

MOBIVITY HOLDINGS CORP.
Form 10-Q
November 14, 2016

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2016

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

For the transition period from _____ to _____

Commission file number 000-53851

Mobivity Holdings Corp.

(Exact Name of Registrant as Specified in Its Charter)

Nevada

26-3439095

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(State or Other Jurisdiction of Incorporation or Organization) (I.R.S. Employer Identification No.)

55 N. Arizona Place, Suite 310

Chandler, Arizona 85225

(Address of Principal Executive Offices & Zip Code)

(877) 282-7660

(Registrant's Telephone Number)

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

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

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

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company

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

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

MOBIVITY HOLDINGS CORP.

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Part I - Financial Information

Item 1. Financial Statements

Mobivity Holdings Corp.

Condensed Consolidated Balance Sheets

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

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Equity payable	100,862	100,862
Additional paid-in capital	73,750,605	69,903,527
Accumulated other comprehensive loss	(43,626)	-
Accumulated deficit	(69,093,059)	(65,159,010)
Total stockholders' equity	4,747,841	4,874,167
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 7,703,925	\$ 5,933,613

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

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Mobivity Holdings Corp.

Condensed Consolidated Statements of Income and Comprehensive Income

(Unaudited)

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

during the period - basic and diluted

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

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Mobivity Holdings Corp.

Consolidated Statement of Stockholders' Equity

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

translation adjustment								
Net loss	-	-	-	-	-	(3,934,049)	(3,934,049)	
Balance, September 30, 2016	33,058,991	\$ 33,059	\$ 100,862	\$ 73,750,605	\$ (43,626)	\$ (69,093,059)	\$ 4,747,841	

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

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Mobivity Holdings Corp.

Consolidated Statements of Cash Flows

(Unaudited)

	Nine Months Ended September 30,	
	2016	2015
OPERATING ACTIVITIES		
Net loss	\$ (3,934,049)	\$ (4,381,897)
Adjustments to reconcile net loss to net cash used in operating activities:		
Bad debt expense	152,938	(8,300)
Amortization of deferred financing costs	8,705	-
Common stock issued for services	-	363,001
Stock-based compensation	1,187,249	1,218,649
Depreciation and amortization expense	501,866	243,998
Change in fair value of derivative liabilities	-	(34,980)
Loss on disposal of fixed assets	67,185	6,943
Gain on adjustment in contingent consideration	-	(89,740)
Intangible asset impairment	-	21,188
Increase (decrease) in cash resulting from changes in:		
Accounts receivable	(175,433)	(379,095)
Other current assets	(22,455)	(82,997)
Other assets	23,100	(43,082)
Accounts payable	235,676	87,614
Accrued interest	4,112	-
Accrued and deferred personnel compensation	36,989	(40,311)
Deferred revenue and customer deposits	199,479	(109,069)
Other liabilities	(77,525)	146,420
Net cash used in operating activities	(1,792,163)	(3,081,658)
INVESTING ACTIVITIES		
Purchases of equipment	(30,209)	(46,506)
Acquisitions	11,088	-
Cash paid for patent	(20,915)	-
Capitalized software development costs	(442,267)	(489,850)
Net cash used in investing activities	(482,303)	(536,356)
FINANCING ACTIVITIES		
Deferred financing costs	(32,287)	-

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Repayments of notes payable	(4,634)	-
Proceeds from issuance of common stock, net of issuance costs	1,953,600	4,570,500
Net cash provided by financing activities	1,916,679	4,570,500
Effect of foreign currency translation on cash flow	(2,803)	-
Net change in cash	(360,590)	952,486
Cash at beginning of period	634,129	848,230
Cash at end of period	\$ 273,539	\$ 1,800,716
Supplemental disclosures:		
Cash paid during period for:		
Interest	\$ 52,960	\$ -
Non-cash investing and financing activities:		
Restricted cash proceeds from line of credit	\$ 1,000,000	\$ -
Issuance of common stock for earn-out payable	\$ -	\$ 750,260

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

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Mobivity Holdings Corp.

Notes to Condensed Consolidated Financial Statements

(Unaudited)

1. Nature of Operations and Basis of Presentation

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

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

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

2. Summary of Significant Accounting Policies

Principles of Consolidation

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

Use of Estimates

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

Restricted cash

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

Accounts Receivable, Allowance for Doubtful Accounts and Concentrations

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

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

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

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Goodwill and Intangible Assets

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

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

Software Development Costs

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

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

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

Impairment of Long-Lived Assets

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

Foreign Currency Translation

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

Revenue Recognition and Concentrations

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

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

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

Comprehensive Income (Loss)

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

Net Loss Per Common Share

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

Reclassifications

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

Recent Accounting Pronouncements

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

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

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

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

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

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

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

3. Acquisitions

LiveLenz Acquisition

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

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

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

The purchase price consists of the following:

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

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

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

	Mobivity	Livelenz	Pro forma adjustments	Pro forma combined
Revenues				
Revenues	\$ 3,335,080	\$ 187,059	\$ -	\$ 3,522,139
Cost of revenues	820,455	59,230	-	879,685
Gross margin	2,514,625	127,829	-	2,642,454
Operating expenses				
General and administrative	3,276,384	64,297	-	3,340,681
Sales and marketing	2,895,748	191,180	-	3,086,928
Engineering, research, and development	584,978	-	-	584,978
Depreciation and amortization	243,998	2,819	-	246,817
Total operating expenses	7,001,108	258,296	-	7,259,404
Loss from operations	(4,486,483)	(130,467)	-	(4,616,950)
Other income/(expense)				
Interest income	1,054	-	-	1,054
Interest expense	-	(31,658)	-	(31,658)
Change in fair value of derivative liabilities	34,980	-	-	34,980
Intangible asset impairment	(21,188)	-	-	(21,188)
Gain on adjustment in contingent consideration	89,740			89,740
Foreign Currency Gain/(Loss)	-	30,426	-	