UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2019

OR

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

Commission file number 001-35525

SMITH MICRO SOFTWARE, INC.
(Exact name of registrant as specified in its charter)

DELAWARE	33-0029027
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

5800 CORPORATE DRIVE
PITTSBURGH, PA 15237
(Address of principal executive offices, including zip code)

(412) 837-5300
(Registrant's telephone number, including area code)

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 every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☒
Emerging growth company	☐		

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

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.001 per share	**SMSI**	**NASDAQ**

As of May 13, 2019, there were 32,067,956 shares of common stock outstanding.

SMITH MICRO SOFTWARE, INC.
QUARTERLY REPORT ON FORM 10-Q
MARCH 31, 2019

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

SMITH MICRO SOFTWARE, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except share and par value data)

	March 31, 2019 (unaudited)	December 31, 2018 (audited)
Assets		
Current assets:		
Cash and cash equivalents	$ 7,378	$ 12,159
Accounts receivable, net of allowances for doubtful accounts and other adjustments of $126 (2019) and $135 (2018)	8,951	7,130
Prepaid expenses and other current assets	565	795
Total current assets	16,894	20,084
Equipment and improvements, net	852	865
Right-of-use assets	2,419	—
Deferred tax assets, net	191	191
Other assets	175	140
Intangible assets, net	5,270	238
Goodwill	7,797	3,685
Total assets	$ 33,598	$ 25,203
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 1,249	$ 1,160
Accrued payroll and benefits	2,121	1,745
Current operating lease liabilities	987	—
Other accrued liabilities	330	450
Deferred revenue	234	28
Total current liabilities	4,921	3,383
Non-current liabilities:		
Operating lease liabilities	1,876	—
Deferred rent	578	723
Other long term liabilities	185	534
Total non-current liabilities	2,639	1,257
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, par value $0.001 per share; 5,000,000 shares authorized; 5,500 shares issued (2019 and 2018); 1,345 shares outstanding (2019 and 2018)	—	—
Common stock, par value $0.001 per share; 100,000,000 shares authorized; 32,064,848 and 28,241,129 shares issued and outstanding (2019 and 2018, respectively)	32	28
Additional paid-in capital	261,990	256,626
Accumulated comprehensive deficit	(235,984)	(236,091)
Total stockholders' equity	26,038	20,563
Total liabilities and stockholders' equity	$ 33,598	$ 25,203

See accompanying notes to the consolidated financial statements.

SMITH MICRO SOFTWARE, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(in thousands, except per share data)

	For the Three Months Ended March 31,	
	2019 (unaudited)	2018 (unaudited)
Revenues	$ 8,432	$ 5,463
Cost of revenues	916	1,309
Gross profit	7,516	4,154
Operating expenses:		
Selling and marketing	1,968	1,730
Research and development	2,682	2,255
General and administrative	2,700	2,190
Restructuring expense	104	—
Total operating expenses	7,454	6,175
Operating income (loss)	62	(2,021)
Other expense:		
Interest expense, net	—	(171)
Change in fair value of warrant liability	—	(139)
Other expense	(10)	(40)
Income (loss) before provision for income taxes	52	(2,371)
Provision for income tax expense	4	10
Net income (loss)	$ 48	$ (2,381)
Net earnings (loss) per share:		
Basic	$ 0.00	$ (0.16)
Diluted	$ 0.00	$ (0.16)
Weighted average shares outstanding:		
Basic	31,297	15,299
Diluted	31,323	15,299
Preferred dividends per share	$ 25.00	$ 25.56

See accompanying notes to the consolidated financial statements.

SMITH MICRO SOFTWARE, INC.
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(in thousands)

	Series B Preferred Stock		Common Stock		Additional Paid-in	Accumulated Comprehensive	
	Shares	Amount	Shares	Amount	Capital	Deficit	Total
BALANCE, December 31, 2018 (audited)	1	$ —	28,242	$ 28	$256,626	$ (236,091)	$ 20,563
Non-cash compensation recognized on stock options and ESPP	—	—	—	—	9	—	9
Restricted stock grants, net of cancellations	—	—	1,225	1	445	—	446
Cancellation of shares for payment of withholding tax	—	—	(103)	—	(207)	—	(207)
Employee stock purchase plan	—	—	2	—	5	—	5
Common shares issued in stock offering, net of offering costs	—	—	—	—	(14)	—	(14)
Common shares issued in connection with Smart Retail acquisition, net	—	—	2,699	3	5,126	—	5,129
Preferred stock dividends	—	—	—	—	—	(34)	(34)
Cumulative effect of adoption of ASC 842	—	—	—	—	—	93	93
Comprehensive loss	—	—	—	—	—	48	48
BALANCE, March 31, 2019 (unaudited)	1	$ —	32,065	$ 32	$261,990	$ (235,984)	$ 26,038

See accompanying notes to the consolidated financial statements.

