

MOBIVITY HOLDINGS CORP.
Form 10-Q
November 14, 2017

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2017

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

For the transition period from _____ to _____

Commission file number 000-53851

Mobivity Holdings Corp.

(Exact Name of Registrant as Specified in Its Charter)

Nevada

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

| | | |
|-------------------------|---|---------------------------|
| Large accelerated filer | | Accelerated filer |
| Non-accelerated filer | (Do not check if a smaller reporting company) | Smaller reporting company |
| | | Emerging Company |

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

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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 October 31, 2017, the registrant had 36,756,880 shares of common stock issued and outstanding.

MOBIVITY HOLDINGS CORP.

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Part I - Financial Information

Item 1. Financial Statements

Mobivity Holdings Corp.

Condensed Consolidated Balance Sheets

| | September 30, 2017 (Unaudited) | December 31, 2016 (Audited) |
|--|--------------------------------------|-----------------------------------|
| ASSETS | | |
| Current assets | | |
| Cash | \$ 1,709,129 | \$ 1,188,485 |
| Restricted cash | - | 1,000,000 |
| Accounts receivable, net of allowance for doubtful accounts of \$1,425 and \$15,503, respectively | 1,412,333 | 1,244,484 |
| Other current assets | 286,407 | 179,376 |
| Total current assets | 3,407,869 | 3,612,345 |
| Goodwill | 803,118 | 803,118 |
| Intangible assets, net | 773,785 | 627,119 |
| Other assets | 83,262 | 109,776 |
| TOTAL ASSETS | \$ 5,068,034 | \$ 5,152,358 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities | | |
| Accounts payable | \$ 1,053,075 | \$ 701,347 |
| Accrued interest | 3,060 | 2,020 |
| Accrued and deferred personnel compensation | 420,352 | 671,677 |
| Deferred revenue and customer deposits | 2,124,441 | 160,023 |
| Notes payable, net - current maturities | 2,275,069 | 1,011,910 |
| Other current liabilities | 95,548 | 115,051 |
| Total current liabilities | 5,971,545 | 2,662,028 |
| Non-current liabilities | | |
| Notes payable, net - long term | 255,104 | 361,166 |
| Total non-current liabilities | 255,104 | 361,166 |
| Total liabilities | 6,226,649 | 3,023,194 |
| Commitments and Contingencies (See Note 9) | | |
| Stockholders' equity | | |
| Common stock, \$0.001 par value; 100,000,000 shares authorized; 36,756,880 and 36,388,981, shares issued and outstanding | 36,757 | 36,389 |

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| | | |
|--|--------------|--------------|
| Equity payable | 100,862 | 100,862 |
| Additional paid-in capital | 77,613,550 | 76,698,383 |
| Accumulated other comprehensive loss | (69,157) | (32,999) |
| Accumulated deficit | (78,840,627) | (74,673,471) |
| Total stockholders' equity | (1,158,615) | 2,129,164 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$ 5,068,034 | \$ 5,152,358 |

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 September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|----------------|------------------------------------|----------------|
| | 2017 | 2016 | 2017 | 2016 |
| Revenues | | | | |
| Revenues | \$ 2,083,987 | \$ 2,182,750 | \$ 6,436,072 | \$ 6,102,501 |
| Cost of revenues | 786,385 | 564,039 | 1,943,534 | 1,473,974 |
| Gross profit | 1,297,602 | 1,618,711 | 4,492,538 | 4,628,527 |
| Operating expenses | | | | |
| General and administrative | 652,762 | 1,139,732 | 2,516,249 | 3,125,484 |
| Sales and marketing | 836,767 | 1,152,849 | 2,673,087 | 3,285,655 |
| Engineering, research, and development | 1,177,318 | 685,311 | 3,080,037 | 1,600,377 |
| Depreciation and amortization | 105,510 | 194,419 | 273,716 | 501,866 |
| Total operating expenses | 2,772,357 | 3,172,311 | 8,543,089 | 8,513,382 |
| Loss from operations | (1,474,755) | (1,553,600) | (4,050,551) | (3,884,855) |
| Other income/(expense) | | | | |
| Interest income | 962 | 525 | 2,878 | 2,278 |
| Interest expense | (62,748) | (25,900) | (115,363) | (52,960) |
| Foreign currency (loss) gain | (931) | 372 | (4,120) | 1,488 |
| Total other income/(expense) | (62,717) | (25,003) | (116,605) | (49,194) |
| Loss before income taxes | (1,537,472) | (1,578,603) | (4,167,156) | (3,934,049) |
| Income tax expense | - | - | - | - |
| Net loss | (1,537,472) | (1,578,603) | (4,167,156) | (3,934,049) |
| Other comprehensive loss, net of income tax | | | | |
| Foreign currency translation adjustments | (20,294) | 1,696 | (36,158) | (43,626) |
| Comprehensive loss | \$ (1,557,766) | \$ (1,576,907) | \$ (4,203,314) | \$ (3,977,675) |
| Net loss per share - basic and diluted | \$ (0.04) | \$ (0.05) | \$ (0.11) | \$ (0.12) |
| Weighted average number of shares | | | | |
| during the period - basic and diluted | 36,683,122 | 33,059,007 | 36,488,448 | 31,965,484 |

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 | Accumulated | Total |
|---|--------------|-----------|------------|--------------------|--------------------------------|-----------------|--------------------------------------|
| | Shares | Dollars | Payable | Paid-in Capital | Other Comprehensive Loss | Deficit | Stockholders' Equity (Deficit) |
| Balance, December 31, 2015 | 28,787,991 | \$ 28,788 | \$ 100,862 | \$ 69,903,527 | \$ - | \$ (65,159,010) | \$ 4,874,167 |
| Issuance of common stock for acquisition | 1,015,000 | 1,015 | - | 709,485 | - | - | 710,500 |
| Issuance of common stock for financing | 3,256,000 | 3,256 | - | 1,950,344 | - | - | 1,953,600 |
| Issuance of common stock for warrant conversion | 3,329,990 | 3,330 | - | 2,535,858 | - | - | 2,539,188 |
| Stock based compensation | - | - | - | 1,599,169 | - | - | 1,599,169 |
| Foreign currency translation adjustment | - | - | - | - | (32,999) | - | (32,999) |
| Net loss | - | - | - | - | - | (9,514,461) | (9,514,461) |
| Balance, December 31, 2016 | 36,388,981 | \$ 36,389 | \$ 100,862 | \$ 76,698,383 | \$ (32,999) | \$ (74,673,471) | \$ 2,129,164 |
| Issuance of common stock for options exercised | 104,168 | 104 | - | 59,693 | - | - | 59,797 |
| Issuance of common stock for restricted stock awards | 263,731 | 264 | - | (264) | - | - | - |
| | - | - | - | 855,738 | - | - | 855,738 |

