BLUE CALYPSO, INC.
Form 10-Q
August 10, 2016

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 June 30, 2016

or

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: 000-53981

BLUE CALYPSO, INC.
(Exact name of registrant as specified in its charter)

Delaware	20-8610073
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

101 W Renner Rd, Suite 200
Richardson, Texas 75082
(Address of principal executive offices) (Zip Code)

(800) 378-2297
(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 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.

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company
(Do not check if a 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 August 10, 2016, there were 7,799,189 shares of registrant's common stock outstanding.

BLUE CALYPSO, INC.

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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

BLUE CALYPSO, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2016 (unaudited)	December 31, 2015
ASSETS		
Current assets:		
Cash	$1,023,562	$730,482
Accounts receivable	275,485	247,131
Inventory	41,615	41,653
Prepaid expenses and other	67,475	42,370
Total current assets	1,408,137	1,061,636
Property and equipment, net	5,913	6,682
Other assets:		
Accounts receivable, long term portion	23,813	71,440
Capitalized software development costs, net of accumulated amortization of $1,573,234 and $1,344,672 as of June 30, 2016 and December 31, 2015, respectively	802,568	817,548
Total assets	$2,240,431	$1,957,306
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$158,907	$103,936
Accrued expenses	56,993	44,190
Settlement payable, short term portion	119,066	119,066
Convertible note payable, net of debt discounts of $-0- and $119,115, respectively	-	180,885
Deferred rent, short term portion	2,048	2,048
Derivative liabilities	-	170,497
Total current liabilities	337,014	620,622
Long term debt:		
Settlement payable, long term	23,813	71,440
Deferred rent, long term portion	375	1,211
Total liabilities	361,202	693,273
Stockholders' equity:		
Preferred stock, $0.0001 par value; 5,000,000 shares authorized: Series A convertible preferred stock, $0.0001 par value; 1,700,000 shares designated; none issued and outstanding	-	-
Common stock, $0.0001 par value; 13,600,000 shares authorized, 7,199,189 and 5,522,146 shares issued and outstanding as of June 30, 2016 and December 31, 2015,	719	552

respectively		
Additional paid in capital	38,819,732	36,733,865
Accumulated deficit	(36,941,222)	(35,470,384)
Total stockholders' equity	1,879,229	1,264,033
Total liabilities and stockholders' equity	$2,240,431	$1,957,306

See the accompanying notes to these unaudited condensed consolidated financial statements

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BLUE CALYPSO, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
REVENUE	$503,742	$109,489	$767,080	$225,214
OPERATING EXPENSES:				
Cost of sales	233,004	44,665	323,404	99,777
Sales and marketing	55,751	105,681	191,390	154,255
General and administrative	681,668	566,078	1,479,129	1,101,625
Depreciation and amortization	118,070	88,154	229,331	172,775
Total operating expenses	1,088,493	804,578	2,223,254	1,528,432
Loss from operations	(584,751)	(695,089)	(1,456,174)	(1,303,218)
Other income (expense):				
Change in fair value of derivative liabilities	-	-	101,381	-
Interest expense	(1,859)	(757)	(116,045)	(1,473)
Total other income (expense)	(1,859)	(757)	(14,664)	(1,473)
NET LOSS	$(586,610)	$(695,846)	$(1,470,838)	$(1,304,691)
Net loss per common share, basic and diluted	$(0.09)	$(0.14)	$(0.24)	$(0.26)
Weighted average common shares outstanding, basic and diluted	6,725,415	4,985,204	6,196,583	4,951,625

See the accompanying notes to these unaudited condensed consolidated financial statements

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BLUE CALYPSO, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
SIX MONTHS ENDED JUNE 30, 2016

	Common Stock		Additional Paid in	Accumulated	Total Stockholders'
	Shares	Amount	Capital	Deficit	Equity
Balance, December 31, 2015	5,522,146	$ 552	$ 36,733,865	$ (35,470,384)	$ 1,264,033
Sale of common stock and warrants at $0.85 per share, net of issuance costs of $14,692	470,591	47	385,263	-	385,310
Sale of common stock and warrants at $1.64 per share, net of issuance costs of $11,603	609,756	61	988,458	-	988,519
Shares issued for services rendered	96,696	9	155,085	-	155,094
Reclass derivative liability to equity upon note payment	-	-	69,116	-	69,116
Stock based compensation	500,000	50	487,945	-	487,995
Net loss	-	-	-	(1,470,838)	(1,470,838)
Balance, June 30, 2016 (unaudited)	7,199,189	$ 719	$ 38,819,732	$ (36,941,222)	$ 1,879,229