SMITH MICRO SOFTWARE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	For the Three Months Ended March 31, 2019 (unaudited)	For the Three Months Ended March 31, 2018 (unaudited)
Operating activities:		
Net income (loss)	$ 48	$ (2,381)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	321	207
Non-cash lease expense	194	—
Amortization of debt discounts and financing issuance costs	—	65
Restructuring costs	104	—
Provision for doubtful accounts and other adjustments to accounts receivable	(9)	22
Provision for excess and obsolete inventory	1	(6)
Gain on disposal of fixed assets	(1)	—
Stock based compensation	455	164
Change in fair value of warrant liability	—	139
Change in operating accounts:		
Accounts receivable	(1,759)	(232)
Prepaid expenses and other assets	194	112
Accounts payable and accrued liabilities	(117)	(59)
Deferred revenue	(85)	110
Net cash used in operating activities	(654)	(1,859)
Investing activities:		
Acquisition of Smart Retail business, net	(3,974)	—
Capital expenditures	(110)	(16)
Net cash used in investing activities	(4,084)	(16)
Financing activities:		
Proceeds from stock sale for employee stock purchase plan	5	3
Proceeds from (payments related to) the issuance of common stock	(14)	4,462
Repayments of short-term secured promissory notes	—	(1,000)
Dividends paid on preferred stock	(34)	(141)
Net cash provided by (used in) financing activities	(43)	3,324
Net increase (decrease) in cash and cash equivalents	(4,781)	1,449
Cash and cash equivalents, beginning of period	12,159	2,205
Cash and cash equivalents, end of period	$ 7,378	$ 3,654
Supplemental disclosures of cash flow information:		
Cash paid for income taxes	$ 9	$ 5
Cash paid for interest expense	—	111
Supplemental disclosures of non-cash activities:		
Issuance of common stock in connection with Smart Retail acquisition	$ 5,129	$ —
Issuance of common stock warrants in connection with stock offering	—	2,908

See accompanying notes to the consolidated financial statements.

SMITH MICRO SOFTWARE, INC.
Notes to the Consolidated Financial Statements
(Unaudited)

1. The Company

Smith Micro Software, Inc. ("Smith Micro" or the "Company") develops software to simplify and enhance the mobile experience, providing solutions to some of the leading wireless service providers and cable MSOs around the world. From enabling the family digital lifestyle to providing powerful voice messaging capabilities, our solutions enrich today's connected lifestyles while creating new opportunities to engage consumers via smartphones and consumer IoT devices. Our portfolio also includes a wide range of products for creating, sharing and monetizing rich content, such as visual messaging, optimizing retail content display, analytics capabilities, and 2D/3D graphics applications.

2. Accounting Policies

Basis of Presentation

The accompanying interim consolidated balance sheet as of March 31, 2019, and the related consolidated statements of operations and comprehensive loss and cash flows for the three months ended March 31, 2019 and 2018, are unaudited. The unaudited consolidated financial statements have been prepared according to the rules and regulations of the Securities and Exchange Commission ("SEC") and, therefore, certain information and disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been omitted.

In the opinion of management, the accompanying unaudited consolidated financial statements for the periods presented reflect all adjustments which are normal and recurring, and necessary to fairly state the financial position, results of operations, and cash flows of the Company. These unaudited consolidated financial statements should be read in conjunction with the audited financial statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2018 filed with the SEC on March 27, 2019.

Intercompany balances and transactions have been eliminated in consolidation.

Operating results for the three months ended March 31, 2019 are not necessarily indicative of the results that may be expected for any other interim period or for the fiscal year ending December 31, 2019.

Recently Adopted Accounting Pronouncements

The Company adopted FASB ASC Topic No. 842, *Leases*, and related amendments, as of January 1, 2019, utilizing the modified retrospective approach through a cumulative-effect adjustment to equity. We elected the package of practical expedients permitted under the transition guidance within the new standard which allowed us to carry forward the historical lease classification. Adoption of the new standard resulted in the recording of additional net lease assets and lease liabilities of approximately $3.1 million as of January 1, 2019, and an adjustment to retained earnings of $0.1 million. The standard did not materially impact our consolidated net income or earnings per share and had no impact on cash flows. See Note 11 for further details.

Revenue Recognition

The Company adopted FASB ASC Topic No. 606, *Revenue from Contracts with Customers*, as of January 1, 2018, and recognizes the sale of goods and services based on the five step analysis of transactions as provided in Topic 606 which requires an entity to 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 such goods and services.

In our Wireless segment, we transfer software licenses to our customers on a royalty free, non-exclusive, non-transferrable, limited use basis during the term of the agreement. In some instances, we perform customization services to ensure the software operates within our customer's operating platforms as well as the operating platforms of the mobile devices used by their end customers before transferring the license. Revenue related to these services is recognized at a point in time upon acceptance of the software license by the customer. We also earn usage based revenue on our platforms. Usage based revenue is generated based on active licenses used by our customer's end customers, the provision of hosting services, revenue share based on media placements on our platform, and use of our cloud based services. We recognize our usage based revenue when we have completed our performance obligation and have the right to invoice the customer. This revenue is generally recognized monthly or quarterly.

We also provide consulting services to develop customer specified functionality that are generally not on our software development roadmap. We recognize revenue from our consulting services upon delivery and acceptance by the customer of our software enhancements and upgrades. For certain Wireless segment customers we provide maintenance and technology support services for which the customer pays upfront or as we provide the services. When the customer pays upfront, we record the payments as contract liabilities and recognize revenue ratably over the contract period as this is our stand ready performance obligation that is satisfied ratably over the maintenance and technology services period.

As discussed in Note 3, during the first quarter of 2019 we acquired assets associated with the Smart Retail product suite, later branded ViewSpot, from ISM Connect, LLC. Our ViewSpot contracts with the Tier 1 customers include promises to transfer multiple products and services. Determining whether products and services are considered distinct performance obligations that should be accounted for separately versus together may require significant judgment. When a cloud-based service includes both on-premises software licenses and cloud services, judgment is required to determine whether the software license is considered distinct and accounted for separately, or not distinct and accounted for together with the cloud service and recognized over time. Certain cloud services, primarily ViewSpot, depend on a significant level of integration, interdependency, and interrelation between the on-premise applications and cloud services, and are accounted for together as one performance obligation. Revenue from ViewSpot is recognized ratably over the period in which the cloud services are provided.

We receive upfront payments from customers from services to be provided under our ViewSpot arrangements. The advance receipts are deferred and subsequently recognized ratably over the contract period. We also provide consulting services to configure ad hoc targeted promotional content for our customers upon request. These requests are driven by our customer's marketing initiatives and tend to be short term "bursts" of activity. We recognize these revenues upon delivery of the configured promotional content to the cloud platform.

