

MOBIVITY HOLDINGS CORP.  
Form 10-Q  
November 12, 2015

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, 2015

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

Edgar Filing: MOBIVITY HOLDINGS CORP. - Form 10-Q

(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 November 12, 2015, the registrant had 28,787,991 shares of common stock issued and outstanding.



MOBIVITY HOLDINGS CORP.

INDEX

	Page
<u>Part I</u> <u>Financial Information</u>	1
<u>Item 1.</u> <u>Financial Statements</u>	1
<u>Condensed Consolidated Balance Sheets</u>	1
<u>Condensed Consolidated Statements of Operations</u>	2
<u>Condensed Consolidated Statement of Stockholders' Equity</u>	3
<u>Condensed Consolidated Statements of Cash Flows</u>	4
<u>Notes to Condensed Consolidated Financial Statements</u>	5
<u>Item 2.</u> <u>Management's Discussion and Analysis of Financial Condition</u> <u>and Results of Operations</u>	19
<u>Item 3.</u> <u>Quantitative and Qualitative Disclosures About Market Risk</u>	24
<u>Item 4.</u> <u>Controls and Procedures</u>	24
<u>Part II</u> <u>Other Information</u>	25
<u>Item 6.</u> <u>Exhibits</u>	25
<u>Signature Page</u>	26

-i-

Table of Contents

## Part I - Financial Information

## Item 1. Financial Statements

## Mobivity Holdings Corp.

## Condensed Consolidated Balance Sheets

	September 30, 2015 (Unaudited)	December 31, 2014 (Audited)
<b>ASSETS</b>		
Current assets		
Cash	\$ 1,800,716	\$ 848,230
Accounts receivable, net of allowance for doubtful accounts		
of \$28,696 and \$90,869, respectively	766,329	378,934
Other current assets	192,843	109,846
Total current assets	2,759,888	1,337,010
Goodwill	1,921,072	1,921,072
Intangible assets, net	2,241,483	2,010,952
Other assets	176,254	99,476
<b>TOTAL ASSETS</b>	<b>\$ 7,098,697</b>	<b>\$ 5,368,510</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>		
Current liabilities		
Accounts payable	\$ 500,165	\$ 412,551
Accrued and deferred personnel compensation	144,903	185,214
Deferred revenue and customer deposits	71,872	180,941
Derivative liabilities	7,679	42,659
Other current liabilities	189,945	43,525
Earn-out payable	-	840,000
Total current liabilities	914,564	1,704,890
Total liabilities	914,564	1,704,890
Commitments and Contingencies (See Note 10)		
Stockholders' equity (deficit)		
Common stock, \$0.001 par value; 50,000,000 shares authorized;		
and 28,787,991 and 22,748,193, shares issued and outstanding	28,788	22,748
Equity payable	100,862	100,862

Edgar Filing: MOBIVITY HOLDINGS CORP. - Form 10-Q

Additional paid-in capital	69,462,344	62,565,974
Accumulated deficit	(63,407,861)	(59,025,964)
Total stockholders' equity (deficit)	6,184,133	3,663,620
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	\$ 7,098,697	\$ 5,368,510

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

-1-

---

Table of Contents

Mobivity Holdings Corp.

Condensed Consolidated Statement of Operations

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Revenues				
Revenues	\$ 1,303,663	\$ 1,044,254	\$ 3,335,080	\$ 3,057,360
Cost of revenues	286,503	272,252	820,455	791,486
Gross margin	1,017,160	772,002	2,514,625	2,265,874
Operating expenses				
General and administrative	1,068,157	916,322	3,276,384	2,900,711
Sales and marketing	1,005,520	828,333	2,895,748	2,723,979
Engineering, research, and development	269,273	344,322	584,978	1,026,120
Depreciation and amortization	105,512	116,309	243,998	300,273
Total operating expenses	2,448,462	2,205,286	7,001,108	6,951,083
Loss from operations	(1,431,302)	(1,433,284)	(4,486,483)	(4,685,209)
Other income/(expense)				
Interest income	506	132	1,054	2,034
Interest expense	-	(883)	-	(2,563)
Intangible asset impairment	(21,188)	-	(21,188)	-
Change in fair value of derivative liabilities	41,795	(2,354)	34,980	55,438
Gain on adjustment in contingent consideration	87,740	-	89,740	-
Total other income/(expense)	108,853	(3,105)	104,586	54,909
Loss before income taxes	(1,322,449)	(1,436,389)	(4,381,897)	(4,630,300)
Income tax expense	-	(1,678)	-	(1,678)
Net loss	\$ (1,322,449)	\$ (1,438,067)	\$ (4,381,897)	\$ (4,631,978)
Net loss per share - basic and diluted	\$ (0.05)	\$ (0.06)	\$ (0.17)	\$ (0.22)
Weighted average number of shares				
during the period - basic and diluted	28,480,322	22,237,762	25,973,592	20,672,880

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





Table of Contents

Mobivity Holdings Corp.

## Consolidated Statement of Stockholders' Equity (Deficit)

	Common Stock Shares	Dollars	Equity Payable	Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity (Deficit)
Balance, December 31, 2014	22,748,193	\$ 22,748	\$ 100,862	\$ 62,565,974	\$ (59,025,964)	\$ 3,663,620
Issuance of common stock for financing, including transaction costs of \$234,500	4,805,000	4,805		4,565,695		4,570,500
Issuance of common stock for services	310,870	311		362,690		363,001
Issuance of common stock for earnout	903,928	904		749,356		750,260
Stock based compensation	20,000	20		1,218,629		1,218,649
Net loss					(4,381,897)	(4,381,897)
Balance, September 30, 2015	28,787,991	\$ 28,788	\$ 100,862	\$ 69,462,344	\$ (63,407,861)	\$ 6,184,133

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

Table of Contents

Mobivity Holdings Corp.

