -   | -                      | 750,260                       |
| Stock based<br>compensation   | 20,000       | 20        | -          | 1,659,812       | -   | -                      | 1,659,832                     |
| Net loss  | -            | -         | -          | -               | -   | (6,133,046)            | (6,133,046)                   |
| Balance,<br>December 31,<br>2015  | 28,787,991   | \$ 28,788 | \$ 100,862 | \$ 69,903,527   | \$ -  | \$ (65,159,010)        | \$ 4,874,167                  |
| Issuance of<br>common stock<br>for acquisition  | 1,015,000    | 1,015     | -          | 709,485         | -   | -                      | 710,500                       |
| Issuance of<br>common stock<br>for financing  | 2,839,333    | 2,839     | 250,000    | 1,700,761       | -   | -                      | 1,953,600                     |
| Stock based<br>compensation   | -            | -         | -          | 356,609         | -   | -                      | 356,609                       |
| Foreign<br>currency<br>translation  | -            | -         | -          | -               | (63,219)                                      | -                      | (63,219)                      |

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|                |            |           |            |               |             |                 |              |  |
|----------------|------------|-----------|------------|---------------|-------------|-----------------|--------------|--|
| adjustment     |            |           |            |               |             |                 |              |  |
| Net loss       | -          | -         | -          | -             | -           | (1,288,989)     | (1,288,989)  |  |
| Balance,       |            |           |            |               |             |                 |              |  |
| March 31, 2016 | 32,642,324 | \$ 32,642 | \$ 350,862 | \$ 72,670,382 | \$ (63,219) | \$ (66,447,999) | \$ 6,542,668 |  |

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

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Mobivity Holdings Corp.

Consolidated Statements of Cash Flows

(Unaudited)

|   | Three Months Ended<br>March 31, |                |
|---|---------------------------------|----------------|
|   | 2016                            | 2015           |
| <b>OPERATING ACTIVITIES</b>   |                                 |                |
| Net loss  | \$ (1,288,989)                  | \$ (1,729,538) |
| Adjustments to reconcile net loss to net cash used in operating activities: |                                 |                |
| Bad debt expense  | 3,743                           | 7,222          |
| Amortization of deferred financing costs                                    | 103                             | -              |
| Common stock issued for services  | -                               | 363,001        |
| Stock-based compensation  | 356,609                         | 344,267        |
| Depreciation and amortization expense                                       | 146,388                         | 55,746         |
| Change in fair value of derivative liabilities                              | -                               | (18,325)       |
| Increase (decrease) in cash resulting from changes in:                      |                                 |                |
| Accounts receivable   | (89,753)                        | 28,917         |
| Other current assets  | (48,897)                        | (22,964)       |
| Other assets  | 17,700                          | (5,700)        |
| Accounts payable  | 419,669                         | 93,952         |
| Accrued and deferred personnel compensation                                 | (116,191)                       | (22,501)       |
| Deferred revenue and customer deposits                                      | 205,904                         | (74,018)       |
| Other liabilities   | (34,039)                        | (5,955)        |
| Net cash used in operating activities                                       | (427,753)                       | (985,896)      |
| <b>INVESTING ACTIVITIES</b>   |                                 |                |
| Purchases of equipment  | (4,237)                         | (8,076)        |
| Acquisitions  | 10,730                          | -              |
| Cash paid for patent  | (10,000)                        | -              |
| Capitalized software development costs                                      | (51,862)                        | (214,341)      |
| Net cash used in investing activities                                       | (55,369)                        | (222,417)      |
| <b>FINANCING ACTIVITIES</b>   |                                 |                |
| Deferred financing costs  | (32,287)                        | -              |
| Proceeds from issuance of common stock, net of issuance costs               | 1,953,600                       | 4,295,500      |
| Net cash provided by financing activities                                   | 1,921,313                       | 4,295,500      |
| Effect of foreign currency translation on cash flow                         | (19,307)                        | -              |