In our Graphics segment where we sell off-the-self software products with no customization or post sale technology support services, we recognize revenue at the time we transfer control of the product to the customer. This occurs upon shipment of the product or when the customer downloads the software from our website or website of our resellers. We offer a 30 day return option to our customers; a return reserve is established at the time revenue is recorded and the reserve is monitored and adjusted based on actual experience. Historically, returns have been insignificant.

Fair Value Measurements

The Company measures and discloses fair value measurements as required by FASB Accounting Standards Codification ("ASC") Topic No. 820, *Fair Value Measurements and Disclosures*.

Fair value is 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 is determined based on assumptions that market participants would use in pricing an asset or a liability. As a basis for considering such assumptions, the FASB establishes a three-tier value hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

- Level 1 - Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets
- Level 2 - Include other inputs that are directly or indirectly observable in the marketplace
- Level 3 - Unobservable inputs which are supported by little or no market activity

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

As required by FASB ASC Topic No. 820, we measure our cash and cash equivalents at fair value. Our cash equivalents are classified within Level 1 by using quoted market prices utilizing market observable inputs.

As required by FASB ASC Topic No. 820, we measured our warrant liability at fair value. Our warrant liability was classified within Level 3 as some of the inputs to our valuation model are either not observable quoted prices or are not derived principally from, or corroborated by, observable market data by correlation or other means.

As required by FASB ASC Topic No. 350, for goodwill and other intangibles impairment analysis, we utilize fair value measurements which are categorized within Level 3 of the fair value hierarchy.

3. Acquisitions

In December 2018, the Company entered into a definitive agreement to acquire the net assets of ISM Connect, LLC's Smart Retail product suite ("Smart Retail"). The transaction closed on January 9, 2019.

The following table summarizes the consideration paid for the Smart Retail acquisition in 2019 (unaudited, in thousands):

Fair value of assets acquired	$	9,394
Fair value of liabilities assumed		291
Total purchase price	$	9,103
Components of purchase price:		
Cash	$	3,974
Common stock		5,129
Total purchase price	$	9,103

The Company's preliminary allocation of the purchase price is summarized as follows (unaudited, in thousands):

Assets:		
Costs incurred on projects not complete	$	53
Intangible assets		5,229
Goodwill		4,112
Total assets	$	9,394
Liabilities:		
Deferred revenue	$	291
Total liabilities		291
Total purchase price	$	9,103

The purpose of the Smart Retail acquisition was to acquire a new growing and profitable revenue stream while deepening the relationships with our customers. The Smart Retail platform, which we now call ViewSpot™ , enables wireless carriers and retailers to offer powerful on-screen, interactive device demos that deliver consistent, secure and targeted content that showcase the features of the devices that consumers what to see and learn more about. ViewSpot also provides analytics capabilities, which allow customers to gain valuable insights and buying behaviors. The platform is a logical addition to the Company's existing product line that reaches wireless carriers and provides them with services that can attract and retain customers.

Unaudited pro forma results of operations for the three month ended March 31, 2019 and 2018 are included below as if the acquisition occurred on January 1, 2018. This summary of the unaudited pro forma results of operations is not necessarily indicative of what the Company's results of operations would have been had Smart Retail been acquired at the beginning of 2018, nor does it purport to represent results of operations for any future periods.

	For the Three Months Ended March 31,			
	2019		2018	
	(unaudited, in thousands, except per share amounts)			
Revenues	$	8,432	$	6,515
Net income (loss)		48		(2,032)
Earnings (loss) per share:				
Basic	$	0.00	$	(0.14)
Diluted	$	0.00	$	(0.14)

4. Going Concern Evaluation

In connection with preparing consolidated financial statements for the three months ended March 31, 2019, management evaluated whether there were conditions and events that, when considered in the aggregate, raised substantial doubt about the Company's ability to continue as a going concern within one year from the date that the financial statements are issued.

The Company considered the historical operating loss and negative cash flow from operating activities trends, including the positive trends occurring in the recent year.

Ordinarily, conditions or events that raise substantial doubt about an entity's ability to continue as a going concern relate to the entity's ability to meet its obligations as they become due.

The Company evaluated its ability to meet its obligations as they become due within one year from the date that the financial statements are issued by considering the following:

- In May 2017, the Company raised $2.2 million of new capital in a private placement offering of its common stock.
- In September 2017, the Company closed on a $5.5 million preferred stock transaction which converted $2.8 million of long and short-term debt and raised $2.7 million of new capital.
- On March 5, 2018, the Company raised $5.0 million of new capital in a private placement offering of its common stock.
- On May 3, 2018, the Company raised $7.0 million of new capital in a private placement offering of its common stock.
- On November 7, 2018, the Company raised $7.5 million of new capital in a private placement offering of its common stock. Following this transaction, $3.2 million of short and long-term debt was repaid.

Management believes the Company will generate enough cash from operations to satisfy its obligations for the next twelve months from the issuance date.

The Company will take the following actions, if it starts to trend unfavorably against its internal profitability and cash flow projections, in order to mitigate conditions or events that would raise substantial doubt about its ability to continue as a going concern:

- Raise additional capital through a private placement.
- Raise additional capital through short-term loans.
- Implement restructuring and cost reductions.
- Secure a commercial bank line of credit.
- Sell or license intellectual property.