Consolidated Statements of Cash Flows

(Unaudited)

	Nine Months Ended September 30,	
	2015	2014
<b>OPERATING ACTIVITIES</b>		
Net loss	\$ (4,381,897)	\$ (4,631,978)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Bad debt expense	(8,300)	37,687
Common stock issued for services	363,001	199,575
Stock-based compensation	1,218,649	869,394
Depreciation and amortization expense	243,998	300,273
Change in fair value of derivative liabilities	(34,980)	(55,438)
Loss on disposal of fixed assets	6,943	-
Gain on adjustment in contingent consideration	(89,740)	-
Intangible asset impairment	21,188	-
Increase (decrease) in cash resulting from changes in:		
Accounts receivable	(379,095)	51,185
Other current assets	(82,997)	20,778
Other Assets	(43,082)	(8,290)
Accounts payable	87,614	(55,797)
Accrued interest	-	2,562
Accrued and deferred personnel compensation	(40,311)	39,675
Deferred revenue and customer deposits	(109,069)	(139,510)
Other liabilities	146,420	(13,925)
Net cash used in operating activities	(3,081,658)	(3,383,809)
<b>INVESTING ACTIVITIES</b>		
Purchases of equipment	(46,506)	(24,865)
Capitalized software development costs	(489,850)	-
Acquisitions	-	(2,368,019)
Net cash used in investing activities	(536,356)	(2,392,884)
<b>FINANCING ACTIVITIES</b>		
Proceeds from issuance of common stock, net of issuance costs	4,570,500	4,977,130
Net cash provided by financing activities	4,570,500	4,977,130

Edgar Filing: MOBIVITY HOLDINGS CORP. - Form 10-Q

Net change in cash	952,486	(799,563)
Cash at beginning of period	848,230	2,572,685
Cash at end of period	\$ 1,800,716	\$ 1,773,122
Supplemental disclosures:		
Cash paid during period for :		
Interest	\$ -	\$ 2,563
Non-cash investing and financing activities:		
Issuance of common stock for acquisitions	\$ -	\$ 672,505
Issuance of common stock for earn-out payable	\$ 750,260	\$ -
Earn-out payable recorded for acquisition	\$ -	\$ 2,273,000

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

Table of Contents

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, 2014 filed with the SEC on March 31, 2015.

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, 2015, and for the three and nine months ended September 30, 2015 and 2014. The results of operations for the three and nine months ended September 30, 2015 are not necessarily indicative of the operating results for the full year ending December 31, 2015.

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, the valuation of the derivative liabilities, 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.

#### Derivative Financial Instruments

We do not use derivative instruments to hedge exposures to cash flow, market or foreign currency risks.

We review the terms of the common stock, warrants and convertible debt we issue to determine whether there are embedded derivative instruments, including embedded conversion options, which are required to be bifurcated and accounted for separately as derivative financial instruments. In circumstances where the host instrument contains more than one embedded derivative instrument, including the conversion option, that is required to be bifurcated, the bifurcated derivative instruments are accounted for as a single, compound derivative instrument.

Bifurcated embedded derivatives are initially recorded at fair value and are then revalued at each reporting date with changes in the fair value reported as non-operating income or expense. When the equity or convertible debt instruments contain embedded derivative instruments that are to be bifurcated and accounted for as liabilities, the total proceeds received are first allocated to the fair value of all the bifurcated derivative instruments. The remaining proceeds, if any, are then allocated to the host instruments themselves, usually resulting in those instruments being recorded at a discount from their face value.

The fair values of the derivatives are estimated using a Monte Carlo simulation model. The model utilizes a series of inputs and assumptions to arrive at a fair value at the date of inception and each reporting period. Some of the key assumptions include the likelihood of future financing, stock price volatility, and discount rates.



## Table of Contents

### 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.

The Company accounts for the cost of computer software developed or obtained for internal use of its application service by capitalizing qualifying costs, which are incurred during the application development stage and amortizing them over the software's estimated useful life. Costs incurred in the preliminary and post-implementation stages of the Company's products are expensed as incurred. 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 Company amortizes capitalized software over the expected period of benefit, which is two years, beginning when the software is ready for its intended use.

### 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.

### Revenue Recognition and Concentrations

Our SmartReceipt and C4 Mobile Marketing and customer relationship management are hosted solutions. We generate revenue from licensing our software to clients in our software as a service model, per-message and

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

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

During the nine months ended September 30, 2015 and 2014, one customer accounted for 32% and 22%, respectively, of our revenues.

#### Comprehensive Income (Loss)

Comprehensive income (loss) is defined as the change in equity during a period from transactions and other events and circumstances from non-owner sources. We are required to record all components of comprehensive income (loss) in the consolidated financial statements in the period in which they are recognized. Net income (loss) and other comprehensive income (loss), including foreign currency translation adjustments and unrealized gains and losses on investments, are reported, net of their related tax effect, to arrive at comprehensive income (loss). For the three and nine months ended September 30, 2015 and 2014, the comprehensive loss was equal to the net loss.

#### Net Loss Per Common Share

Basic net loss per share excludes any dilutive effects of options, shares subject to repurchase and warrants. Diluted net loss per share includes the impact of potentially dilutive securities. During the three and nine months ended September 30, 2015 and 2014, 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.





Table of Contents

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 May 2014, the Financial Accounting Standards Board (the "FASB") and the International Accounting Standards Board (the "IASB") issued substantially converged final standards on revenue recognition. The FASB's Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers (Topic 606), was issued in three parts: (a) Section A, "Summary and Amendments That Create Revenue from Contracts with Customers (Topic 606) and Other Assets and Deferred Costs-Contracts with Customers (Subtopic 340-40)," (b) Section B, "Conforming Amendments to Other Topics and Subtopics in the Codification and Status Tables" and (c) Section C, "Background Information and Basis for Conclusions." The core principle of the new guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard permits the use of either the retrospective or cumulative effect transition method. This guidance will be effective for the Company for its fiscal year 2016, with no early adoption permitted.