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|                              |              |              |
|------------------------------|--------------|--------------|
| Net change in cash           | 1,418,884    | 3,087,187    |
| Cash at beginning of period  | 634,129      | 848,230      |
| Cash at end of period        | \$ 2,053,013 | \$ 3,935,417 |
| Supplemental disclosures:    |              |              |
| Cash paid during period for: |              |              |
| Interest                     | \$ 7,593     | \$ -         |

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

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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 March 31, 2016, and for the three months ended March 31, 2016 and 2015. The results of operations for the three months ended March 31, 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.

#### 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 ten 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



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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, 2016 and 2015, one customer accounted for 46% and 36%, 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, 2016, the comprehensive loss was \$1,352,208. For the three months ended March 31, 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 months ended March 31, 2016 and 2015, we had securities



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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 2016-08, "Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)". This amendment provides additional clarification and implementation guidance on the previously issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)". The amendments in ASU 2016-08 clarify how an entity should identify the specified good or service for the principal versus agent evaluation and how it should apply the control principle to certain types of arrangements. The adoption of ASU 2016-08 is to coincide with an entity's adoption of ASU 2014-09, which we intend to adopt for interim and annual reporting periods beginning after December 15, 2017. The Company is currently evaluating the impact that these standards 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 is currently evaluating the impact of the adoption of this standard will have on our consolidated financial statements.

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.

### 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                     | \$ 10,730  |
| Accounts receivable, net | 4,193      |
| Inventory                | 5,318      |
| Other assets             | 7,024      |
| Goodwill                 | 1,137,235  |
| Total assets acquired    | 1,164,500  |
| Liabilities assumed      | (454,000)  |
| Net assets acquired      | \$ 710,500 |

The purchase price consists of the following:

|                      |            |
|----------------------|------------|
| Common stock         | \$ 710,500 |
| Total purchase price | \$ 710,500 |

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

Mobivity Holdings Corp.  
Unaudited Pro Forma Condensed Consolidated Statement of Operations  
Three Months Ended March 31, 2015

| Mobivity | Livelenz | Pro forma adjustments | Pro forma combined |
|----------|----------|-----------------------|--------------------|
|----------|----------|-----------------------|--------------------|

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|   |                |             |      |                |
|---|----------------|-------------|------|----------------|
| Revenues  |                |             |      |                |
| Revenues  | \$ 940,172     | \$ 90,581   | \$ - | \$ 1,030,753   |
| Cost of revenues  | 263,914        | 23,136      | -    | 287,050        |
| Gross margin  | 676,258        | 67,445      | -    | 743,703        |
| Operating expenses  |                |             |      |                |
| General and administrative  | 1,161,387      | 17,943      | -    | 1,179,330      |
| Sales and marketing   | 1,092,900      | 95,756      | -    | 1,188,656      |
| Engineering, research, and development                                  | 114,144        | -           | -    | 114,144        |
| Depreciation and amortization   | 55,746         | 609         | -    | 56,355         |
| Total operating expenses  | 2,424,177      | 114,308     | -    | 2,538,485      |
| Loss from operations  | (1,747,919)    | (46,863)    | -    | (1,794,782)    |
| Other income/(expense)  |                |             |      |                |
| Interest income   | 56             | -           | -    | 56             |
| Interest expense  | -              | (8,868)     | -    | (8,868)        |
| Change in fair value of derivative liabilities                          | 18,325         | -           | -    | 18,325         |
| Foreign Currency Gain/(Loss)  | -              | 22,020      | -    | 22,020         |
| Total other income/(expense)  | 18,381         | 13,152      | -    | 31,533         |
| Loss before income taxes  | (1,729,538)    | (33,711)    | -    | (1,763,249)    |
| Income tax expense  | -              | -           | -    | -              |
| Net loss  | \$ (1,729,538) | \$ (33,711) | \$ - | \$ (1,763,249) |
| Net loss per share - basic and diluted                                  | \$ (0.08)      |             |      | \$ (0.08)      |
| Weighted average number of shares during the period - basic and diluted | 23,022,420     |             |      | 23,022,420     |

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## 4. Goodwill and Purchased Intangibles

## Goodwill

The carrying value of goodwill at March 31, 2016 and December 31, 2015 was \$3,058,307 and \$1,921,072, respectively.