| | | | | | | | | |
|--|------------|-----------|------------|---------------|-------------|-----------------|----------------|--|
| Stock based compensation | | | | | | | | |
| Foreign currency translation adjustment | - | - | - | - | (36,158) | - | (36,158) | |
| Net loss | - | - | - | - | - | (4,167,156) | (4,167,156) | |
| Balance, September 30, 2017 | 36,756,880 | \$ 36,757 | \$ 100,862 | \$ 77,613,550 | \$ (69,157) | \$ (78,840,627) | \$ (1,158,615) | |

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

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Mobivity Holdings Corp.

Consolidated Statements of Cash Flows

(Unaudited)

| | Nine Months Ended September 30, | |
|---|------------------------------------|----------------|
| | 2017 | 2016 |
| OPERATING ACTIVITIES | | |
| Net loss | \$ (4,167,156) | \$ (3,934,049) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Bad debt expense | (7,277) | 152,938 |
| Amortization of deferred financing costs | 20,245 | 8,705 |
| Stock-based compensation | 855,738 | 1,187,249 |
| Depreciation and amortization expense | 273,716 | 501,866 |
| Loss on disposal of fixed assets | - | 67,185 |
| Increase (decrease) in cash resulting from changes in: | | |
| Accounts receivable | (159,958) | (175,433) |
| Other current assets | (106,813) | (22,455) |
| Other assets | 10,957 | 23,100 |
| Accounts payable | 351,089 | 235,676 |
| Accrued interest | 1,040 | 4,112 |
| Accrued and deferred personnel compensation | (252,394) | 36,989 |
| Deferred revenue and customer deposits | 1,963,429 | 199,479 |
| Other liabilities | (19,787) | (77,525) |
| Net cash provided by (used in) operating activities | (1,237,171) | (1,792,163) |
| INVESTING ACTIVITIES | | |
| Purchases of equipment | (4,989) | (30,209) |
| Acquisitions | - | 11,088 |
| Cash paid for patent | (16,810) | (20,915) |
| Capitalized software development costs | (382,023) | (442,267) |
| Net cash used in investing activities | (403,822) | (482,303) |
| FINANCING ACTIVITIES | | |
| Deferred financing costs | (15,000) | (32,287) |
| Net borrowings under line of credit agreement | 1,999,531 | - |
| Proceeds (repayments) from notes payable | 114,749 | (4,634) |
| Proceeds from issuance of common stock, net of issuance costs | 59,797 | 1,953,600 |
| Net cash provided by financing activities | 2,159,077 | 1,916,679 |

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| | | |
|---|--------------|--------------|
| Effect of foreign currency translation on cash flow | 2,560 | (2,803) |
| Net change in cash | 520,644 | (360,590) |
| Cash at beginning of period | 1,188,485 | 634,129 |
| Cash at end of period | \$ 1,709,129 | \$ 273,539 |
| Supplemental disclosures: | | |
| Cash paid during period for: | | |
| Interest | \$ 115,363 | \$ 52,960 |
| Non-cash investing and financing activities: | | |
| Restricted cash proceeds from line of credit | \$ - | \$ 1,000,000 |
| Issuance of common stock from restricted stock awards | \$ 264 | \$ - |

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 consumers via mobile phones, mobile smartphone applications, and dynamically printed receipt content.

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

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information and with the instructions to Form 10-Q and Rule 8-03 of Regulation S-X promulgated by the Securities and Exchange Commission (“SEC”). Accordingly, they do not include all of the information and disclosures required by GAAP for annual financial statements. The accompanying unaudited consolidated financial statements should be read in conjunction with the condensed consolidated financial statements and notes thereto in the Company’s Annual Report on Form 10-K for the year ended December 31, 2016 filed with the SEC on March 31, 2017.

In the opinion of management, such statements include all adjustments (consisting only of normal recurring items) which are considered necessary for a fair presentation of our condensed consolidated financial statements as of September 30, 2017, and for the three and nine months ended September 30, 2017 and 2016. The results of operations for the three and nine months ended September 30, 2017 are not necessarily indicative of the operating results for the full year ending December 31, 2017.

2. Summary of Significant Accounting Policies

Principles of Consolidation

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

Use of Estimates

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

Restricted cash

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

Accounts Receivable, Allowance for Doubtful Accounts and Concentrations

Accounts receivable are carried at their estimated collectible amounts. We grant unsecured credit to substantially all of our customers. Ongoing credit evaluations are performed and potential credit losses are charged to operations at the time the account receivable is estimated to be uncollectible. Since we cannot necessarily predict future changes in the financial stability of our customers, we cannot guarantee that our reserves will continue to be adequate.

As of September 30, 2017 and December 31, 2016, we recorded an allowance for doubtful accounts of \$1,425 and \$15,503, respectively.

Goodwill and Intangible Assets

Goodwill is tested for impairment at a minimum on an annual basis. Goodwill is tested for impairment at the reporting unit level by first performing a qualitative assessment to determine whether it is more likely than not that the fair

value of the reporting unit is less than its carrying value. If the reporting unit does not pass the qualitative assessment, then the reporting unit's carrying value is compared to

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its fair value. The fair values of the reporting units are estimated using market and discounted cash flow approaches. Goodwill is considered impaired if the carrying value of the reporting unit exceeds its fair value. The discounted cash flow approach uses expected future operating results. Failure to achieve these expected results may cause a future impairment of goodwill at the reporting unit.