The new revenue recognition guidance becomes effective for the Company on January 1, 2017, and early adoption is not permitted. Entities have the option of using either a full retrospective or a modified approach to adopt the guidance in the ASU. The Company is evaluating the effect that ASU 2014-09 will have on its consolidated financial statements and related disclosures. The Company is currently evaluating the impact of the adoption of ASU 2014-09 on its consolidated financial statements.

In August 2014, the FASB issued ASU No. 2014-15, "Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern." ASU No. 2014-15 requires management to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures in certain circumstances. This guidance will be effective for the Company for its fiscal year 2016, with early adoption permitted. The Company does not expect the adoption of this guidance to have a material effect on its consolidated financial statements.

In November 2014, the FASB issued ASU No. 2014-16, Derivatives and Hedging (Topic 815) - Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share is More Akin to Debt or to Equity. ASU 2014-16 was issued to clarify how current U.S GAAP should be interpreted in evaluating the economic characteristics and risk of a host contract in a hybrid financial instrument that is issued in the form of a share. In addition, ASU 2014-16 was issued to clarify that in evaluating the nature of a host contract, an entity should assess the substance of the relevant terms and features (that is, the relative strength of the debt-like or equity-like terms and features given the facts and circumstances) when considering how to weight those terms and features. The effects of initially adopting ASU 2014-16 should be applied on a modified retrospective basis to existing hybrid financial instruments issued in a form of a share as of the beginning of the fiscal year for which the amendments are effective. Retrospective application is permitted to all relevant prior periods. ASU 2014-16 is effective fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Early adoption in an interim period is permitted. The Company is currently evaluating the impact of the adoption of ASU 2014-16 on its 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 ASU 2015-05 on its consolidated financial statements.

### 3. Acquisitions

#### SmartReceipt Acquisition

In March 2014, we acquired all the assets of SmartReceipt, Inc. in exchange for: (1) our payment at closing of \$2.212 million of cash, net of a \$150,000 loan made by us to SmartReceipt in January 2014; (2) our issuance of 504,884 shares of its \$0.001 par value common stock; and (3) our earn-out payment of 200% of the “eligible revenue” over the 12 month period following the close of the transaction (“earn-out period”). The “eligible revenue” consists of: 100% of our revenue derived during the earn out period from the sale of SmartReceipt products and services to certain SmartReceipt clients as of the close (the “designated SmartReceipt clients”); plus 50% of our revenue derived during the earn out period from the sale of our products and services to the designated SmartReceipt clients, plus 50% of our revenue derived during the earn out period from the sale of SmartReceipt products and services to our clients who are not

Table of Contents

designated SmartReceipt clients. The earn-out payment is payable in our common shares at the rate of \$1.85 per share, representing the volume weighted average trading price of our common stock for the 90 trading days preceding the initial close of the transactions under the Asset Purchase Agreement. As of September 30, 2015, the earn-out payable was settled for 903,928 shares of our Common Stock.

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

Accounts receivable, net	\$ 161,664
Other assets	6,620
Customer relationships	2,010,000
Developed technology	260,000
Trade name	176,000
Goodwill	2,890,801
Total assets acquired	5,505,085
Liabilities assumed	(191,561)
Net assets acquired	\$ 5,313,524

The purchase price consists of the following:

Cash	\$ 2,368,019
Earn Out	2,273,000
Common stock	672,505
Total purchase price	\$ 5,313,524

Table of Contents

The following information presents unaudited pro forma consolidated results of operations for the nine months ended September 30, 2014 as if the SmartReceipt acquisition described above had occurred on January 1, 2014. The following unaudited pro forma financial information gives effect to certain adjustments, including the increase in stock based compensation expense that had not been valued prior to acquisition. 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

For the nine months ended September 30, 2014

	Mobivity	SR	Pro forma adjustments	Pro forma combined
Revenues				
Revenues	\$ 3,057,360	\$ 214,139	\$ -	\$ 3,271,499
Cost of revenues	791,486	54,410	-	845,896
Gross margin	2,265,874	159,729	-	2,425,603
Operating expenses				
General and administrative	2,900,711	231,084	4,230 (a)	3,136,025
Sales and marketing	2,723,979	60,077	-	2,784,056
Engineering, research, and development	1,026,120	139,649	-	1,165,769
Depreciation and amortization	300,273	403	-	300,676
Total operating expenses	6,951,083	431,213	4,230	7,386,526
Loss from operations	(4,685,209)	(271,484)	(4,230)	(4,960,923)
Other income/(expense)				
Interest income	2,034	-	-	2,034
Interest expense	(2,563)	-	-	(2,563)
Change in fair value of derivative liabilities	55,438	-	-	55,438
Total other income/(expense)	54,909	-	-	54,909
Loss before income taxes	(4,630,300)	(271,484)	(4,230)	(4,906,014)
Income tax expense	(1,678)	-	-	(1,678)
Net loss	\$ (4,631,978)	\$ (271,484)	\$ (4,230)	\$ (4,907,692)
Net loss per share - basic and diluted	\$ (0.22)			\$ (0.24)

Weighted average number of shares

during the period - basic and diluted	20,672,880	20,299,303
---------------------------------------	------------	------------

Pro Forma Adjustments

The following pro forma adjustments are based upon the value of the tangible and intangible assets acquired as determined by an independent valuation firm.

(a) Represents stock based compensation in conjunction with the transaction.

4. Goodwill and Purchased Intangibles

Goodwill

The carrying value of goodwill at September 30, 2015 and December 31, 2014 was \$1,921,072.