5. Goodwill

In accordance with FASB ASC Topic No. 350, *Intangibles-Goodwill and Other,* we review the recoverability of the carrying value of goodwill at least annually or whenever events or circumstances indicate a potential impairment. The Company's impairment testing will be performed annually at December 31. Recoverability of goodwill is determined by comparing the fair value of the Company's reporting units to the carrying value of the underlying net assets in the reporting units. If the fair value of a reporting unit is determined to be less than the carrying value of its net assets, goodwill is deemed impaired and an impairment loss is recognized to the extent that the carrying value of goodwill exceeds the difference between the fair value of the reporting unit and the fair value of its other assets and liabilities. The Company determined that there was no goodwill impairment at March 31, 2019 and December 31, 2018.

6. Earnings Per Share

The Company calculates earnings per share ("EPS") as required by FASB ASC Topic No. 260, *Earnings Per Share*. Basic EPS is calculated by dividing the net income available to common stockholders by the weighted average number of common shares outstanding for the period, excluding common stock equivalents. Diluted EPS is computed by dividing the net income available to common stockholders by the weighted average number of common shares outstanding for the period, plus the weighted average number of dilutive common stock equivalents outstanding for the period determined using the treasury-stock method. For periods with a net loss, the dilutive common stock equivalents are excluded from the diluted EPS calculation. For purposes of this calculation, common stock subject to repurchase by the Company, options, and warrants are considered to be common stock equivalents and are only included in the calculation of diluted earnings per share when their effect is dilutive.

The following table sets forth the details of basic and diluted earnings per share:

	For the Three Months Ended March 31,	
	2019	2018
	(unaudited, in thousands, except per share amounts)	
Numerator:		
Net income (loss)	$ 48	$ (2,381)
Dividends paid to preferred stockholders	(34)	(141)
Net income (loss) available to common stockholders	$ 14	$ (2,522)
Denominator:		
Weighted average shares outstanding – basic	31,297	15,299
Potential common shares – options / warrants (treasury stock method)	26	—
Weighted average shares outstanding – diluted	31,323	15,299
Shares excluded (anti-dilutive)	—	135
Shares excluded due to an exercise price greater than weighted average stock price for the period	11,213	1,073
Net earnings (loss) per common share:		
Basic	$ 0.00	$ (0.16)
Diluted	$ 0.00	$ (0.16)

7. Stock-Based Compensation

Stock Plans

During the three months ended March 31, 2019, the Company granted 1,250,000 shares of restricted stock and 45,000 incentive stock options under the Company's 2015 Omnibus Equity Incentive Plan, as amended. As of March 31, 2019, there were 1.3 million shares available for future grants under the 2015 Omnibus Equity Incentive Plan.

8. Revenues

Revenue Recognition

We sell products and services to customers in our Wireless and Graphics segments. In our Wireless segment, we sell our software solution, cloud based services and consulting services to major wireless network and cable operators. We sell our off-the-shelf Graphics software products directly to end users as well as through our distribution and reseller channel partners.

We recognize sales of goods and services based on the five-step analysis of transactions as provided in Topic 606. For all contracts with customers, we first identify the contract which usually is established when a contract is fully executed by each party and consideration is expected to be received. Next, we identify the performance obligations in the contract. A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. We then determine the transaction price in the arrangement and allocate the transaction price, if necessary, to each performance obligation identified in the contract. The allocation of the transaction price to the performance obligations are based on the relative standalone selling prices for the goods and services contained in a particular performance obligation. The transaction price is adjusted for the Company's estimate of variable consideration which may include certain incentives and discounts, product returns, distributor fees, and storage fees. We evaluate the total amount of variable consideration expected to be earned by using the expected value method, as we believe this method represents the most appropriate estimate for this consideration, based on historical service trends, the individual contract considerations and our best judgment at the time. We include estimates of variable consideration in revenues only to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. We also generate the majority of our revenue on usage based fees which are variable and depend entirely on our customers use of perpetual licenses, transactions processed on our hosted environment, advertisement placements on our service platform, and activity on our cloud based service platform.

During the first quarter of 2019, we acquired the Smart Retail assets from ISM Connect, LLC. Our contracts with the Tier 1 customers include promises to transfer multiple products and services. Determining whether products and services are considered distinct performance obligations that should be accounted for separately versus together may require significant judgment. When a cloud based service includes both on-premises software licenses and cloud services, judgment is required to determine whether the software license is considered distinct and accounted for separately, or not distinct and accounted for together with the cloud service and recognized over time. Certain cloud services, primarily ViewSpot, depend on a significant level of integration, interdependency, and interrelation between the on-premise applications and cloud services, and are accounted for together as one performance obligation. Revenue from ViewSpot is recognized ratably over the period in which the cloud services are provided.

We receive upfront payments from customers from services to be provided under our ViewSpot arrangements. The advance receipts are deferred and subsequently recognized ratably over the contract period. We also provide consulting services to configure ad hoc targeted promotional content for our customers upon request. These requests are driven by our customer's marketing initiatives and tend to be short term "bursts" of activity. We recognize these revenues upon delivery of the configured promotional content to the cloud platform.

We have made accounting policy elections to exclude all taxes by governmental authorities from the measurement of the transaction price, and since our standard payment terms are less than one year, we have elected the practical expedient not to assess whether a contract has a significant financing component.

Deferred Revenue

Deferred revenue represents amounts billed to customers for which revenue has not been recognized. Deferred revenue primarily consists of the unearned portion of monthly, quarterly and annually billed service fees and prepayments made by customers for a future period. We recognize revenue upon transfer of control. During the three months ended March 31, 2019 we recognized $27 thousand in our consolidated statements of operations that was previously recorded as deferred revenue in the consolidated balance sheet at January 1, 2019. As of March 31, 2019, our total deferred revenue balance was $0.2 million.

Disaggregation of Revenues

We disaggregate revenue by our Wireless and Graphics segments.