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

Software Development Costs

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

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

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

Impairment of Long-Lived Assets

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

Foreign Currency Translation

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

Revenue Recognition and Concentrations

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

We generate revenue from the Stamt App through customer agreements with business owners. Revenue is principally derived from monthly subscription fees which provide a license for unlimited use of the Stamt 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 Stamt App.

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During the nine months ended September 30, 2017, two customers accounted for 71% of our revenues. During the nine months ended September 30, 2016, one customer accounted for 50% of our revenues.

Comprehensive Income (Loss)

Comprehensive income (loss) is defined as the change in equity during a period from transactions and other events and circumstances from non-owner sources. We are required to record all components of comprehensive income (loss) in the consolidated financial statements in the period in which they are recognized. Net income (loss) and other comprehensive income (loss), including foreign currency translation adjustments and unrealized gains and losses on investments, are reported, net of their related tax effect, to arrive at comprehensive income (loss). For the three and nine months ended September 30, 2017, the comprehensive loss was \$1,557,766 and \$4,203,314, respectively. For the three and nine months ended September 30, 2016, the comprehensive loss was \$1,576,907 and \$3,977,675, respectively.

Net Loss Per Common Share

Basic net loss per share excludes any dilutive effects of options, shares subject to repurchase and warrants. Diluted net loss per share includes the impact of potentially dilutive securities. During the three and nine months ended September 30, 2017 and 2016, we had securities outstanding which could potentially dilute basic earnings per share in the future, but were excluded from the computation of diluted net loss per share, as their effect would have been anti-dilutive.

Reclassifications

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

Recent Accounting Pronouncements

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

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

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

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

In January 2017, the FASB issued ASU 2017-04, Simplifying the Test for Goodwill Impairment, which removes the second step of the two-step goodwill impairment test. Under ASU 2017-04, an entity will apply a one-step quantitative test and record the amount of goodwill impairment as the excess of a reporting unit’s carrying amount over its fair value, not to exceed the total amount of goodwill

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allocated to the reporting unit. ASU 2017-04 does not amend the optional qualitative assessment of goodwill impairment. Additionally, an entity should consider income tax effects from any tax-deductible goodwill on the carrying amount of the reporting unit when measuring the goodwill impairment loss, if applicable. ASU 2017-04 is effective for annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019; early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company is currently in the process of evaluating the impact of adopting ASU 2017-04 and cannot currently estimate the financial statement impact of adoption.

3. Acquisitions

LiveLenz Acquisition

On January 15, 2016, we acquired all of the outstanding capital stock of LiveLenz Inc., a Nova Scotia corporation (“LiveLenz”), pursuant to an agreement dated January 15, 2016 among the Company and the stockholders of LiveLenz. Pursuant to the agreement, we acquired all of the capital stock of LiveLenz in consideration of our issuance of 1,000,000 shares (“Consideration Shares”) of our common stock to the LiveLenz stockholders, our issuance of an additional 15,000 share of our common stock in satisfaction of certain liabilities of LiveLenz, and the assumption of their existing liabilities. The agreement included customary representations, warranties, and covenants by us and the LiveLenz stockholders, including the LiveLenz stockholders’ agreement to indemnify us against certain claims or losses resulting from certain breaches of representations, warranties or covenants by the LiveLenz stockholders in the agreement. Pursuant to the agreement, the LiveLenz stockholders have agreed to adjust the number of Consideration Shares downward based on LiveLenz’s working capital as of the closing and in the event of any claims for indemnification by us. The LiveLenz stockholders have agreed that 100% of the Consideration Shares will be escrowed for a period of 18 months and subject to forfeiture based on indemnification claims by us or the final determination of LiveLenz’s working capital as of the closing date. As of the date of this report, no adjustments have been made to the working capital and the Consideration Shares have been issued to the LiveLenz stockholders.

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

| | |
|--------------------------|-----------|
| Cash | \$ 11,088 |
| Accounts receivable, net | 718 |
| Other assets | 2,617 |
| Fixed assets | 4,407 |

| | |
|-----------------------|------------|
| Intangible assets | 20,300 |
| Goodwill | 1,129,493 |
| Total assets acquired | 1,168,623 |
| Liabilities assumed | (458,123) |
| Net assets acquired | \$ 710,500 |

The purchase price consists of the following:

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

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The following information presents unaudited pro forma consolidated results of operations for the nine months ended September 30, 2016 as if the Livelenz acquisition described above had occurred on January 1, 2016. The pro forma financial information is not necessarily indicative of the operating results that would have occurred if the acquisition been consummated as of the date indicated, nor are they necessarily indicative of future operating results.

Mobivity Holdings Corp.
 Unaudited Pro Forma Condensed Consolidated Statement of Operations
 Nine Months Ended September 30, 2016

| | Mobivity | Livelenz | Pro forma adjustments | Pro forma combined |
|---|----------------|-------------|-----------------------|--------------------|
| Revenues | | | | |
| Revenues | \$ 6,102,501 | \$ 4,300 | \$ - | \$ 6,106,801 |
| Cost of revenues | 1,473,974 | 120 | - | 1,474,094 |
| Gross margin | 4,628,527 | 4,180 | - | 4,632,707 |
| Operating expenses | | | | |
| General and administrative | 3,125,484 | 20,071 | - | 3,145,555 |
| Sales and marketing | 3,285,655 | 7,087 | - | 3,292,742 |
| Engineering, research, and development | 1,600,377 | - | - | 1,600,377 |
| Depreciation and amortization | 501,866 | 76 | - | 501,942 |
| Total operating expenses | 8,513,382 | 27,234 | - | 8,540,616 |
| Loss from operations | (3,884,855) | (23,054) | - | (3,907,909) |
| Other income/(expense) | | | | |
| Interest income | 2,278 | - | - | 2,278 |
| Interest expense | (52,960) | (3,452) | - | (56,412) |
| Foreign Currency Gain/(Loss) | 1,488 | - | - | 1,488 |
| Total other income/(expense) | (49,194) | (3,452) | - | (52,646) |
| Loss before income taxes | (3,934,049) | (26,506) | - | (3,960,555) |
| Income tax expense | - | - | - | - |
| Net loss | \$ (3,934,049) | \$ (26,506) | \$ - | \$ (3,960,555) |
| Other comprehensive loss, net of income tax | | | | |
| Foreign currency translation adjustments | (43,626) | - | - | (43,626) |
| Comprehensive loss | \$ (3,977,675) | \$ (26,506) | \$ - | \$ (4,004,181) |
| Net loss per share - basic and diluted | \$ (0.12) | | | \$ (0.12) |

Weighted average number of shares

| | | |
|---------------------------------------|------------|------------|
| during the period - basic and diluted | 31,965,484 | 31,965,484 |
|---------------------------------------|------------|------------|

4. Goodwill and Purchased Intangibles

Goodwill

The carrying value of goodwill at September 30, 2017 and December 31, 2016 was \$803,118.