Table of Contents

## Intangible assets

The following table presents details of our purchased intangible assets as of September 30, 2015 and December 31, 2014:

	Balance at December 31, 2014	Additions	Impairments	Amortization	Balance at September 30, 2015
Patents and trademarks	\$ 108,952	\$ -	\$ (21,188)	\$ (6,860)	\$ 80,904
Customer and merchant relationships	1,540,000	-	-	(124,865)	\$ 1,415,135
Trade name	152,000	-	-	(12,324)	\$ 139,676
Acquired technology	210,000	-	-	(17,027)	\$ 192,973
	\$ 2,010,952	\$ -	\$ (21,188)	\$ (161,076)	\$ 1,828,688

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

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

Amortization expense for intangible assets was \$53,692 and \$114,228 for the three months ended September 30, 2015 and 2014, respectively.

Amortization expense for intangible assets was \$161,076 and \$294,696 for the nine months ended September 30, 2015 and 2014, respectively.

The estimated future amortization expense of our intangible assets as of September 30, 2015 is as follows:

Year ending December 31,	Amount
2015	\$ 53,380
2016	213,519
2017	213,519
2018	213,520
2019	213,520
Thereafter	921,230
Total	\$ 1,828,688

#### 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, 2015 and December 31, 2014:

	Balance at December 31, 2014	Additions	Amortization	Balance at September 30, 2015
Software Development Costs	\$ -	\$ 489,850	\$ (77,055)	\$ 412,795
	\$ -	\$ 489,850	\$ (77,055)	\$ 412,795

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 \$50,262 for the three months ended September 30, 2015.

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





Table of Contents

The estimated future amortization expense of software development costs as of September 30, 2015 is as follows:

Year ending December 31,	Amount
2015	\$ 61,230
2016	244,920
2017	106,645
2018	-
2019	-
Thereafter	-
Total	\$ 412,795

#### 6. Derivative Liabilities

We completed a private placement in September 2011 for the sale of units consisting of shares of common stock and warrants to purchase our common stock. Both the common shares and the warrants contain anti-dilutive, or down round, price protection. We recorded derivative liabilities related to the down round price protection on the common shares and the warrants.

The down round price protection on the common shares expired in August 2012, and the down round price protection for the warrants terminates when the warrants expire or are exercised.

Our derivative liabilities at September 30, 2015 and December 31, 2014 both relate to these warrants.

The fair values of our derivative liabilities are estimated at the issuance date and are revalued at each subsequent reporting date using a Monte Carlo simulation discussed below.

At September 30, 2015 and December 31, 2014, we recorded current derivative liabilities of \$7,679 and \$42,659, respectively, which are detailed by instrument type in the table below.

Edgar Filing: MOBIVITY HOLDINGS CORP. - Form 10-Q

The net change in fair value of the derivative liabilities for the three months ended September 30, 2015 and 2014 was a gain/(loss) of \$41,795 and \$(2,354), respectively.

The net change in fair value of the derivative liabilities for the nine months ended September 30, 2015 and 2014 was a gain of \$34,980 and \$55,438, respectively.

The following table presents the derivative liabilities by instrument type as of September 30, 2015 and December 31, 2014:

Derivative Value by Instrument Type	September 30, 2015	December 31, 2014
Warrants	\$ 7,679	\$ 42,659
	\$ 7,679	\$ 42,659

The following table presents details of our derivative liabilities from December 31, 2014 to September 30, 2015:

Balance December 31, 2014	\$ 42,659
Change in fair value of derivative liabilities	(34,980)
Balance September 30, 2015	\$ 7,679

An independent valuation expert calculated the fair value of the compound embedded derivatives using a complex, customized Monte Carlo simulation model suitable to value path dependent American options. The model uses the risk neutral methodology adapted to value corporate securities. This model utilized subjective and theoretical assumptions that can materially affect fair values from period to period.

Key inputs and assumptions used in valuing our derivative liabilities are as follows:

For issuances of warrants:

- Stock prices on all measurement dates were based on the fair market value
- Down round protection is based on the subsequent issuance of warrants with exercise prices less than \$1.00 per share
- The probability of a future equity financing event triggering the down round protection was estimated at 0%
- Computed volatility of 112.2%

-11-

---

Table of Contents

· Risk free rate of 0.01%

7. Notes Payable and Interest Expense

Cherry Family Trust Note

This note was issued on March 1, 2007, for the principal amount of \$20,000, interest accrues at the rate of 9% compounded annually, with a maturity date of December 31, 2008. There was no accrued interest as of September 30, 2015 and December 31, 2014. A court order was issued on December 7, 2007 that related to a summary judgment in favor of the Company, stemming from litigation between the Company and Mr. Cherry. Accordingly, we have extinguished the note payable as of December 31, 2014 and related accrued interest in the amounts and recorded a gain on debt extinguishment of \$36,943.

Interest Expense

Interest expense was \$883 during the three months ended September 30, 2014.

Interest expense was \$2,563 during the nine months ended September 30, 2014.

8. Stockholders' Equity (Deficit)

Common Stock

2014

In March 2014, we issued 5,413,000 units of our securities at \$1.00 per unit to accredited investors for the gross proceeds of \$5,413,000. Each unit consisted 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. The units included warrants for the purchase of 1,353,238 shares of common stock at \$1.20 per share. The warrants were valued at \$1,320,569 and expire in 2019. 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.

Emerging Growth Equities, Ltd. ("EGE") acted as placement agent for the private placement and received \$370,685 in commissions from us. In addition, we issued warrants for the purchase of 370,685 common stock units at \$1.00 per unit to EGE in connection with the equity placements. Each unit consists of one share of the Company's common stock and a common stock purchase warrant to purchase one-quarter share of the Company's common stock, over a five year period, at an exercise price of \$1.20 per share.

In March 2014, we issued 504,884 shares at \$1.44 per share in connection with the acquisition of SmartReceipt. See Note 3.