Revenues on a disaggregated basis are as follows (in thousands):

	For the Three Months Ended March 31,	
	2019	2018
	(unaudited)	
Wireless:		
CommSuite & Netwise	$ 4,678	$ 3,974
SafePath	2,134	323
ViewSpot	786	—
Consulting services and other	561	509
Legacy software licenses	13	10
Total wireless	8,172	4,816
Graphics:		
Software	260	647
Total revenues	$ 8,432	$ 5,463

9. Segment, Customer Concentration and Geographical Information

Segment Information

Public companies are required to report financial and descriptive information about their reportable operating segments as required by FASB ASC Topic No. 280, *Segment Reporting*. The Company has two primary business units based on how management internally evaluates separate financial information, business activities and management responsibility. Wireless includes our NetWise®, CommSuite®, SafePath®, and ViewSpot™ family of products. Graphics includes our consumer-based products: Poser®, Moho®, MotionArtist®, Rebelle, PhotoDonut and StuffIt®, and through April 2018 included third-party software products under the Clip Studio® brand, which we distributed under an agreement which expired in October 2017 and permitted certain post-termination distribution rights until April 2018.

The Company does not separately allocate operating expenses to these business units, nor does it allocate specific assets. Therefore, business unit information reported includes only revenues.

The following table shows the revenues generated by each business unit (in thousands):

	For the Three Months Ended March 31,	
	2019	2018
	(unaudited)	
Wireless	$ 8,172	$ 4,816
Graphics	260	647
Total revenues	$ 8,432	$ 5,463

Customer Concentration Information

A summary of the Company's customers that represent 10% or more of the Company's net revenues is as follows:

	For the Three Months Ended March 31,	
	2019	2018
	(unaudited)	
Wireless:		
Sprint (& affiliates)	77%	75%
Graphics:		
FastSpring	2%	10%

The two customers listed above comprised 78% and 80% of our accounts receivable as of March 31, 2019 and 2018, respectively.

Geographical Information

During the three months ended March 31, 2019 and 2018, the Company operated in three geographic locations; the Americas, EMEA (Europe, the Middle East, and Africa), and Asia Pacific. Revenues attributed to the geographic location of the customers' bill-to address were as follows (in thousands):

	For the Three Months Ended March 31,	
	2019	2018
	(unaudited)	
Americas	$ 8,392	$ 5,374
EMEA	19	30
Asia Pacific	21	59
Total revenues	$ 8,432	$ 5,463

The Company does not separately allocate specific assets to these geographic locations.

10. Commitments and Contingencies

Litigation

The Company may become involved in various legal proceedings arising from its business activities. While management does not believe the ultimate disposition of these matters will have a material adverse impact on the Company's consolidated results of operations, cash flows, or financial position, litigation is inherently unpredictable, and depending on the nature and timing of these proceedings, an unfavorable resolution could materially affect the Company's future consolidated results of operations, cash flows, or financial position in a particular period.

Other Contingent Contractual Obligations

During its normal course of business, the Company has made certain indemnities, commitments, and guarantees under which it may be required to make payments in connection with certain transactions. These include: intellectual property indemnities to the Company's customers and licensees in connection with the use, sale, and/or license of Company products; indemnities to various lessors in connection with facility leases for certain claims arising from use of such facility or under such lease; indemnities to vendors and service providers pertaining to claims based on the negligence or willful misconduct of the Company; indemnities involving the accuracy of representations and warranties in certain contracts; and indemnities to directors and officers of the Company to the maximum extent permitted under the laws of the State of Delaware. In addition, the Company has made contractual commitments to employees providing for severance payments upon the occurrence of certain prescribed events. The Company may also issue a guarantee in the form of a standby letter of credit as security for contingent liabilities under certain customer contracts. The duration of these indemnities, commitments, and guarantees varies, and in certain cases may be indefinite. The majority of these indemnities, commitments, and guarantees may not provide for any limitation of the maximum potential for future payments the Company could be obligated to make. The Company has not recorded any liability for these indemnities, commitments, and guarantees in the accompanying consolidated balance sheets.

11. Leases

The Company leases office space and equipment, and certain office space is subleased. Management determines if a contract is a lease at the inception of the arrangement and reviews all options to extend, terminate, or purchase its right-of-use assets at the inception of the lease and accounts for these options when they are reasonably certain of being exercised.

Leases with an initial term of greater than twelve months are recorded on the consolidated balance sheet. Lease expense is recognized on a straight-line basis over the lease term.

The Company's lease contracts generally do not provide a readily determinable implicit rate. For these contracts, the estimated incremental borrowing rate is based on information available at the inception of the lease.

Operating lease cost consists of the following (in thousands):

	For the Three Months Ended March 31, 2019 (unaudited)
Lease cost	$ 397
Sublease income	(151)
Total lease cost	$ 246

Operating lease assets and liabilities are summarized as follows (in thousands):

	As of March 31, 2019 (unaudited)
Right-of-use assets	$ 2,419
Current lease liabilities	$ 987
Long-term lease liabilities	1,876
Total lease liabilities	$ 2,863

The maturity of operating lease liabilities is presented in the following table (in thousands):

	As of March 31, 2019 (unaudited)
2019	$ 858
2020	1,143
2021	1,109
2022	14
2023	—
Thereafter	—
Total lease payments	3,124
Less imputed interest	261
Present value of lease liabilities	$ 2,863

As of March 31, 2019, we have an additional operating lease for office space that has not yet commenced with a lease liability totaling approximately $1.5 million. This lease will commence during the second quarter of 2019.

12. Equity Transactions

In January 2019, the Company issued 2,699,531 shares of Common Stock in connection with its acquisition of the Smart Retail product suite of ISM connect, LLC. See Note 3 for further details.