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Intangible assets

The following table presents details of our purchased intangible assets as of September 30, 2017 and December 31, 2016:

| | Balance at December 31, 2016 | Additions | Impairments | Amortization | Fx and Other | Balance at September 30, 2017 |
|--|------------------------------------|-----------|-------------|--------------|-----------------|-------------------------------------|
| Patents and trademarks | \$ 112,537 | \$ 16,810 | \$ - | \$ (8,868) | \$ 752 | \$ 121,231 |
| Customer and merchant relationships | 178,000 | - | - | (18,414) | - | 159,586 |
| Trade name | 47,659 | - | - | (5,015) | 69 | 42,713 |
| | \$ 338,196 | \$ 16,810 | \$ - | \$ (32,297) | \$ 821 | \$ 323,530 |

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

Amortization expense for intangible assets was \$10,796 and \$61,016 for the three months ended September 30, 2017 and 2016, respectively.

Amortization expense for intangible assets was \$32,297 and \$167,775 for the nine months ended September 30, 2017 and 2016, respectively.

The estimated future amortization expense of our intangible assets as of September 30, 2017 is as follows:

| Year ending December 31, | Amount |
|--------------------------|------------|
| 2017 | \$ 10,765 |
| 2018 | 43,062 |
| 2019 | 43,062 |
| 2020 | 43,062 |
| 2021 | 40,736 |
| Thereafter | 142,843 |
| Total | \$ 323,530 |

5. Software Development Costs

The Company has capitalized certain costs for software developed or obtained for internal use during the application development stage as it relates to specific contracts. The amounts capitalized include external direct costs of services used in developing internal-use software and for payroll and payroll-related costs of employees directly associated with the development activities.

The following table presents details of our software development costs as of September 30, 2017 and December 31, 2016:

| | Balance at December 31, 2016 | Additions | Amortization | Balance at September 30, 2017 |
|----------------------------|------------------------------------|------------|--------------|-------------------------------------|
| Software Development Costs | \$ 288,923 | \$ 382,023 | \$ (220,691) | \$ 450,255 |
| | \$ 288,923 | \$ 382,023 | \$ (220,691) | \$ 450,255 |

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 \$87,821 and \$134,590 for the three months ended September 30, 2017 and 2016, respectively.

Amortization expense for software development costs was \$220,691 and \$323,002 for the nine months ended September 30, 2017 and 2016, respectively.

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The estimated future amortization expense of software development costs as of September 30, 2017 is as follows:

| Year ending December 31, | Amount |
|--------------------------|------------|
| 2017 | \$ 94,972 |
| 2018 | 279,585 |
| 2019 | 75,698 |
| 2020 | - |
| 2021 | - |
| Thereafter | - |
| Total | \$ 450,255 |

6. Notes Payable and Interest Expense

The following table presents details of our notes payable as of September 30, 2017 and December 31, 2016:

| Facility | Maturity | Interest Rate | Balance at | |
|---|-------------------|---------------|--------------------|------------------------------|
| | | | September 30, 2017 | Balance at December 31, 2016 |
| BDC Term Loan | December 15, 2018 | 12% | \$ 361,006 | \$ 333,260 |
| ACOA Note | May 1, 2021 | - | 185,209 | 59,995 |
| SVB Working Capital Line of Credit Facility | March 30, 2018 | Variable | 1,983,958 | 979,821 |
| Total Debt | | | 2,530,173 | 1,373,076 |
| Debt discount | | | 15,795 | 21,003 |
| Less current portion | | | (2,290,864) | (1,032,913) |
| Long-term debt, net of current portion | | | \$ 255,104 | \$ 361,166 |

BDC Term Loan

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

ACOA Note

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

SVB Working Capital Line of Credit Facility

In March 2016, we entered into a Working Capital Line of Credit Facility (the “Facility”) with Silicon Valley Bank (“SVB”) to provide up to \$2 million to finance our general working capital needs. The Facility is funded based on cash on deposit balances and advances against our accounts receivable based on customer invoicing. Interest on Facility borrowings is calculated at rates between the prime rate minus 1.75% and prime rate plus 3.75% based on the borrowing base formula used at the time of borrowing. The Facility contains standard events of default, including payment defaults, breaches of representations, breaches of affirmative or negative covenants, and bankruptcy. As of September 30, 2017, the Company owes \$1,983,958, under this facility.

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

The Company capitalized debt issuance costs of \$42,287 as of September 30, 2017 related to the Facility, which are being amortized on a straight-line basis to interest expense over the two-year term of the Facility.

Interest Expense

Interest expense was \$62,748 and \$25,900 during the three months ended September 30, 2017 and 2016, respectively.

Interest expense was \$115,363 and \$52,960 during the nine months ended September 30, 2017 and 2016, respectively.

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7. Stockholders' Equity

Common Stock

2016

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

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

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

2017

On June 27, 2017, we issued 61,980 shares of our common stock, at a price of \$0.48 per share, for the gross proceeds of \$29,750 in conjunction with one employee that exercised vested stock options.

On July 17, 2017, we issued 263,731 shares of our common stock to four board members in accordance with their restricted stock unit agreements.

On August 22, 2017, we issued 4,688 shares of our common stock, at a price of \$0.41 per share, for the gross proceeds of \$1,922 in conjunction with one employee that exercised vested stock options.

On August 30, 2017, we issued 37,500 shares of our common stock, at a price of \$0.75 per share, for the gross proceeds of \$28,125 in conjunction with one employee that exercised vested stock options.

As of September 30, 2017 and December 31, 2016 we had an equity payable balance of \$100,862.