See the accompanying notes to these unaudited condensed consolidated financial statements

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BLUE CALYPSO, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	Six months ended June 30, 2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$(1,470,838)	$(1,304,691)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	229,331	172,775
Bad debt expense	4,050	19,141
Amortization of debt discounts	119,115	-
Change in fair value of derivative liabilities	(101,381)	-
Stock based compensation	487,995	168,897
Common stock issued for services rendered	155,094	128,401
Changes in operating assets and liabilities:		
Accounts receivable	(32,404)	68,637
Inventory	38	-
Prepaid expenses and other current assets	(25,105)	2,444
Accounts payable	54,971	83,539
Accrued expenses	12,803	(129,486)
Deferred revenue	-	(1,100)
Deferred rent	(836)	-
Net cash used in operating activities	(567,167)	(791,443)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	-	(6,506)
Software development costs	(213,582)	(150,615)
Net cash used in investing activities	(213,582)	(157,121)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from sale of common stock and warrants	1,373,829	-
Deferred offering costs	-	(79,912)
Repayments of convertible notes payable	(300,000)	-
Net cash provided (used) by financing activities	1,073,829	(79,912)
Net increase (decrease) in cash	293,080	(1,028,476)
Cash at beginning of period	730,482	1,103,201
Cash at end of period	$1,023,562	$74,725
SUPPLEMENTAL INFORMATION		
Cash paid for interest	$4,199	$1,473
Cash paid for income taxes	$-	$-
Non-cash investing and financing activities:		
Issuance of shares upon conversion of Series A convertible preferred stock	$-	$16
Reclass derivative liability to equity upon note repayment	$69,116	$-

See the accompanying notes to these unaudited condensed consolidated financial statements

BLUE CALYPSO, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016
(unaudited)

NOTE 1 – NATURE OF OPERATIONS AND BASIS OF PRESENTATION

Blue Calypso, Inc., a Delaware corporation (the "Company"), is engaged in the development, sales, delivery, and licensing of technology and intellectual property focused on mobile shopper engagement and digital word-of-mouth and location-based marketing and advertising. In January 2014, the Company transitioned from a development stage enterprise to an operating company.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information. Accordingly, they do not include all of the information and disclosures required by U.S. GAAP for annual financial statements. 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 the condensed consolidated financial statements of the Company as of June 30, 2016 and for the three and six months ended June 30, 2016 and 2015. The results of operations for the three and six months ended June 30, 2016 are not necessarily indicative of the operating results for the full year ending December 31, 2016, or any other period. These interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related disclosures of the Company as of December 31, 2015 and for the year then ended, which were filed with the Securities and Exchange Commission on Form 10-K on March 22, 2016.

NOTE 2 – GOING CONCERN AND MANAGEMENT'S LIQUIDITY PLANS

As of June 30, 2016, the Company had cash of $1,023,562 and working capital of $1,071,123. During the six months ended June 30, 2016, the Company used net cash in operating activities of $567,167. The Company has incurred net losses since inception.

From March 2016 through May 2016, the Company sold shares of common stock and warrants for net proceeds, after commissions and other costs, of approximately $1,374,000. It is anticipated that the proceeds from the sale of its common stock and warrants will provide the Company with cash sufficient to fund operations through December 2016.

The Company's primary source of operating funds since inception has been cash proceeds from private placements of common stock, preferred stock, convertible debentures and the exercise of warrants. The Company intends to raise additional capital through private issuances of debt and equity instruments, but there can be no assurance that these funds will be available on terms acceptable to the Company, or will be sufficient to enable the Company to fully execute on its business plan or sustain operations. If the Company is unable to raise sufficient additional funds, it will have to develop and implement a plan to further extend payables, reduce overhead, or scale back its current business plan until sufficient additional capital is raised to support further operations. There can be no assurance that such a plan will be successful.