13. Income Taxes

We account for income taxes as required by FASB ASC Topic No. 740, *Income Taxes*. This Topic clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements and prescribes a recognition threshold and measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Topic also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The Topic requires an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will be sustained upon examination. The amount recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. In addition, the Topic permits an entity to recognize interest and penalties related to tax uncertainties as either income tax expense or operating expenses. The Company has chosen to recognize interest and penalties related to tax uncertainties as income tax expense.

The Company assesses whether a valuation allowance should be recorded against its deferred tax assets based on the consideration of all available evidence, using a "more likely than not" realization standard. The four sources of taxable income that must be considered in determining whether deferred tax assets will be realized are: (1) future reversals of existing taxable temporary differences (i.e., offset of gross deferred tax liabilities against gross deferred tax assets); (2) taxable income in prior carryback years, if carryback is permitted under the applicable tax law; (3) tax planning strategies; and (4) future taxable income exclusive of reversing temporary differences and carryforwards.

In assessing whether a valuation allowance is required, significant weight is to be given to evidence that can be objectively verified. A significant factor in the Company's assessment is that the Company has been in a five-year historical cumulative loss as of the end of fiscal 2017. These facts, combined with uncertain near-term market and economic conditions, reduced the Company's ability to rely on projections of future taxable income in assessing the realizability of its deferred tax assets.

After a review of the four sources of taxable income as of December 31, 2018 (as described above), and after consideration of the Company's continuing cumulative loss position as of December 31, 2018, the Company will continue to reserve its U.S.-based deferred tax amounts, which total $52.4 million as of March 31, 2019.

The Company is subject to U.S. federal income tax as well as income tax of multiple state jurisdictions. Federal income tax returns of the Company are currently subject to IRS examination for the 2015 – 2017 tax years. State income tax returns are subject to examination for a period of three to four years after filing and currently the 2014-2017 tax years are open for audit. The outcome of tax audits cannot be predicted with certainty. If any issues addressed in the Company's tax audits are resolved in a manner not consistent with management's expectations, the Company could be required to adjust its provision for income tax in the period such resolution occurs. We may from time to time be assessed interest or penalties by major tax jurisdictions, although any such assessments historically have been minimal and immaterial to our consolidated financial results. It is the Company's policy to classify any interest and/or penalties in the consolidated financial statements as a component of income tax expense.

14. Subsequent Events

The Company evaluates and discloses subsequent events as required by FASB ASC Topic No. 855, *Subsequent Events*. The Topic establishes general standards of accounting for and disclosure of events that occur after the balance sheet date, but before the financial statements are issued or are available to be issued. Subsequent events have been evaluated as of the date of this filing and no further disclosures are required.

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

In this document, the terms "Smith Micro," "Company," "we," "us," and "our" refer to Smith Micro Software, Inc. and, where appropriate, its subsidiaries.

This Quarterly Report on Form 10-Q ("Report") contains forward-looking statements regarding Smith Micro which include, but are not limited to, statements concerning customer concentration, projected revenues, market acceptance of products, the success and timing of new product introductions, the competitive factors affecting our business, our ability to raise additional capital, gross profit and income, our ability to remain a going concern, our expenses, and the protection of our intellectual property. These forward-looking statements are based on our current expectations, estimates and projections about our industry, management's beliefs, and certain assumptions made by us. Words such as "anticipates," "expects," "intends," "plans," "predicts," "potential," "believes," "seeks," "estimates," "should," "may," "will," and variations of these words or similar expressions are intended to identify forward-looking statements. Forward-looking statements also include the assumptions underlying or relating to any of the foregoing statements. These statements are not guarantees of future performance and are subject to risks, uncertainties, and assumptions that are difficult to predict. Therefore, our actual results could differ materially from those expressed or implied in any forward-looking statements as a result of various factors. Such factors include, but are not limited to, the following:

- our customer concentration given that the majority of our sales currently depend on a few large client relationships, including Sprint;
- our ability to establish and maintain strategic relationships with our customers and mobile device manufacturers;
- rapid technological evolution and resulting changes in demand for our products from our key customers and their end users;
- intense competition in our industry and the core vertical markets in which we operate, and our ability to successfully compete;
- our ability to comply with the requirements for our products imposed by our customers or by the third party providers of software and/or platforms that we use, and to respond quickly and effectively to any changes in such requirements;
- our ability to assimilate acquisitions without diverting management attention and impacting current operations;
- our ability to raise additional capital and the risk of such capital not being available to us at commercially reasonable terms or at all;
- our ability to hire and retain key personnel;
- interruptions or delays in the services we provide from our data center hosting facilities that could harm our business;
- the possibility of security and privacy breaches in our systems damaging client relations and inhibiting our ability to grow;
- our ability to become and remain profitable;
- our ability to remain a going concern;
- the risk of being delisted from NASDAQ if we fail to meet any of its applicable listing requirements;
- the availability of third-party intellectual property and licenses needed for our operations on commercially reasonable terms, or at all;
- changes in our operating income or loss due to shifts in our sales mix and variability in our operating expenses;
- the difficulty of predicting our quarterly revenues and operating results and the chance of such revenues and results falling below analyst or investor expectations, which could cause the price of our common stock to fall;
- potential tax liabilities and other factors that may impact our effective tax rates;
- the existence of undetected software defects in our products;
- the impact of evolving information security and data privacy laws on our business and industry;
- the impact of U.S. regulations on our business and industry;
- our ability to protect our intellectual property and our ability to operate our business without infringing on the rights of others; and
- the risks inherent with international operations.

The forward-looking statements contained in this Report are made on the basis of the views and assumptions of management regarding future events and business performance as of the date this Report is filed with the Securities and Exchange Commission (the "SEC"). In addition, we operate in a highly competitive and rapidly changing environment; therefore, new risk factors can arise, and it is not possible for management to predict all such risk factors, nor to assess the impact of all such risk factors on our business or the extent to which any individual risk factor, or combination of risk factors, may cause results to differ materially from those contained in any forward-looking statement. We do not undertake any obligation to update these statements to reflect events or circumstances occurring after the date this Report is filed.