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Stock-based Plans

Stock Option Activity

The following table summarizes stock option activity for the year ended December 31, 2016 and for the nine months ended September 30, 2017:

| | Options |
|-----------------------------------|-------------|
| Outstanding at December 31, 2015 | 5,043,228 |
| Granted | 1,771,500 |
| Exercised | - |
| Forfeit/canceled | (577,817) |
| Expired | (479,031) |
| Outstanding at December 31, 2016 | 5,757,880 |
| Granted | 2,742,500 |
| Exercised | (104,168) |
| Forfeit/canceled | (1,363,658) |
| Expired | (235,341) |
| Outstanding at September 30, 2017 | 6,797,213 |

The weighted average exercise price of stock options granted during the period was \$0.64 and the related weighted average grant date fair value was \$0.46 per share.

2016

On January 15, 2016, the Company granted four employees a total of 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 a total of 258,000 options to purchase shares of the Company common stock at the closing price as of March 24, 2016 of \$0.70 per share. The options vest 25% on the first anniversary of the grant, then equally in 36 monthly installments thereafter and are exercisable until March 24, 2026. The total estimated value using the Black-Scholes Model, based on a volatility rate of 114% and a call option value of \$0.59 was \$152,220.

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

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

2017

On March 23, 2017, the Company granted seven employees a total of 322,500 options to purchase shares of the Company common stock at the closing price as of March 23, 2017 of \$0.72 per share. The options vest 25% on the first anniversary of the grant, then

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equally in 36 monthly installments thereafter and are exercisable until March 23, 2027. The total estimated value using the Black-Scholes Model, based on a volatility rate of 86% and an option value of \$0.52 was \$167,700.

On May 15, 2017, the Company granted eight employees a total of 2,105,000 options to purchase shares of the Company common stock at the closing price as of May 15, 2017 of \$0.60 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 15, 2027. The total estimated value using the Black-Scholes Model, based on a volatility rate of 85% and an option value of \$0.43 was \$905,150.

On June 28, 2017, the Company granted two employees a total of 150,000 options to purchase shares of the Company common stock at the closing price as of June 28, 2017 of \$0.76 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 28, 2027. The total estimated value using the Black-Scholes Model, based on a volatility rate of 86% and an option value of \$0.55 was \$82,500.

On August 14, 2017, the Company granted two employees a total of 165,000 options to purchase shares of the Company common stock at the closing price as of August 14, 2017 of \$0.895 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 14, 2027. The total estimated value using the Black-Scholes Model, based on a volatility rate of 86% and an option value of \$0.65 was \$107,250.

Stock-Based Compensation Expense from Stock Options and Warrants

The impact on our results of operations of recording stock-based compensation expense for the three and nine months ended September 30, 2017 and 2016 were as follows:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|----------------------------|-------------------------------------|------------|------------------------------------|------------|
| | 2017 | 2016 | 2017 | 2016 |
| General and administrative | \$ 137,395 | \$ 234,069 | \$ 432,322 | \$ 720,058 |
| Sales and marketing | 51,686 | 87,646 | 115,290 | 259,647 |

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| | | | | |
|--|------------|------------|------------|--------------|
| Engineering, research, and development | 53,294 | 37,371 | 130,688 | 120,986 |
| | \$ 242,375 | \$ 359,086 | \$ 678,300 | \$ 1,100,691 |

Valuation Assumptions

The fair value of each stock option award was calculated on the date of grant using the Black-Scholes option pricing model. The following weighted average assumptions were used for the nine months ended September 30, 2017 and 2016.

| | Nine Months Ended September 30, | |
|-------------------------|---------------------------------------|--------|
| | 2017 | 2016 |
| Risk-free interest rate | 1.96 % | 1.42 % |
| Expected life (years) | 6.00 | 6.02 |
| Expected dividend yield | - % | - % |
| Expected volatility | 85 % | 114 % |

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

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

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

The expected volatility in 2017 and 2016 is based on the historical publicly traded price of our common stock.

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Restricted stock units

The following table summarizes restricted stock unit activity under our stock-based plans for the year ended December 31, 2016 and for the nine months ended September 30, 2017:

| | Shares | Weighted Average Grant Date Fair Value | Weighted Average Remaining Contractual Term (Years) | Aggregate Intrinsic Value |
|--|-----------|--|--|------------------------------|
| Outstanding at December 31, 2015 | 653,937 | \$ 0.32 | 0.08 | \$ 305,572 |
| Awarded | 340,480 | \$ 0.72 | 0.70 | \$ - |
| Released | - | \$ - | - | \$ - |
| Canceled/forfeited/expired | - | \$ - | - | \$ - |
| Outstanding at December 31, 2016 | 994,417 | \$ 0.72 | 0.70 | \$ 731,845 |
| Awarded | 199,513 | \$ 0.73 | - | \$ - |
| Released | (263,731) | \$ - | - | \$ - |
| Canceled/forfeited/expired | (47,072) | \$ 0.72 | - | \$ - |
| Outstanding at September 30, 2017 | 883,127 | \$ 0.65 | 0.26 | \$ 883,127 |
| Expected to vest at September 30, 2017 | 883,127 | \$ - | - | \$ 883,127 |
| Exercisable at September 30, 2017 | 764,739 | \$ - | - | \$ 764,739 |
| Unvested at September 30, 2017 | 118,388 | \$ - | - | \$ 118,388 |
| Unrecognized expense at September 30, 2017 | \$ 80,413 | | | |

2016

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

On August 23, 2016 the Company granted five independent directors a total of 108,335 restricted stock units. The units were valued at \$81,251, or \$0.75 per share, based on the closing stock price on the date of grant. All units vest equally in 12 monthly installments beginning August 23, 2016. The shares of Common Stock associated with the Restricted Stock Unit evidenced by this Agreement will be issued to the director upon the earliest to occur of (A) August 23, 2019, (B) a change in control of the Company, and (C) the termination of the director's service with the Company.

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

2017

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

On May 15, 2017 the Company granted the Chairman of the Board 1,000,000 performance stock units. The units were valued at \$600,000 or \$0.60 per share, based on the closing stock price on the date of grant. These units vest upon meeting certain performance criteria. The Company expects that these units will be fully vested by December 31, 2017.