Accordingly, the accompanying condensed consolidated financial statements have been prepared in conformity with U.S. GAAP, which contemplates continuation of the Company as a going concern and the realization of assets and satisfaction of liabilities in the normal course of business. The carrying amounts of assets and liabilities presented in the financial statements do not necessarily purport to represent realizable or settlement values. The condensed consolidated financial statements do not include any adjustment that might result from the outcome of this uncertainty.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, 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. Significant estimates include the recoverability and useful lives of long-lived assets, the fair value of the Company's stock, stock-based compensation, debt discounts, derivative liabilities, and the valuation allowance related to deferred tax assets. Actual results may differ from these estimates.

BLUE CALYPSO, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016
(unaudited)

Concentrations of Credit Risk

As of June 30, 2016, excluding the impact of the allowance for doubtful accounts, three customers represented 43%, 32% and 21% of the Company's accounts receivable. As of December 31, 2015, three customers represented 10%, 30% and 39% of the Company's accounts receivable.

During the three months ended June 30, 2016, two customers represented 60% and 32% of total revenue.

During the six months ended June 30, 2016, two customers represented 49% and 39% of total revenue.

During the three months ended June 30, 2015, two customers represented 56% and 20% of total revenue.

During the six months ended June 30, 2015, three customers represented 60%, 15% and 11% of total revenue.

Net Loss per Share

The Company computes basic net loss per share by dividing net loss per share available to common stockholders by the weighted average number of common shares outstanding for the period, adjusted to give effect to the 50-for-1 reverse stock split, which was effective in the market on July 2, 2015, and excludes the effects of any potentially dilutive securities. Diluted earnings per share, if presented, would include the dilution that would occur upon the exercise or conversion of all potentially dilutive securities into common stock using the "treasury stock" and/or "if converted" methods as applicable. The computation of basic and diluted loss per share for the three and six months ended June 30, 2016 and 2015 excludes potentially dilutive securities when their inclusion would be anti-dilutive, or if their exercise prices were greater than the average market price of the common stock during the period.

Potentially dilutive securities excluded from the computation of basic and diluted net loss per share are as follows:

	June 30, 2016	June 30, 2015
Options to purchase common stock	1,013,123	565,939
Warrants to purchase common stock	1,430,817	220,913
Totals	2,443,940	786,852

Convertible Instruments

U.S. GAAP requires companies to bifurcate conversion options from their host instruments and account for them as free standing derivative financial instruments according to certain criteria. The criteria include circumstances in which (a) the economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract, (b) the hybrid instrument that embodies both the embedded derivative instrument and the host contract is not re-measured at fair value under otherwise applicable generally accepted accounting principles with changes in fair value reported in earnings as they occur and (c) a separate instrument with the same terms as the embedded derivative instrument would be considered a derivative instrument. An exception to this rule is when the host instrument is deemed to be conventional, as that term is described under applicable ASC 480-10.

When the Company has determined that the embedded conversion options should not be bifurcated from their host instruments, the Company records, when necessary, discounts to convertible notes for the intrinsic value of conversion options embedded in debt instruments based upon the differences between the fair value of the underlying common stock at the commitment date of the note transaction and the effective conversion price embedded in the note. Debt discounts under these arrangements are amortized over the term of the related debt to their stated date of redemption.

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BLUE CALYPSO, INC. AND SUBSIDIARIES
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JUNE 30, 2016
(unaudited)

Derivative Financial Instruments

The Company classifies as equity any contracts that (i) require physical settlement or net-share settlement or (ii) provide the Company with a choice of net-cash settlement or settlement in its own shares (physical settlement or net-share settlement) providing that such contracts are indexed to the Company's own stock. The Company classifies as assets or liabilities any contracts that (i) require net-cash settlement (including a requirement to net cash settle the contract if an event occurs and if that event is outside the Company’s control) or (ii) gives the counterparty a choice of net-cash settlement or settlement in shares (physical settlement or net-share settlement). The Company assesses classification of its common stock purchase warrants and other free standing derivatives at each reporting date to determine whether a change in classification between assets and liabilities is required.

Until February 16, 2016, the date on which the convertible note was repaid in full, the Company’s free standing derivatives consisted of embedded conversion options with a convertible note. The Company evaluated these derivatives to assess their proper classification in the condensed consolidated balance sheet as of December 31, 2015 using the applicable classification criteria enumerated under ASC 815-Derivatives and Hedging. The Company determined that certain embedded conversion features do not contain fixed settlement provisions. The convertible note contained a conversion feature such that the Company could not ensure it would have adequate authorized shares to meet all possible conversion demands.