In September 2014, we issued 500,000 shares of common stock at \$1.01 per share for services and recorded share-based compensation of \$505,000 in general and administrative expense.

In October 2014, we issued 2,137 accrued shares of common stock at \$3.42 per share for services that had been recorded in 2013 as equity payable.

In October 2014, we issued 10,431 shares of common stock at \$3.42 per share for services and recorded share-based compensation of \$35,673 in general and administrative expense.

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.

-12-

---

Table of Contents

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

Stock-based Plans

Stock Option Activity



The following table summarizes stock option activity for the nine months ended September 30, 2015:

	Options
Outstanding at December 31, 2014	5,399,320
Granted	2,701,500
Exercised	-
Canceled/forfeited/expired	(2,733,326)
Outstanding at September 30, 2015	5,367,494

The weighted average exercise price of stock options granted during the period was \$1.18 and the related weighted average grant date fair value was \$1.06 per share.

#### 2014

On February 27, 2014, the Company granted one employee 180,000 options to purchase shares of the Company common stock at the closing price as of February 27, 2014 of \$1.40 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 27, 2024. The total estimate value using the Black-Scholes Model, based on a volatility rate of 132% and a call option value of \$1.26 was \$226,800.

On April 2, 2014, the Company granted three employees 202,500 options to purchase shares of the Company common stock at the closing price as of April 2, 2014 of \$1.32 per share. The options vest in forty-eight equal monthly installments following the grant date and are exercisable until April 2, 2024. The total estimated value using the Black-Scholes Model, based on a volatility rate of 132% and a call option value of \$1.19 was \$240,975.

On April 15, 2014, the Company granted six employees 16,000 options to purchase shares of the Company common stock at the closing price as of April 15, 2014 of \$1.44 per share. The options vest in forty-eight equal monthly installments following the grant date and are exercisable until April 15, 2024. The total estimated value using the Black-Scholes Model, based on a volatility rate of 132% and a call option value of \$1.30 was \$20,800.

Table of Contents

On April 15, 2014, the Company granted two employees 5,000 options to purchase shares of the Company common stock at the closing price as of April 15, 2014 of \$1.44 per share. The options vest 25% on the first anniversary of the grant, then equally in thirty-six monthly installments thereafter and are exercisable until April 15, 2024. The total estimated value using the Black-Scholes Model, based on a volatility rate of 132% and a call option value of \$1.30 was \$6,500.

On August 11, 2014, the Company granted five employees 212,500 options to purchase shares of the Company common stock at the closing price as of August 11, 2014 of \$0.94 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 11, 2024. The total estimated value using the Black-Scholes Model, based on a volatility rate of 132% and a call option value of \$0.85 was \$180,625.

On September 29, 2014, the Company granted seven employees 182,500 options to purchase shares of the Company common stock at the closing price as of September 29, 2014 of \$1.15 per share. The options vest 25% on the first anniversary of the grant, then equally in 36 monthly installments thereafter and are exercisable until September 29, 2024. The total estimated value using the Black-Scholes Model, based on a volatility rate of 132% and a call option value of \$1.04 was \$189,800.

On November 13, 2014 the Company amended an Option Agreement dated June 17, 2013 (the "Option Agreement") pursuant to which Tom Tolbert was granted the right to purchase up to 1,391,087 shares of common stock of the Company. Options to purchase 391,085 Shares that were subject to vesting as of the date of the Amendment were cancelled. In furtherance of the cancellation, the Company granted to Mr. Tolbert options to purchase all or any part of 1,000,000 shares of the Company's Common Stock upon the following terms and conditions: Options to purchase 650,000 Shares shall vest and first become exercisable as of the date of the Amendment and the balance of Options to purchase 350,000 Shares shall vest and first become exercisable in 47 equal monthly installments of Options to purchase 7,292 Shares commencing on December 13, 2014 and on the 13th of the next 47 months and the remaining Options to purchase 7,276 Shares shall vest and first become exercisable on November 13, 2018. All other provisions of the Option Agreement remain in full force and effect.

On November 18, 2014, the Company granted three employees 250,000 options to purchase shares of the Company common stock at the closing price as of November 18, 2014 of \$1.48 per share. The options vest 25% on the first anniversary of the grant, then equally in 36 monthly installments thereafter and are exercisable until November 18, 2024. The total estimated value using the Black-Scholes Model, based on a volatility rate of 132% and a call option value of \$1.48 was \$370,000.

On December 30, 2014, the Company granted three employees 185,000 options to purchase shares of the Company common stock at the closing price as of December 30, 2014 of \$1.23 per share. The options vest 25% on the first

anniversary of the grant, then equally in 36 monthly installments thereafter and are exercisable until December 30, 2024. The total estimated value using the Black-Scholes Model, based on a volatility rate of 132% and a call option value of \$1.11 was \$205,350.

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.

Table of Contents

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

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

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

## 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, 2015 and 2014 were as follows:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
General and administrative	\$ 198,106	\$ 311,047	\$ 604,709	\$ 925,383
Sales and marketing	77,887	29,258	191,516	116,733
Engineering, research, and development	30,789	16,588	75,240	26,852
	\$ 306,782	\$ 356,893	\$ 871,465	\$ 1,068,968

## 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, 2015 and 2014.

	Nine Months Ended	
	September 30,	
	2015	2014
Risk-free interest rate	1.58 %	1.97 %
Expected life (years)	6.02	6.08
Expected dividend yield	- %	- %
Expected volatility	132.0 %	132.0 %

Table of Contents

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 2015 and 2014 is based on the historical publicly traded price of our common stock.