Overview

Smith Micro develops software to simplify and enhance the mobile experience, providing solutions to some of the leading wireless service providers and cable multiple service operators ("MSOs") around the world. From enabling the family digital lifestyle to providing powerful voice messaging capabilities, our solutions enrich today's connected lifestyles while creating new opportunities to engage consumers via smartphones and consumer devices for the Internet of Things ("IoT"). Our portfolio also includes a wide range of products for creating, sharing and monetizing rich content, such as visual messaging, optimizing retail content display, analytics capabilities, and 2D/3D graphics applications.

We continue to innovate and evolve our business to take advantage of industry trends and opportunities in emerging markets, such as digital lifestyle services and online safety, "Big Data" analytics, automotive telematics, and the consumer IoT marketplace. The key to our longevity, however, is not simply technological innovation, but a never-ending focus on customer value.

A summary of the Company's customers that represent 10% or more of the Company's net revenues is as follows:

	For the Three Months Ended March 31,	
	2019	2018
Wireless:		
Sprint (& affiliates)	77%	75%
Graphics:		
FastSpring	2%	10%

The two customers listed above comprised 78% and 80% of our accounts receivable as of March 31, 2019 and 2018, respectively.

Results of Operations

The table below sets forth certain statements of operations and comprehensive loss data expressed as a percentage of revenues for the three months ended March 31, 2019 and 2018. Our historical results are not necessarily indicative of the operating results that may be expected in the future.

	For the Three Months Ended March 31,	
	2019	2018
Revenues	100.0 %	100.0 %
Cost of revenues	10.9	24.0
Gross profit	89.1	76.0
Operating expenses:		
Selling and marketing	23.3	31.7
Research and development	31.8	41.3
General and administrative	32.0	40.1
Restructuring expense	1.2	—
Total operating expenses	88.3	113.1
Operating income (loss)	0.8	(37.1)
Interest expense, net	—	(3.1)
Change in fair value of warrant liability	—	(2.5)
Other expense	(0.1)	(0.7)
Income (loss) before provision for income taxes	0.7	(43.4)
Provision for income tax expense	0.0	0.2
Net income (loss)	0.7 %	(43.6)%

Segment Revenues

The following table shows the revenues generated by each business segment for the three months ended March 31, 2019 and 2018 (in thousands):

	For the Three Months Ended March 31,	
	2019	2018
Wireless	$ 8,172	$ 4,816
Graphics	260	647
Total revenues	8,432	5,463
Cost of revenues	916	1,309
Gross profit	$ 7,516	$ 4,154

Three Months Ended March 31, 2019 Compared to the Three Months Ended March 31, 2018

Revenues. Revenues were $8.4 million and $5.5 million for the three months ended March 31, 2019 and 2018, respectively, representing an increase of $2.9 million, or 54.3%. Wireless revenue of $8.2 million increased $3.4 million, or 69.7%, primarily due to increased subscribers and resulting revenues from our largest customer, Sprint, associated with growth in the SafePath product. Our newly acquired product, ViewSpot, generated approximately $0.8 million in revenues during the quarter. Graphics revenue decreased by $0.4 million or 59.8% over last year, primarily related to the termination of our reseller agreement with Japanese software developer Celsys in October 2017, which permitted certain post-termination distribution rights for the English-language version of Clip Studio Paint (formerly Manga Studio), through April 2018.

Cost of revenues. Cost of revenues were $0.9 million and $1.3 million for the three months ended March 31, 2019 and 2018, respectively, representing a decrease of $0.4 million, or 30.0%, primarily related to lower internal and external variable costs in conjunction with the mix of revenue.

Gross profit. Gross profit was $7.5 million, or 89% of revenues, for the three months ended March 31, 2019, compared to $4.2 million, or 76% of revenues, for the three months ended March 31, 2018. This increase is due primarily to lower variable costs in conjunction with the revenue mix during the quarter.

Selling and marketing. Selling and marketing expenses were $2.0 million and $1.7 million for the three months ended March 31, 2019 and 2018, respectively. This increase was primarily due to an increase in headcount for ViewSpot and commissions due to increased performance levels. The amortization of intangible assets was $0.1 million for each of the three months ended March 31, 2019 and 2018.

Research and development. Research and development expenses were $2.7 and $2.3 million for the three months ended March 31, 2019 and 2018, respectively. This increase was primarily due to additional headcount related expenses for ViewSpot.

General and administrative. General and administrative expenses were $2.7 million and $2.2 million for the three months ended March 31, 2019 and 2018, respectively. This increase was primarily due to an increase in non-cash stock compensation, variable compensation expense, consulting fees, and acquisition fees.

Restructuring expense. Restructuring expense was $0.1 million for the three months ended March 31, 2019. Restructuring charges in 2019 related primarily to one-time employee termination costs.

Interest expense, net. Interest expense was $0.2 million for the three months ended March 31, 2018, which consisted of interest on notes payable and amortization of the debt discount and issuance costs. This decrease was due to a reduction in outstanding debt from the previous year.

Change in fair value of warrant liability. The change in the fair value of warrant liability was $0.1 for the three months ended March 31, 2018. The warrants were reclassified from liabilities to equity in connection with the November 2018 stock offering.

Liquidity and Capital Resources

See Note 4 of the consolidated financial statements for management's going concern evaluation of the Company.

At March 31, 2019, we had $7.4 million in cash and cash equivalents and $12.0 million of working capital.