At February 16, 2016, the Company was required to record the debt derivatives which do not have fixed settlement provisions as liabilities and mark to market all such derivatives to fair value at the date of payoff. On February 16, 2016, (date of payoff) the Company reclassified the fair value of $69,117 from liabilities to equity. See Note 5.

Recent Accounting Pronouncements

There are various updates recently issued, most of which represented technical corrections to the accounting literature or application to specific industries and are not expected to have a material impact on the Company's financial position, results of operations or cash flows.

Subsequent Events

The Company evaluates events that have occurred after the balance sheet date but before the financial statements are issued. Based upon the evaluation, the Company did not identify any recognized or non-recognized subsequent events that would have required adjustment or disclosure in the condensed consolidated financial statements, except as disclosed below.

NOTE 4 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company measures the fair value of financial assets and liabilities based on the guidance of ASC 820 “Fair Value Measurements and Disclosures” which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

ASC 820 describes three levels of inputs that may be used to measure fair value:

Level 1 —	quoted prices in active markets for identical assets or liabilities
Level 2 —	quoted prices for similar assets and liabilities in active markets or inputs that are observable
Level 3 —	inputs that are unobservable based on an entity's own assumptions, as there is little, if any, related market activity (for example, cash flow modeling inputs based on assumptions)

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BLUE CALYPSO, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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(unaudited)

Financial liabilities as of December 31, 2015 measured at fair value on a recurring basis are summarized below:

	December 31, 2015	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Derivative liability	$170,497	$ --	$ --	$ 170,497

At June 30, 2016, the Company did not have any financial liabilities requiring measurement at fair value on a recurring basis.

The Company determined that certain conversion option related to a convertible note did not have fixed settlement provisions and are deemed to be derivative financial instruments, since the exercise price was subject to adjustment based on certain changes in market price of the Company's common stock. Accordingly, the Company was required to record such conversion option as a liability and mark such derivative to fair value each reporting period. Such instrument was classified within Level 3 of the valuation hierarchy. On February 16, 2016, the Company paid off the convertible note. As such, the Company reclassified the fair value from liability to equity. See Note 5.

The fair value of the conversion option was calculated using a binomial lattice formula with the following weighted average assumptions at February 16, 2016:

	February 16, 2016
Common Stock Closing Price	$0.96
Conversion Price per Share	$1.1402
Conversion Shares	263,118
Call Option Value	0.2627
Dividend Yield	0.00 %
Volatility	129.93 %
Risk-free Interest Rate	0.42 %
Term	0.43 years

The risk-free interest rate is the United States Treasury rate on the measurement date having a term equal to the remaining contractual life of the instrument. The volatility is a measure of the amount by which the Company's share price has fluctuated or is expected to fluctuate. The dividend yield is 0% as the Company has not made any dividend payment and has no plans to pay dividends in the foreseeable future.

Level 3 liabilities are valued using unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the derivative liabilities. For fair value measurements categorized within Level 3 of the fair value hierarchy, the Company's Chief Financial Officer, who reports to the Chief Executive Officer, determine its valuation policies and procedures.

The development and determination of the unobservable inputs for Level 3 fair value measurements and fair value calculations are the responsibility of the Company's Chief Financial Officer and are approved by the Chief Executive Officer.

Level 3 financial liabilities consist of the derivative liabilities for which there is no current market for these securities such that the determination of fair value requires significant judgment or estimation. Changes in fair value measurements categorized within Level 3 of the fair value hierarchy are analyzed each period based on changes in estimates or assumptions and recorded as appropriate.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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Significant observable and unobservable inputs include stock price, exercise price, annual risk free rate, term, and expected volatility, and are classified within Level 3 of the valuation hierarchy. An increase or decrease in volatility or interest free rate, in isolation, can significantly increase or decrease the fair value of the derivative liabilities. Changes in the values of the derivative liabilities are recorded as a component of other income (expense) on the Company's condensed consolidated statements of operations.