## Restricted stock units

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

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at December 31, 2014	591,436	\$ -	9.75	\$ 703,809
Granted	82,501	\$ -	-	\$ -
Exercised	(20,000)	\$ -	-	\$ -
Canceled/forfeited/expired	-	\$ -	-	\$ -
Outstanding at September 30, 2015	653,937	\$ -	9.03	\$ 366,205
Expected to vest at September 30, 2015	630,055	\$ -	8.73	\$ 352,831
Exercisable at September 30, 2015	564,732	\$ -	9.01	\$ 316,250
Unvested at September 30, 2015	89,205	\$ -	9.17	\$ 49,955

Unrecognized expense at September 30, 2015 \$ 122,559

2014

On July 17, 2014, the Company granted four independent directors a total of 231,391 restricted stock units. All units vested as of December 31, 2014. The units were valued based on the closing stock price on the date of grant. The shares of Common Stock associated with the Restricted Stock Unit will be issued to the director upon the earliest to occur of (A) July 17, 2017, (B) a change in control of the Company, and (C) the termination of the director's service with the Company.

On October 2, 2014, the Company granted one independent director a total of 11,743 restricted stock units. All units vested as of December 31, 2014. The units were valued based on the closing stock price on the date of grant. The shares of Common Stock associated with the Restricted Stock Unit will be issued to the director upon the earliest to occur of (A) October 2, 2017, (B) a change in control of the Company, and (C) the termination of the director's service with the Company.

On October 10, 2014 the Company granted five independent directors a total of 34,670 restricted stock units. All units vested as of December 31, 2014. The units were valued based on the closing stock price on the date of grant. The shares of Common Stock associated with the Restricted Stock Unit will be issued to the director upon the earliest to occur of (A) October 10, 2017, (B) a change in control of the Company, and (C) the termination of the director's service with the Company.

On November 6, 2014 the Company granted one independent director a total of 5,768 restricted stock units. All units vested as of December 31, 2014. The units were valued based on the closing stock price on the date of grant. The shares of Common Stock associated with the Restricted Stock Unit will be issued to the director upon the earliest to occur of (A) November 6, 2017, (B) a change in control of the Company, and (C) the termination of the director's services with the Company.

On November 6, 2014 the Company granted one independent director a total of 37,593 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) November 6, 2017, (B) a change in control of the Company, and (C) the termination of the director's service with the Company.

On November 18, 2014 the Company granted one independent director a total of 13,514 restricted stock units. All units vested as of December 31, 2014. The units were valued based on the closing stock price on the date of grant. The shares of Common Stock associated





Table of Contents

with the Restricted Stock Unit will be issued to the director upon the earliest to occur of (A) November 6, 2017, (B) a change in control of the Company, and (C) the termination of the director's service with the Company.

On November 18, 2014 the Company granted five independent directors a total of 256,757 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) November 17, 2017, (B) a change in control of the Company, and (C) the termination of the director's service with the Company.

2015

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

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

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, 2015 and 2014 was as follows:

Edgar Filing: MOBIVITY HOLDINGS CORP. - Form 10-Q

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
General and administrative	\$ 145,403	\$ -	\$ 347,184	\$ -
	\$ 145,403	\$ -	\$ 347,184	\$ -

As of September 30, 2015, there was approximately \$122,559 of unearned restricted stock unit compensation that will be expensed in 2015. 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. We recorded stock-based compensation expense from warrants of \$0 and \$331 in general and administrative expense for the three and nine months ended September 30, 2015, respectively. A summary of non-employee warrant activity from December 31, 2014 to September 30, 2015 is presented below:

	Number Outstanding
Outstanding at December 31, 2014	150,001
Granted	-
Exercised	-
Canceled/forfeited/expired	-
Outstanding at September 30, 2015	150,001

#### Warrants Issued to Investors and Placement Agents

2014

In March 2014, we issued warrants for the purchase of 1,353,238 shares of common stock at \$1.20 per share in connection with the equity financing.



Table of Contents

In March 2014, we issued warrants for the purchase of 370,686 common stock units at \$1.00 per unit to a placement agent in connection with the equity placements. Each unit consists of one share of the Company's common stock and a common stock purchase warrant to purchase one-quarter share of the Company's common stock, over a five year period, at an exercise price of \$1.20 per share. At March 31, 2014, the value of the 370,686 warrants was \$448,705. As part of the private placement share units issued, 1,353,238 warrants were issued to investors valued at \$1,320,569 which expire in 2019.

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 September 30, 2015, we have warrants to purchase 8,134,141 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 21,369 shares expire in 2015, 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.

## 9. 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, including our derivative liabilities.

Edgar Filing: MOBIVITY HOLDINGS CORP. - Form 10-Q

The following table presents assets and liabilities that are measured and recognized at fair value as of September 30, 2015 on a recurring and non-recurring basis:

Description	Level	Level	Level 3	Gains (Losses)
	1	2		
Goodwill (non-recurring)	\$ -	\$ -	\$ 1,921,072	\$ -
Intangibles, net (non-recurring)	\$ -	\$ -	\$ 2,241,483	\$ (21,188)
Derivative liabilities (recurring)	\$ -	\$ -	\$ 7,679	\$ 34,980
Earn-out payable (recurring)	\$ -	\$ -	\$ -	\$ 89,740

The following table presents assets and liabilities that are measured and recognized at fair value as of December 31, 2014 on a recurring and non-recurring basis:

Description	Level	Level	Level 3	Gains (Losses)
	1	2		
Goodwill (non-recurring)	\$ -	\$ -	\$ 1,921,072	\$ (4,078,693)
Intangibles, net (non-recurring)	\$ -	\$ -	\$ 2,010,952	\$ (961,436)
Derivative liabilities (recurring)	\$ -	\$ -	\$ 42,659	\$ 63,517
Earn-out payable (recurring)	\$ -	\$ -	\$ 840,000	\$ 1,492,000

The change in fair value of these liabilities is included in other income (expense) in the condensed consolidated statements of operations. The assumptions used in the Monte-Carlo simulation used to value the derivative liabilities involve expected volatility in the price of our common stock, estimated probabilities related to the occurrence of a future financing, and interest rates. As all the assumptions employed to measure this liability are based on management's judgment using internal and external data, this fair value determination is classified in Level 3 of the valuation hierarchy.