## Intangible assets

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

|                                     | Balance at   |           |             | Balance at   |              |
|-------------------------------------|--------------|-----------|-------------|--------------|--------------|
|                                     | December 31, |           |             | March 31,    |              |
|                                     | 2015         | Additions | Impairments | Amortization | 2016         |
| Patents and trademarks              | \$ 78,931    | \$ 10,000 | \$ -        | \$ (1,974)   | \$ 86,957    |
| Customer and merchant relationships | 1,373,513    | -         | -           | (41,621)     | \$ 1,331,892 |
| Trade name                          | 135,567      | -         | -           | (4,108)      | \$ 131,459   |
| Acquired technology                 | 187,298      | -         | -           | (5,676)      | \$ 181,622   |
|                                     | \$ 1,775,309 | \$ 10,000 | \$ -        | \$ (53,379)  | \$ 1,731,930 |

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

Amortization expense for intangible assets was \$53,379 and \$53,692 for the three months ended March 31, 2016 and 2015, respectively.

The estimated future amortization expense of our intangible assets as of March 31, 2016 is as follows:

| Year ending December 31, | Amount       |
|--------------------------|--------------|
| 2016                     | \$ 160,139   |
| 2017                     | 213,519      |
| 2018                     | 213,519      |
| 2019                     | 213,519      |
| 2020                     | 213,519      |
| Thereafter               | 717,715      |
| Total                    | \$ 1,731,930 |

#### 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, 2016 and December 31, 2015:

|                            | Balance at   |           | Balance at   |            |
|----------------------------|--------------|-----------|--------------|------------|
|                            | December 31, |           | March 31,    |            |
|                            | 2015         | Additions | Amortization | 2016       |
| Software Development Costs | \$ 598,380   | \$ 51,862 | \$ (89,463)  | \$ 560,779 |
|                            | \$ 598,380   | \$ 51,862 | \$ (89,463)  | \$ 560,779 |

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 \$89,463 and \$0 for the three months ended March 31, 2016 and 2015.

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

| Year ending December 31, | Amount     |
|--------------------------|------------|
| 2016                     | \$ 286,439 |
| 2017                     | 232,227    |
| 2018                     | 42,113     |
| 2019                     | -          |
| 2020                     | -          |
| Thereafter               | -          |
| Total                    | \$ 560,779 |

## 6. Notes Payable and Interest Expense

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

| Facility                                    | Maturity          | Interest Rate | Balance at<br>March 31,<br>2016 | Balance at<br>December 31,<br>2015 |
|---|-------------------|---------------|---------------------------------|------------------------------------|
| BDC Term Loan                               | December 15, 2017 | 12%           | \$ 345,465                      | \$ -                               |
| ACOA Note                                   | May 1, 2021       | -             | 70,234                          | -                                  |
| SVB Working Capital Line of Credit Facility | March 30, 2018    | Variable      | -                               | -                                  |
| Total Debt                                  |                   |               | 415,699                         | -                                  |
| Less current portion                        |                   |               | (96,903)                        | -                                  |
| Long-term debt, net of current portion      |                   |               | \$ 318,796                      | \$ -                               |

## 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 will begin 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. There are no financial covenants and as of the date of this report there are no borrowings under the 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 March 31, 2016 related to the Facility, which are being amortized on a straight-line basis to interest expense over the two-year term of the Facility.

#### Interest Expense

Interest expense was \$7,593 during the three months ended March 31, 2016.