The following table sets forth a summary of the changes in the fair value of the Company's Level 3 financial liabilities that are measured at fair value on a recurring basis using significant unobservable input for the six months ended June 30, 2016:

Balance – January 1, 2016	$170,497
Change in fair value of derivative liabilities	(101,381)
Reclassified to equity upon note payoff	(69,116)
Balance – June 30, 2016	$-0-

NOTE 5 – CONVERTIBLE NOTE PAYABLE

On July 20, 2015, the Company issued a senior convertible note (the "July 2015 Note"), in the principal amount of $550,000 due one year from the date of issuance. The total net proceeds the Company received from this note were $415,123, net of fees and original issuance discount ("OID") of $50,000. At any time commencing one hundred and eighty one days from issuance, the July 2015 Note was convertible into shares of the Company's common stock at the option of the holder at a conversion price of $7.6335 with certain reset provisions should certain default conditions occur. These certain default conditions were deemed to be outside the Company's control.

If the $550,000 principal amount of the July 2015 Note and all accrued but unpaid interest thereof was not paid in full on or before January 16, 2016, the July 2015 Note would have amortized in four equal payments payable on January 20, 2016, February 20, 2016, March 20, 2016 and April 20, 2016. These payments would have been paid (i) in cash at a 120% premium, and/or (ii) in shares of the Company's common stock at a 20% discount to the average of the three daily volume weighted average prices of the Company's common stock for the prior three trading days, provided the Company is in compliance with certain equity conditions as defined in the July 2015 Note.

The Company identified an embedded derivative related to a conversion option in the July 2015 Note. The accounting treatment of derivative financial instruments requires that the Company record the fair value of the derivative as of the inception date of the July 2015 Note and to fair value the derivative as of each subsequent reporting date.

At the inception of the July 2015 Note, the Company determined the aggregate fair value of the embedded derivatives to be $302,287.

The Company has issued debt for which total proceeds were allocated to individual instruments based on the fair value of the each instrument at the time of issuance. Such value of the debt was recorded as discount on debt and is being amortized over the term of the respective debt.

On December 18, 2015, the Company modified certain terms of the July 2015 Note. Pursuant to the modification, the Company agreed to repay the lender $300,000 in consideration for the extinguishment of $250,000 of the principal amount outstanding as of the December 18, 2015. The Company and the lender also agreed to reduce the guaranteed interest on the note from 10% to 5%, to delay the guaranteed interest start date by thirty days until February 20, 2016 and to delay the first installment payment by thirty days until February 20, 2016.

In addition, the Company and the lender also agreed reduce the conversion price from $7.6335 to $4.25 per share, modify certain equity conditions (as defined in the July 2015 Note) and events of default (as defined in the July 2015 Note).

In accordance with ASC 470-20, the change in fair value of the debt modification was recognized as an expense on the date was accepted by the holder. In connection with the modification, in 2015, the Company recorded a loss of $41,434 representing the difference between the fair value of the conversion feature under the new conversion price and under the original conversion feature.

BLUE CALYPSO, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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(unaudited)

On February 16, 2016, the Company paid off the remaining balance of the July 2015 Note of $300,000.

For the three and six months ended June 30, 2016, amortization of debt discount was $119,115. The July 2015 Note balance was $180,885 net of discount of $119,115 at December 31, 2015.

NOTE 6 – STOCKHOLDERS' EQUITY

On June 26, 2015, the Company filed an amendment to its Articles of Incorporation and effected a 50-for-1 reverse stock split of its issued and outstanding shares of common stock, whereby 250,666,631 outstanding shares of the Company's common stock were converted into 5,013,366 shares of the Company's common stock. In addition, the Company reduced its number of authorized common shares from 680,000,000 to 13,600,000. The reverse stock split was effective in the market commencing on July 2, 2015. All per share amounts and number of shares in the condensed consolidated financial statements, related notes and other items throughout this Form 10-Q have been retroactively restated to reflect the reverse stock split.

In March 2016, pursuant to a securities purchase agreement, the Company sold an aggregate of 470,591 shares of its common stock together with warrants to purchase an aggregate of 117,648 shares of its common stock for net proceeds, after commissions and other costs, of $385,310. The warrants are exercisable at an exercise price of $1.25 for a term of five years. The Company paid the placement agent cash commissions of $10,000 and also costs and expenses of $4,692.

In May 2016, pursuant to a securities purchase agreement, the Company sold an aggregate of 609,756 shares of its common stock together with warrants to purchase an aggregate of 609,756 shares of its common stock for net proceeds, after commissions and other costs, of $988,519. The warrants are exercisable at an exercise price of $2.13 for a term of five years. The Company incurred costs and expenses of $11,603.