See Note 6 for a table that provides a reconciliation of the derivative liabilities from December 31, 2014 to September 30, 2015.

Table of Contents

10. Commitments and Contingencies

Lease Abandonment

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

Litigation

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

Earn-Out Contingency

We have an earn-out commitment associated with the acquisition of SmartReceipt. The earn-out consists of 200% of the “eligible revenue” of the Company over the 12 month period following the close of the transaction (“earn-out period”). The “eligible revenue” will consist of: 100% of Company revenue derived during the earn out period from the sale of SmartReceipt products and services to certain SmartReceipt clients as of the close (the “designated SmartReceipt clients”); plus 50% of Company revenue derived during the earn out period from the sale of Company products and services to the designated SmartReceipt clients, plus 50% of the Company revenue derived during the earn out period from the sale of SmartReceipt products and services to Company clients who are not designated SmartReceipt clients. The earn-out payment is payable in common shares of the Company at the rate of \$1.85 per share, which is based on the volume weighted average trading price of the Company’s common stock for the 90 trading days preceding the initial close of the transactions under the Asset Purchase Agreement.

As of September 30, 2015, the earn-out payable was satisfied for 903,928 shares of our Common Stock. As a result of this share payment, the company recorded a gain of \$87,740 and \$89,740 for the three and nine months ended September 30, 2015 in accordance with ASC 805-30-35-1 (subsequent measurement of consideration transferred in a business combination).

## 11. Related Party Transactions

As discussed previously, we conducted the private placement of our securities during the nine months ended September 30, 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.

## 12. 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 2014 annual report on Form 10-K filed with the Securities and Exchange Commission, or the SEC, on March 31, 2015 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.

Table of Contents

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 Drive-In, Subway, Jamba Juice, Chick-Fil-A, 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 Stamp’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 Stamp 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.

Table of Contents

Recent Events

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.

2014 Smart Receipt Acquisition

On March 12, 2014, we acquired all of the assets of SmartReceipt, Inc. in exchange for: (1) our payment at closing of \$2.212 million of cash, net of a \$150,000 loan made by us to SmartReceipt in January 2014; (2) our issuance of 504,884 shares of our common stock; and (3) our earn-out payment of 200% of the “eligible revenue” over the 12 month period following the close of the transaction (“earn-out period”). The “eligible revenue” will consist of: 100% of our revenue derived during the earn out period from the sale of SmartReceipt products and services to certain SmartReceipt clients as of the close (the “designated SmartReceipt clients”); plus 50% of our revenue derived during the earn out period from the sale of our products and services to the designated SmartReceipt clients, plus 50% of our revenue derived during the earn out period from the sale of SmartReceipt products and services to our clients who are not designated SmartReceipt clients. As of September 30, 2015, the earn-out payable was satisfied as described in Note 10.

2014 Securities Purchase Agreement

In March 2014, we conducted the private placement of 5,413,000 units of our securities at a price of \$1.00 per unit for the gross proceeds of up to \$5,413,000. Each unit consisted 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 or grant date fair value of \$0.93 per share. 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 May 15, 2014. The Registration Rights Agreement also provides that we must make certain payments as liquidated damages to the investors if we fail to timely file the registration statement and cause it to become effective. EGE acted as placement agent for the private placement and received \$370,685 in commissions from us. In addition, for its services as placement agent, we issued to EGE warrants to purchase an aggregate of 370,685 units, as defined above, exercisable for a period of five years from the closing date, at an exercise price of \$1.20 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 September 30, 2015 were \$1,303,663, an increase of \$259,409, or 25%, compared to the same period in 2014. The net increase is primarily attributable to an increase in Smart Receipt of \$341,997. This increase was offset by decreases in IVR, SMS, Stampt and campaign revenues, which decreased \$82,590 compared to the same period in 2014.

Revenues for the nine months ended September 30, 2015 were \$3,335,080, an increase of \$277,720, or 9%, compared to the same period in 2014. The net increase is primarily attributable to revenues attributed to Smart Receipt, which we acquired on March 12, 2014. We realized \$490,112 of revenue from the acquired SmartReceipt operations during the nine months ended September 30, 2015, whereas we had only 202 days, or \$214,139 of revenue from the Smart Receipt operations during the prior year period. These increases were offset by a decrease in revenues in the amount of \$272,800, from IVR, campaign, and SMS.

Table of Contents

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, 2015 was \$286,503, an increase of \$14,251, or 5%, compared to the same period in 2014. This increase is primarily due to higher startup and application fees on new contracts whose return on investment is not immediately realized. These are offset by lower IVR cost of revenues in proportion to the decline in revenues.

Cost of revenues for the nine months ended September 30, 2015 was \$820,455, an increase of \$28,969, or 4%, compared to the same period in 2014. This increase is primarily due to higher startup and application fees on new contracts whose return on investment is not immediately realized. These are offset by lower IVR cost of revenues in proportion to the decline in revenues.

General and Administrative

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

General and administrative expenses increased \$151,835, or 17%, during the three months ended September 30, 2015 compared to the same period in 2014. The increase in general and administrative expense was primarily due to increased personnel expenses. Personnel related expenses, exclusive of share based compensation increased \$179,249 due to increased management and support headcount as compared to the same period in 2014. These increases were offset by decreases in other areas as a result of reduced spending.