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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. The Registration Rights Agreement also provides that we must make certain payments as liquidated damages to the

investors if it fails to timely file the registration statement and cause it to become effective. The Registration Rights Agreement was declared effective as of September 10, 2015. As of the date of this filing, liquidated damages in regards to the timely filing of the registration statement have been waived.

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

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.

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 by May 31, 2016.

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## Stock-based Plans

## Stock Option Activity

The following table summarizes stock option activity for the year ended December 31, 2015 and for the three months ended March 31, 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                          | 925,500     |
| Exercised                        | -           |
| Canceled/forfeited/expired       | (496,071)   |
| Outstanding at March 31, 2016    | 5,472,657   |

The weighted average exercise price of stock options granted during the period was \$0.70 and the related weighted average grant date fair value was \$0.59 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

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monthly installments thereafter and are exercisable until April 16, 2025. The total estimated value using the Black-Scholes Model, based on a volatility rate of 132% and a call option value of \$1.08 was \$480,600.

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

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

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

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

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

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.

#### 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, 2016 and 2015 were as follows:

|  | Three Months Ended<br>March 31, |            |
|--|---------------------------------|------------|
|  | 2016                            | 2015       |
| General and administrative             | \$ 239,504                      | \$ 186,803 |
| Sales and marketing                    | 51,704                          | 59,244     |
| Engineering, research, and development | 27,900                          | 18,042     |
|  | \$ 319,108                      | \$ 264,089 |

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## 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, 2016 and 2015.

|                         | Three Months<br>Ended<br>March 31, |        |
|-------------------------|------------------------------------|--------|
|                         | 2016                               | 2015   |
| Risk-free interest rate | 1.56 %                             | 1.58 % |
| Expected life (years)   | 6.00                               | 6.04   |
| 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

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

|  | Shares   | Weighted Average<br>Grant Date Fair<br>Value | Weighted Average<br>Remaining<br>Contractual Term<br>(Years) | Aggregate<br>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                                | -        | \$ -   | -  | \$ -                         |
| Released                               | -        | \$ -   | -  | \$ -                         |
| Canceled/forfeited/expired             | -        | \$ -   | -  | \$ -                         |
| Outstanding at March 31, 2016          | 653,937  | \$ 0.32                                      | -  | \$ 399,570                   |
| Expected to vest at March 31, 2016     | 653,937  | \$ -   | -  | \$ 399,570                   |
| Exercisable at March 31, 2016          | 653,937  | \$ -   | -  | \$ 399,570                   |
| Unvested at March 31, 2016             | -        | \$ -   | -  | \$ -                         |
| Unrecognized expense at March 31, 2016 | \$ -     |  |  |                              |

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.

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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.

## 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, 2016 and 2015 was as follows:

|                            | Three Months Ended<br>March 31, |           |
|----------------------------|---------------------------------|-----------|
|                            | 2016                            | 2015      |
| General and administrative | \$ 37,501                       | \$ 80,178 |
|                            | \$ 37,501                       | \$ 80,178 |

As of March 31, 2016, all restricted stock units were fully vested and expensed. 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 March 31, 2016 is presented below:

|                                  | Number<br>Outstanding |
|----------------------------------|-----------------------|
| Outstanding at December 31, 2015 | 33,333                |
| Granted                          | -                     |
| Exercised                        | -                     |
| Canceled/forfeited/expired       | (33,333)              |
| Outstanding at March 31, 2016    | -                     |

#### Warrants Issued to Investors and Placement Agents

2015

In March 2015, we issued warrants to the purchase of 1,201,250 common stock units at \$1.20 per share in connection with the equity financing. The grant date fair value of the warrants was \$4,462,482 or \$0.93 per share. Additionally, we issued to EGE warrants to purchase an aggregate of 234,500 units, exercisable for a period of five years from the closing date, at an exercise price of \$1.00 per unit.