On May 19, 2017 the Company granted four independent directors a total of 86,668 restricted stock units. The units were valued at \$65,001 or \$0.75 per share, based on the closing stock price on the date of grant. All units vest equally in 12 monthly installments beginning May 19, 2017. The shares of Common Stock associated with the Restricted Stock Unit evidenced by this Agreement will be issued to the director upon the earliest to occur of (A) May 19, 2020, (B) a change in control of the Company, and (C) the termination of the director's service with the Company.

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Stock Based Compensation from Restricted Stock

The impact on our results of operations of recording stock-based compensation expense for restricted stock units for the three and nine months ended September 30, 2017 and 2016 was as follows:

| | Three Months Ended | | Nine Months Ended | |
|----------------------------|--------------------|-----------|-------------------|-----------|
| | September 30, | | September 30, | |
| | 2017 | 2016 | 2017 | 2016 |
| General and administrative | \$ (93,935) | \$ 28,970 | \$ 177,438 | \$ 86,558 |
| | \$ (93,935) | \$ 28,970 | \$ 177,438 | \$ 86,558 |

As of September 30, 2017, there was unearned restricted stock unit compensation as described in the tables above. If there are any modifications or cancellations of the underlying unvested awards, we may be required to accelerate, increase or cancel all or a portion of the remaining unearned restricted unit compensation expense. Future unearned restricted unit compensation will increase to the extent we grant additional equity awards.

Warrants Issued to Investors and Placement Agents

At September 30, 2017, we have warrants to purchase 4,529,164 shares of common stock at \$1.20 per share and 605,185 at \$1.00 per share, respectively, which are outstanding. Of this amount, warrants to purchase 2,762,868 shares expire in 2018, warrants to purchase 1,558,356 shares expire in 2019, and warrants to purchase 813,125 shares expire in 2020.

8. Fair Value Measurements

Fair value is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As

a basis for considering such assumptions, the authoritative guidance establishes a three-tier value hierarchy, which prioritizes the inputs used in measuring fair value as follows: (Level 1) observable inputs such as quoted prices in active markets; (Level 2) inputs other than the quoted prices in active markets that are observable either directly or indirectly; and (Level 3) unobservable inputs in which there is little or no market data, which requires us to develop our own assumptions. This hierarchy requires companies to use observable market data, when available, and to minimize the use of unobservable inputs when determining fair value. On a recurring basis, we measure certain financial assets and liabilities at fair value.

The following table presents assets that are measured and recognized at fair value as of September 30, 2017 on a recurring and non-recurring basis:

| Description | Level 1 | Level 2 | Level 3 | Gains (Losses) |
|----------------------------------|---------|---------|------------|----------------|
| Goodwill (non-recurring) | \$ - | \$ - | \$ 803,118 | \$ - |
| Intangibles, net (non-recurring) | \$ - | \$ - | \$ 773,785 | \$ - |

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

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

9. Commitments and Contingencies

Litigation

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

10. Related Party Transactions

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

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11. Subsequent Events

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

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

This Quarterly Report on Form 10-Q contains "forward-looking statements" as defined in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, in connection with the Private Securities Litigation Reform Act of 1995 that involve risks and uncertainties, as well as assumptions that, if they never materialize or prove incorrect, could cause our results to differ materially and adversely from those expressed or implied by such forward-looking statements. Such forward-looking statements include statements about our expectations, beliefs or intentions regarding our potential product offerings, business, financial condition, results of operations, strategies or prospects. You can identify forward-looking statements by the fact that these statements do not relate strictly to historical or current matters. Rather, forward-looking statements relate to anticipated or expected events, activities, trends or results as of the date they are made and are often identified by the use of words such as "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," or "will," and expressions or variations. Because forward-looking statements relate to matters that have not yet occurred, these statements are inherently subject to risks and uncertainties that could cause our actual results to differ materially from any future results expressed or implied by the forward-looking statements. Many factors could cause our actual activities or results to differ materially from the activities and results anticipated in forward-looking statements. These factors include those risks disclosed under the caption "Risk Factors" included in our 2016 annual report on Form 10-K filed with the Securities and Exchange Commission, or the SEC, on March 31, 2017 and in our subsequent filings with the SEC. Furthermore, such forward-looking statements speak only as of the date of this report. We undertake no obligation to update any forward-looking statements to reflect events or circumstances occurring after the date of such statements.

Overview

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

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

Our unique approach to personalized, targeted offline marketing is marketed through our "SmartSuite" portfolio of solutions that all leverage our proprietary path to point-of-sale data. Our primary SmartSuite product is "SmartMessenger" which utilizes a variety of communications channels for targeted awareness and offers messages to consumers, leveraging purchase data to measure and target those messages much in the same way an e-commerce operator, like Amazon, uses online shopping cart data. For example, a consumer might receive a message near lunch time offering a special discount to purchase a six-inch sub at their nearest Subway location. Once the consumer shows that message at check out on their mobile device, our SmartReceipt technology kicks in to match that customer's purchase with their offer redemption, thereby providing the ability to assess the effectiveness of the offer. It also builds a purchase history of that customer for more targeted offers in the future.

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

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

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

Recent Events

2017 Customer Contract Renewal and Expansion

On June 30, 2017 we renewed and expanded our partnership with one of our largest customers to foster additional customer engagement and long-term growth through utilization of the Mobivity SMART platform. With personalized customer communications via text/social messaging (SmartMessenger), and optimized business performance (SmartAnalytics), we have crafted a complete and self-optimizing solution for increasing customer acquisition, frequency and spend.

The renewed and expanded partnership utilizes the Mobivity platform for all of our customer’s locations for a term of 5 years, and includes a co-marketing commitment from both companies to ensure the continued growth in consumer subscribers to the program. The 5-year term includes a six figure monthly minimum commitment that is prepaid to Mobivity on an annual basis.