Operating activities

Net cash used in operating activities was $0.7 million for the three months ended March 31, 2019. The primary uses of operating cash were an increase in accounts receivable of $1.8 million, a decrease in accounts payable and accrued expenses of $0.1 million, and a decrease in deferred revenue of $0.1 million. This usage was partially offset by a decrease in prepaid expenses and other assets of $0.2 million, and an add-back of non-cash expenses totaling $1.1 million.

Net cash used in operating activities was $1.9 million for the three months ended March 31, 2018. The primary uses of operating cash were to fund our net loss of $2.4 million, adding back non-cash net expenses of $0.6 million, an increase in accounts receivable of $0.2 million, and a decrease in accounts payable and accrued expenses of less than $0.1 million. This usage was offset by an increase in deferred revenue of $0.1 million and a decrease in prepaid expenses and other current assets of $0.1 million.

Investing activities

Net cash used in investing activities was $4.1 million for the three months ended March 31, 2019, relating to a $4.0 million net cash payment for the Smart Retail acquisition and $0.1 million of capital expenditures.

Net cash used in investing activities was $16 thousand for the three months ended 2018, which related to capital expenditures.

Financing activities

Net cash used in financing activities was $43 thousand for the three months ended March 31, 2019, of which $34 thousand related to a payment of dividends on preferred stock.

Net cash provided by financing activities was $3.3 million for the three months ended March 31, 2018. We received net proceeds of approximately $4.5 million from the sale of our common stock in a private placement, which was offset by payment of $1.0 million of related party notes payable and $0.1 million payment of dividends on preferred stock.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

During our normal course of business, we have made certain indemnities, commitments, and guarantees under which we may be required to make payments in relation to certain transactions. These include: intellectual property indemnities to our customers and licensees in connection with the use, sale and/or license of our products; indemnities to various lessors in connection with facility leases for certain claims arising from such facility or lease; indemnities to vendors and service providers pertaining to claims based on negligence or willful misconduct; indemnities involving the accuracy of representations and warranties in certain contracts; and indemnities to directors and officers of the Company to the maximum extent permitted under the laws of the State of Delaware. We may also issue a guarantee in the form of a standby letter of credit as security for contingent liabilities under certain customer contracts. The duration of these indemnities, commitments and guarantees varies, and in certain cases, may be indefinite. The majority of these indemnities, commitments, and guarantees may not provide for any limitation of the maximum potential for future payments we could be obligated to make. We have not recorded any liability for these indemnities, commitments, and guarantees in the accompanying consolidated balance sheets. There were no material changes in our contractual obligations and other commercial commitments that would require an update to the disclosure provided in our 2018 Annual Report on Form 10-K, filed with the SEC on March 27, 2019.

Recent Accounting Guidance

See Note 2 of our Notes to the Consolidated Financial Statements for information regarding our recent accounting guidance.

Critical Accounting Policies and Estimates

Our discussion and analysis of results of operations, financial condition, and liquidity are based upon our consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these financial statements requires us to make estimates and judgments 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 revenues and expenses during the reporting period. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Actual results may materially differ from these estimates under different assumptions or conditions. On an on-going basis, we review our estimates to ensure that they appropriately reflect changes in our business or new information as it becomes available. See Note 2 of our Notes to the Consolidated Financial Statements for information regarding our critical accounting policies and estimates.

Item 4. Controls and Procedures

Evaluation of disclosure controls and procedures

We conducted an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) under the Securities Exchange Act of 1934 ("Exchange Act")) as of March 31, 2019. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer have determined that as of March 31, 2019, our disclosure controls and procedures were effective to ensure that the information required to be disclosed in our Exchange Act reports is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and our management necessarily is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Management's responsibility for financial statements

Our management is responsible for the integrity and objectivity of all information presented in this report. The consolidated financial statements were prepared in conformity with U.S. GAAP and include amounts based on management's best estimates and judgments. Management believes the consolidated financial statements fairly reflect the form and substance of transactions and that the financial statements fairly represent the Company's financial position and results of operations for the periods and as of the dates stated therein.

The Audit Committee of the Company's Board of Directors, which is composed solely of independent directors, meets regularly with our independent registered public accounting firm, SingerLewak LLP, and representatives of management to review accounting, financial reporting, internal control, and audit matters, as well as the nature and extent of the audit effort. The Audit Committee is responsible for the engagement of the independent auditors. The independent auditors have free access to the Audit Committee.

Changes in internal control over financial reporting

There have been no changes in our internal controls over financial reporting during the quarter ended March 31, 2019 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The Company may become involved in various legal proceedings arising from its business activities. While management does not believe the ultimate disposition of these matters will have a material adverse impact on the Company's consolidated results of operations, cash flows, or financial position, litigation is inherently unpredictable, and depending on the nature and timing of these proceedings, an unfavorable resolution could materially affect the Company's future consolidated results of operations, cash flows or financial position in a particular period.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The table set forth below shows all repurchases of securities by us during the three months ended March 31, 2019:

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares (or Units) Purchased	Average Price Paid per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
January 1 - 31, 2019	9,599	$ 1.89	—	—
February 1 - 28, 2019	9,527	1.94	—	—
March 1 - 31, 2019	83,833	2.04	—	—
Total	102,959 (1)	$ 2.01		

(1) Shares of stock repurchased by the Company as payment of withholding taxes in connection with the vesting of restricted stock awards during the applicable period. All of the shares were cancelled when they were acquired by the Company.

Item 6. Exhibits

Exhibit	Description
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

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

	SMITH MICRO SOFTWARE, INC.
May 15, 2019	By /s/ William W. Smith, Jr. William W. Smith, Jr. Chairman of the Board, President and Chief Executive Officer *(Principal Executive Officer)*
May 15, 2019	By /s/ Timothy C. Huffmyer Timothy C. Huffmyer Vice President and Chief Financial Officer *(Principal Financial and Accounting Officer)*