At March 31, 2016, we have warrants to purchase 8,112,772 and 234,500 shares of common stock at \$1.20 and \$1.00 per share, respectively, which are outstanding. Of this amount, warrants to purchase 34,229 shares expire in 2016, warrants to purchase 5,153,358 shares expire in 2018, warrants to purchase 1,723,935 shares expire in 2019, and warrants to purchase 1,435,750 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.



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

| Description                      | Level 1 | Level 2 | Level 3      | Gains (Losses) |
|----------------------------------|---------|---------|--------------|----------------|
| Goodwill (non-recurring)         | \$ -    | \$ -    | \$ 3,058,307 | \$ -           |
| Intangibles, net (non-recurring) | \$ -    | \$ -    | \$ 2,292,709 | \$ -           |

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

## 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, 2015 for the gross proceeds of \$4,805,000. Two officers of the company participated in the private placement investing a total of \$75,000, resulting in 75,000 common stock shares and 18,750 of common stock purchase warrants.

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 of the company participated in the private placement investing a total of \$25,000, resulting in 41,667 common stock shares.

## 11. Subsequent Events

On April 29, 2016, Livelenz entered into an amendment on the ACOA loan as further described in Note 6.

## 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 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

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

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

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

Our SmartReceipt solution enables our customers with the ability to control the content on receipts printed from their point of sale, or POS system. SmartReceipt is a software application that is installed on the POS which dynamically

controls what is printed on receipts such as coupons, announcements, or other calls-to-action such as invitations to participate in a survey. SmartReceipt includes a Web-based interface where users can design receipt content and implement business rules to dictate what receipt content is printed in particular situations. All receipt content is also transmitted to SmartReceipt's server back-end for storage and analysis. Our C4 solution integrates with SmartReceipt by support SMS marketing or Stamp mobile application calls-to-action which can be printed on receipt content by SmartReceipt.

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

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

## Recent Events

### 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

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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 agreed to file with the SEC a resale registration statement covering the common shares by May 31, 2016.

Working Capital Line of Credit Facility

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

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. The Registration Rights Agreement also provides that we must make certain

payments as liquidated damages to the investors if it fails to timely file the registration statement and cause it to become effective. The Registration Rights Agreement was declared effective as of September 10, 2015. As of the date of this filing, liquidated damages in regards to the timely filing of the registration statement have been waived.

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 units, as defined above, exercisable for a period of five years from the closing date, at an exercise price of \$1.00 per unit.

## Results of Operations

### Revenues

Revenues consist of several different lines of business. These include, 800 hosted call-in (“IVR”); short message service (“SMS”); Stampt (our loyalty application); Smart Receipt; point-of-purchase (“POP”) marketing display; campaign revenue which is derived from a flat monthly subscription fee associated with “text-to-win” campaigns by our customers; Ad Model revenues which are paid on a per coupon redemption basis, and other revenues.

Revenues for the three months ended March 31, 2016 were \$1,845,240, an increase of \$905,068, or 96%, compared to the same period in 2015. The net increase is primarily attributable to an increase in SMS and Smart Receipt revenue of \$938,185. This increase was offset by decreases in IVR and Ad Model revenues, which decreased \$49,004 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 March 31, 2016 was \$436,624, an increase of \$172,710, or 65%, 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.



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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 \$112,916, or 10%, during the three months ended March 31, 2016 compared to the same period in 2015. The decrease in general and administrative expense was primarily due to decreased personnel expenses. Personnel related expenses, exclusive of share based compensation, decreased \$98,499 due a decrease in one-time management expenses as compared to the same period in 2015. These decreases were offset by increases in other areas as a result of increased spending.

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 \$85,189, or 8%, during the three months ended March 31, 2016 compared to the same period in 2015. The increase was primarily due to higher personnel costs as a result of the Livelenz acquisition and trade shows. During the three months ended March 31, 2016, personnel related expenses, including share-based compensation, increased \$74,917 primarily due to the acquisition of personnel with Livelenz. Trade show costs increased \$7,395 due to higher show attendance as compared to the prior period in 2015.