2016 Warrant Exercise

Between September 29 and October 31, 2016, we conducted an offer to the holders of our outstanding common stock purchase warrants pursuant to which our warrant holders were permitted to exercise their warrants at a reduced exercise price for a period expiring on October 31, 2016. At the commencement of the warrant offer, there were warrants outstanding that entitled their holders to purchase 8,551,168 shares of our common stock at exercise prices of \$1.00 and \$1.20 per share. The holders of all warrants were allowed to conduct cash-based exercises of their warrants at an exercise price of \$0.70 per share up through October 31, 2016. We undertook this limited-time warrant exercise price reduction in order to raise additional capital without incurring further potential dilution to our stockholders. In

addition, through the warrant holders' acceptance of our offer, we could significantly reduce the number of outstanding warrants and thereby simplify our capital structure. As of the close of the warrant offer, there have been 3,329,990 warrants exercised to purchase 3,329,990 shares of our common stock, resulting in additional capital of \$2,330,993. The warrant offer was conducted by our management and there were no commissions paid by us in connection with the solicitation.

LiveLenz Acquisition

On January 15, 2016, we acquired all of the outstanding capital stock of LiveLenz Inc., a Nova Scotia corporation ("LiveLenz"), pursuant to an agreement dated January 15, 2016 among the Company and the stockholders of LiveLenz. Pursuant to the agreement, we acquired all of the capital stock of LiveLenz in consideration of our issuance of 1,000,000 shares ("Consideration Shares") of our common stock to the LiveLenz stockholders and our issuance of an additional 15,000 share of our common stock in satisfaction of certain liabilities of LiveLenz. The agreement included customary representations, warranties, and covenants by us and the LiveLenz stockholders, including the LiveLenz stockholders' agreement to indemnify us against certain claims or losses resulting from certain breaches of representations, warranties or covenants by the LiveLenz stockholders in the agreement. Pursuant to the agreement, the LiveLenz stockholders have agreed to adjust the number of Consideration Shares downward based on LiveLenz's working capital as of the closing and in the event of any claims for indemnification by us. The LiveLenz stockholders have agreed that 100% of the Consideration Shares will be escrowed for a period of 18 months and subject to forfeiture based on indemnification claims by us or the final determination of LiveLenz's working capital as of the closing date. As of the date of this report, no adjustments have been made to the working capital and the Consideration Shares have been issued to the LiveLenz stockholders.

2016 Private Placement

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

Working Capital Line of Credit Facility

In March 2016, we entered into a Working Capital Line of Credit Facility (the "Facility") with Silicon Valley Bank ("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

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rate minus 1.75% and prime rate plus 3.75% based on the borrowing base formula used at the time of borrowing. The Facility contains standard events of default, including payment defaults, breaches of representations, breaches of affirmative or negative covenants, and bankruptcy.

Results of Operations

Revenues

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

Revenues for the three months ended September 30, 2017 were \$2,083,987, a decrease of \$98,763, or 5%, compared to the same period in 2016. This slight decline is primarily due to front-end pricing adjustments associated with prepayments offered on long-term contracts with large enterprise customers.

Revenues for the nine months ended September 30, 2017 were \$6,436,072, an increase of \$333,571, or 5%, compared to the same period in 2016. The net increase is primarily attributable to an increase in SMS revenue of \$350,796 offset by decreases in other revenues.

Unbilled Deferred Revenue, an Operational Measure

The deferred revenue balance on our consolidated balance sheets does not represent the total contract value of annual or multi-year, non-cancelable customer agreements. Unbilled deferred revenue is an operational measure that represents future billings under our customer agreements that have not been invoiced and, accordingly, are not recorded in deferred revenue. Unbilled deferred revenue amounts are reflected in the table below. Our typical contract length is between 12 and 60 months. We expect that the amount of unbilled deferred revenue will change from quarter to quarter for several reasons, including the specific timing, duration and size of customer agreements, varying billing cycles of agreements, the specific timing of customer renewals, the timing of when unbilled deferred revenue is to be recognized as revenue, and changes in customer financial circumstances. For multi-year customer agreements billed annually, the associated unbilled deferred revenue is typically high at the beginning of the contract period, zero just prior to renewal, and increases when the agreement is renewed. Low unbilled deferred revenue attributable to a particular customer agreement is often associated with an impending renewal and may not be an indicator of the likelihood of renewal or future revenue from such customer. Accordingly, we expect that the amount of aggregate

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unbilled deferred revenue will change from year-to-year depending in part upon the number and dollar amount of customer agreements at particular stages in their renewal cycle. Such fluctuations are not a reliable indicator of future revenues.

| Fiscal 2017 | September 30 | June 30 | March 31 |
|---------------------------|-----------------|------------|------------|
| Accounts receivable, net | \$ 1,412,333 | \$ 702,199 | \$ 114,210 |
| Deferred revenue | 2,124,441 | 626,670 | 407,436 |
| Unbilled deferred revenue | 809,800 | 2,349,200 | 1,567,600 |

| Fiscal 2016 | December 31 | September 30 | June 30 | March 31 |
|---------------------------|----------------|-----------------|------------|------------|
| Accounts receivable, net | \$ 1,244,484 | \$ 723,724 | \$ 860,674 | \$ 791,221 |
| Deferred revenue | 160,023 | 272,188 | 295,240 | 278,528 |
| Unbilled deferred revenue | 2,254,400 | 45,000 | 277,500 | 510,000 |

Cost of Revenues

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

Cost of revenues for the three months ended September 30, 2017 was \$786,385, an increase of \$222,346, or 39%, compared to the same period in 2016. This increase is primarily due to higher SMS and application costs associated with messaging fees and surcharges charged by text messaging carriers.

Cost of revenues for the nine months ended September 30, 2017 was \$1,943,534, an increase of \$469,560, or 32%, compared to the same period in 2016. This increase is primarily due to higher SMS and application costs associated with messaging fees and surcharges charged by text messaging carriers.

General and Administrative

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

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General and administrative expenses decreased \$486,970, or 43%, during the three months ended September 30, 2017 compared to the same period in 2016. The decrease in general and administrative expense was primarily due to a decrease in bad debt expense of \$140,034, offset by increases in share based compensation.

General and administrative expenses decreased \$609,235, or 19%, during the nine months ended September 30, 2017 compared to the same period in 2016. The decrease in general and administrative expense was primarily due to decreases in personnel expenses and bad debt expense.