General and administrative expenses increased \$375,673, or 13%, during the nine months ended September 30, 2015 compared to the same period in 2014. The increase in general and administrative expense was primarily due to increased personnel expenses and facilities expenses. Personnel related expenses increased \$438,922, due to increased management and support headcount as compared to the same period in 2014. Facilities expense increased \$78,855 primarily related to the lease termination charge and additional leased office space located in San Diego, California in September 2014. These increases were offset by decreases in consulting expenses of \$64,831 related to the SmartReceipt acquisition in 2014. Legal fees decreased \$45,223 due to lower legal costs associated with our

business activities during the period. Investor relations fees decreased \$30,175 due to the engagement of a new investor relations firm in September 2014. Accounting fees decreased \$86,066 due to the prior year additional costs related to the acquisition of Smart Receipt. Bad debt expense decreased by \$45,987 due to better collection on overdue accounts.

## 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 \$177,187, or 21%, during the three months ended September 30, 2015 compared to the same period in 2014. The increase was primarily due to higher personnel costs, trade shows, travel and entertainment costs. During the three months ended September 30, 2015, personnel related expenses, including share-based compensation, increased \$117,816 primarily due to increased staffing and related incentive compensation during the current period. Trade show and travel related costs increased \$52,127 due to higher show attendance as compared to the prior period in 2014.

Sales and marketing expenses increased \$171,769, or 6%, during the nine months ended September 30, 2015 compared to the same period in 2014. The change was primarily due to personnel related expenses increasing by \$237,846, offset by decreased travel and entertainment expenses of \$127,701 over the prior year.

## Engineering, Research & Development

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

Engineering, research & development expenses decreased \$75,049, or 22%, during the three months ended September 30, 2015 compared to the same period in 2014. The decrease was primarily due to the capitalization of production costs incurred in relation to internal software development (see notes 2 and 5) and lower consulting costs of \$75,733 as compared to 2014. These decreases were partially offset by increased personnel costs primarily related to an increase in staffing to support the Company's growth.

Engineering, research & development expenses decreased \$441,142, or 43%, during the nine months ended September 30, 2015 compared to the same period in 2014. The decrease was primarily due to the capitalization of production costs incurred in relation to internal software development (see notes 2 and 5) and lower consulting costs

of \$175,250 as compared to 2014. These decreases were partially offset by increased personnel costs, including stock based compensation, related to an increase in staffing to support the Company's growth.

-22-

---

Table of Contents

Depreciation and Amortization

Depreciation and amortization expense consists of depreciation on our equipment and amortization of our intangible assets. Depreciation and amortization expense decreased \$10,797 or 9%, during the three months ended September 30, 2015 compared to the same period in 2014. Depreciation and amortization expense decreased \$56,275, or 19%, during the nine months ended September 30, 2015 compared to the same period in 2014.

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 decreased \$883, or 100%, during the three months ended September 30, 2015 compared to the same period in 2014. Interest expense decreased \$2,563, or 100%, during nine months ended September 30, 2015 compared to the same period in 2014.

Intangible Asset Impairment

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

Change in Fair Value of Derivative Liabilities

The change in fair value of derivative liabilities for the three months ended September 30, 2015 and 2014 was a gain of \$41,795 and a loss of \$2,354, respectively.

The change in fair value of derivative liabilities for the nine months ended September 30, 2015 and 2014 was a gain of \$34,980 and \$55,438, respectively.

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.

#### Gain on Adjustment in Contingent Consideration

The adjustment in contingent consideration for three and nine months ended September 30, 2015 was a gain of \$87,740 and \$89,740, respectively. The gain relates to a decrease in the fair value of the contingent consideration resulting from re-measurement of the SmartReceipt and Stamp earn-out liabilities during the current year.

#### Liquidity and Capital Resources

As of September 30, 2015, we had current assets of \$2,759,888, including \$1,800,716 in cash, and current liabilities of \$914,564, resulting in working capital of \$1,845,324. Current liabilities as of September 30, 2015 included derivative liabilities in the amount of \$7,679, which are payable in shares of our common stock. Giving no effect to the derivative liabilities, we had pro forma working capital as of September 30, 2015 in the amount of \$1,853,003.

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.



Table of Contents

## Cash Flows

	Period Ended	
	September 30,	
	2015	2014
Net cash provided by (used in):		
Operating activities	\$ (3,081,658)	\$ (3,383,809)
Investing activities	(536,356)	(2,392,884)
Financing activities	4,570,500	4,977,130
Net change in cash	\$ 952,486	\$ (799,563)

## Investing Activities

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

Investing activities during the nine months ended September 30, 2014 includes \$2,368,019 in cash consideration used in our acquisitions and \$24,865 of equipment purchases.

## Financing Activities

Financing activities for the nine months ended September 30, 2015 and 2014 includes net proceeds from the sale of common stock units of \$4,570,500 and \$4,977,130, 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.

#### 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, 2015 our disclosure controls and procedures were not effective due to existing material weaknesses in our internal control over financial reporting, as described below.

In connection with our evaluation of our internal control over financial reporting as of September 30, 2015, we determined that there were control deficiencies that constituted material weaknesses which are indicative of many small companies with small staff, including:

- (1) Inadequate segregation of duties and effective risk assessment;
- (2) Insufficient written policies and procedures for accounting and financial reporting with respect to the requirements and application of both generally accepted accounting principles in the United States and guidelines of the SEC;

and

-24-

---

Table of Contents

- (3) Inadequate closing processes to ensure all material misstatements are corrected in the financial statements, as evidenced by the fact that there were audit adjustments and restatements of our financial statements

Changes in Internal Control

There were no changes in our internal control over financial reporting during the three months ended September 30, 2015 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

Table of Contents

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 12, 2015      By: /s/ Dennis Becker  
Dennis Becker  
Chief Executive Officer  
(Principal Executive Officer)

Date: November 12, 2015      By: /s/ Christopher Meinerz  
Christopher Meinerz  
Chief Financial Officer  
  
(Principal Accounting Officer)