Engineering, Research & Development

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

Engineering, research & development expenses increased \$217,838, or 191%, during the three months ended March 31, 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 \$90,642, or 163%, during the three months ended March 31, 2016 compared to the same period in 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 \$7,593, or 100%, during the three months ended March 31, 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 March 31, 2016 and 2015 was a decrease of \$18,325.

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.

### Foreign Currency

The Company's financial results are impacted by volatility in the Canadian/U.S. Dollar exchange rate. The average U.S. Dollar exchange rate for the three months ended March 31, 2016 was \$1 Canadian equals \$0.73 U.S. Dollar. This compares to an average rate of \$1 Canadian equals \$0.81 U.S. Dollar in the same period 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.

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A portion of the Company's expenses are incurred in Canadian Dollars and therefore fluctuate in U.S. Dollars as the U.S. Dollar varies. A weaker U.S. Dollar results in an increase in translated expenses, and a stronger U.S. Dollar results in a decrease.

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

The change in foreign currency was a gain of \$14,550 for three months ended March 31, 2016.

## Liquidity and Capital Resources

As of March 31, 2016, we had current assets of \$3,033,199, including \$2,053,013 in cash, and current liabilities of \$1,715,952, resulting in working capital of \$1,317,247.

As of the date of this report, we believe we have working capital on hand to fund our current level of operations at least through the end of the 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

|   | Period Ended |              |
|---|--------------|--------------|
|   | March 31,    |              |
|   | 2016         | 2015         |
| Net cash provided by (used in):                     |              |              |
| Operating activities                                | \$ (427,753) | \$ (985,896) |
| Investing activities                                | (55,369)     | (222,417)    |
| Financing activities                                | 1,921,313    | 4,295,500    |
| Effect of foreign currency translation on cash flow | (19,307)     | -            |

|                    |              |              |
|--------------------|--------------|--------------|
| Net change in cash | \$ 1,418,884 | \$ 3,087,187 |
|--------------------|--------------|--------------|

#### Operating Activities

We used cash in operating activities totaling \$427,753 during the three months ended March 31, 2016 and \$985,896 during the three months ended March 31, 2015. The decrease in cash used in operating activities was primarily due to a lower net loss.

#### Investing Activities

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

Investing activities during the three months ended March 31, 2015 includes \$8,076 of equipment purchases and \$214,341 of capitalized software development costs.

#### Financing Activities

Financing activities for the three months ended March 31, 2016 and 2015 includes net proceeds from the sale of common stock units of \$1,953,600 and \$4,295,500, respectively.

#### Critical Accounting Policies and Estimates

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

#### Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.



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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, 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 March 31, 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 6. Exhibits

Exhibit No. Description

10.1 Agreement dated January 15, 2016 between the Company and the shareholders of LiveLenz, Inc. (1)

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|         |   |
|---------|---|
| 10.2    | Form of Securities Purchase Agreement dated March 7, 2016 between the Company and the investors named herein (2)  |
| 10.3    | Form of Registration Rights Agreement dated March 7, 2016 between the Company and the investors named herein (2)  |
| 10.4    | Loan and Security Agreement dated March 30, 2016 is among Silicon Valley Bank, Mobivity, Inc. and the Company (2) |
| 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

- (1) Incorporated by reference to the Company's Current Report on Form 8-K filed January 22, 2016
- (2) Incorporated by reference to the Company's Annual Report on Form 10-K filed March 30, 2016

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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 16, 2016      By: /s/ Dennis Becker  
Dennis Becker  
Chief Executive Officer  
(Principal Executive Officer)

Date: May 16, 2016      By: /s/ Christopher Meinerz  
Christopher Meinerz  
Chief Financial Officer  
  
(Principal Accounting Officer)