Sales and Marketing

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

Sales and marketing expenses decreased \$316,082, or 27%, during the three months ended September 30, 2017 compared to the same period in 2016. The decrease was primarily due to lower personnel and share based compensation expenses.

Sales and marketing expenses decreased \$612,568, or 19%, during the nine months ended September 30, 2017, compared to the same period in 2016. The decrease was primarily due to lower personnel and share based compensation expenses.

Engineering, Research & Development

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

Engineering, research & development expenses increased \$492,007, or 72%, during the three months ended September 30, 2017 compared to the same period in 2016. The increase was primarily due to an increase in personnel related costs as compared to 2016 to support the Company's growth as well as fewer software development expenses being capitalized.

Engineering, research & development expenses increased \$1,479,660, or 92%, during the nine months ended September 30, 2017 compared to the same period in 2016. The increase was primarily due to an increase in personnel related costs as compared to 2016 to support the Company's growth as well as fewer software development expenses being capitalized.

Depreciation and Amortization

Depreciation and amortization expense consists of depreciation on our equipment and amortization of our intangible assets. Depreciation and amortization expense decreased \$88,909 or 46%, during the three months ended September 30, 2017 compared to the same period in 2016. Depreciation and amortization expense decreased \$228,150 or 45%, during the nine months ended September 30, 2017 compared to the same period in 2016.

Interest Expense

Interest expense consists of stated or implied interest expense on our notes payable, amortization of note discounts, and amortization of deferred financing costs. Interest expense increased \$36,848, or 142%, during the three months ended September 30, 2017 compared to the same period in 2016. Interest expense increased \$62,403, or 118%, during the nine months ended September 30, 2017 compared to the same period in 2016. The increase in interest expense for both the three and nine months ended September 30, 2017 is primarily related to interest on notes payable for the Livelenz subsidiary and borrowings against the Facility.

Foreign Currency

The Company's financial results are impacted by volatility in the Canadian/U.S. Dollar exchange rate. The average U.S. Dollar exchange rate for three and nine months ended September 30, 2017 was \$1 Canadian equals \$0.80 and \$0.77 U.S. Dollars, respectively. This compares to an average rate of \$1 Canadian equals \$0.77 and \$0.76 U.S. Dollars, respectively during the same periods of 2016. The Company's functional or measurement currency is the U.S. Dollar. Based on a U.S. Dollar functional currency, the following are the key areas impacted by foreign currency volatility:

- The Company sells products primarily in U.S. Dollars; therefore, reported revenues are not highly impacted by foreign currency volatility.
- A portion of the Company's expenses are incurred in Canadian Dollars and therefore fluctuate in U.S. Dollars as the U.S. Dollar varies. A weaker U.S. Dollar results in an increase in translated expenses, and a stronger U.S. Dollar results in a decrease.

- 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.

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The change in foreign currency was a loss of \$931 and \$4,120 for the three and nine months ended September 30, 2017, respectively.

The change in foreign currency was a gain of \$372 and \$1,488 for the three months ended September 30, 2016, respectively.

Liquidity and Capital Resources

As of September 30, 2017, we had current assets of \$3,407,869, including \$1,709,129 in cash, and current liabilities of \$5,971,545, resulting in a working capital deficit of \$(2,563,676).

We believe as of the date of this report, we have working capital on hand, along with our expected cash flow from operations, to fund our current level of operations at least through the end of the next fiscal year. However, there can be no assurance that we will not require additional capital. If we require additional capital, we will seek to obtain additional working capital through the sale of our securities and, if available, bank lines of credit. However, there can be no assurance we will be able to obtain access to capital as and when needed and, if so, the terms of any available financing may not be subject to commercially reasonable terms.

Cash Flows

| | Nine Months Ended September 30, | |
|---|------------------------------------|----------------|
| | 2017 | 2016 |
| Net cash provided by (used in): | | |
| Operating activities | \$ (1,237,171) | \$ (1,792,163) |
| Investing activities | (403,822) | (482,303) |
| Financing activities | 2,159,077 | 1,916,679 |
| Effect of foreign currency translation on cash flow | 2,560 | (2,803) |
| Net change in cash | \$ 520,644 | \$ (360,590) |

Operating Activities

We used cash from operating activities totaling \$1,237,171 during the nine months ended September 30, 2017 and used cash of \$1,792,163 during the nine months ended September 30, 2016. The decrease in cash used in operating activities was primarily due to changes in deferred revenue.

Investing Activities

Investing activities during the nine months ended September 30, 2017 includes \$382,023 of capitalized software development costs, \$16,810 of cash paid for patents, and \$4,989 of equipment purchases.

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

Financing Activities

Financing activities for the nine months ended September 30, 2017 includes net proceeds from notes payable of \$114,749, proceeds from borrowings under the line of credit agreement of \$1,999,531, and net proceeds from stock issued of \$114,749 offset by \$15,000 of cash paid for deferred financing fees.

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

Critical Accounting Policies and Estimates

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

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

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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 September 30, 2017 our disclosure controls and procedures were effective.

Changes in Internal Control

There were no changes in our internal control over financial reporting during the three months ended September 30, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 6. Exhibits

Exhibit No. Description

- 31.1 Certification by Chief Executive Officer pursuant to Section 302 of Sarbanes Oxley Act of 2002 *
- 31.2 Certification by Chief Financial Officer pursuant to Section 302 of Sarbanes Oxley Act of 2002 *
- 32.1 Certification Pursuant to 18 U.S.C. Section 1350 *
- 101.INS XBRL Instance Document *
- 101.SCH XBRL Taxonomy Schema Document
- 101.CAL XBRL Taxonomy Calculation Linkbase Document *
- 101.DEF XBRL Taxonomy Definition Linkbase Document *
- 101.LAB XBRL Taxonomy Label Linkbase Document*
- 101.PRE XBRL Taxonomy Presentation Linkbase Document *

* Filed electronically herewith

SIGNATURES

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

Mobivity Holdings Corp.

Date: November 14, 2017 By: /s/ Dennis Becker
Dennis Becker
Chairman and Chief Executive Officer
(Principal Executive Officer)

Date: November 14, 2017 By: /s/ Christopher Meinerz
Christopher Meinerz
Chief Financial Officer

(Principal Accounting Officer)