During the six months ended June 30, 2016, the Company issued 60,190 shares of its common stock as consideration for investor relations services valued at $80,000.

During the six months ended June 30, 2016, the Company issued 21,506 shares of its common stock as consideration for legal services valued at $35,494.

During the six months ended June 30, 2016, the Company issued 15,000 shares of its common stock as consideration for consulting services valued at $39,600.

Options

Option valuation models require the input of highly subjective assumptions. The fair value of stock-based payment awards was estimated using the Black-Scholes option model with a volatility figure derived from using the Company's historical stock prices for 2015. Prior to 2015, the Company derived the volatility figure from an index of historical stock prices for comparable entities. Management determined this assumption to be a more accurate indicator of value. The Company accounts for the expected life of options based on the contractual life of options for non-employees. For employees, the Company accounts for the expected life of options in accordance with the "simplified" method, which is used for "plain-vanilla" options, as defined in the accounting standards codification.

The risk-free interest rate was determined from the implied yields of U.S. Treasury zero-coupon bonds with a remaining life consistent with the expected term of the options.

In addition, the Company is required to estimate the expected forfeiture rate and only recognize expense for those shares expected to vest. In estimating the Company’s forfeiture rate, the Company analyzed its historical forfeiture rate, the remaining lives of unvested options, and the number of vested options as a percentage of total options outstanding. If the Company’s actual forfeiture rate is materially different from its estimate, or if the Company reevaluates the forfeiture rate in the future, the stock-based compensation expense could be significantly different from what the Company has recorded in the current period.

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The Company estimated forfeitures related to option grants at a weighted average annual rate of 0% per year, as the Company does not yet have adequate historical data, for options granted during the six months ended June 30, 2016 and 2015.

The following assumptions were used in determining the fair value of employee and vesting non-employee options during the six months ended June 30, 2016 and 2015:

	June 30, 2016		June 30, 2015	
Risk-free interest rate	1.38% - 1.73	%	1.68% - 2.07	%
Dividend yield	0	%	0	%
Stock price volatility	129.41%-134.81	%	123.45% -145.24	%
Expected life	5 – 9.8 years		5-10 years	
Weighted average grant date fair value	$0.97		$5.98	

On January 4, 2016, the Company awarded options to purchase an aggregate of 233,495 shares of common stock to the Company's Chief Executive Officer, Andrew Levi. These options vested immediately and have a term of 10 years. 60,000 of the options have an exercise price of $1.375 per share and 173,495 of the options are exercisable at $1.25 per share. The options had an aggregate grant date fair value of $250,000.

On April 22, 2016, the Company awarded options to purchase 50,000 shares of common stock to a consultant. These options vest quarterly beginning June 30, 2016 through March 31, 2018 and have a term of 10 years. The options have an exercise price of $2.08 per share. The options had a grant date fair value of $34,061.

On May 23, 2016, the Company awarded options to purchase an aggregate of 100,000 shares of common stock to certain key employees. These options vest immediately and have a term of 10 years. The options have an exercise price of $0.90 per share. The options had an aggregate grant date fair value of $78,218.

The following table summarizes the stock option activity for the six months ended June 30, 2016:

	Shares	Weighted-Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at January 1, 2016	629,628	$ 7.59	4.5	
Granted	383,495	$ 1.29	10.0	
Canceled/expired				
Outstanding at June 30, 2016	1,013,123	$ 5.20	6.1	$ -
Exercisable at June 30, 2016	883,629	$ 5.30	5.7	$ -

The following table presents information related to stock options at June 30, 2016:

Options Outstanding		Options Exercisable	
		Weighted Average Remaining Life In Years	
Exercise Price	Number of Options		Exercisable Number of Options
$0.00-5.00	606,440	7.7	541,439
5.01-12.50	382,675	3.9	318,182
12.51-25.00	15,008	3.7	15,008
25.01-45.00	9,000	3.3	9,000
	1,013,123	6.2	883,629

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The stock-based compensation expense related to option grants was $141,715 and $470,663 during the three and six months ended June 30, 2016, respectively, and $112,744 and $168,897 during the three and six months ended June 30, 2015, respectively.

As of June 30, 2016, stock-based compensation related to options of $410,086 remains unamortized and is expected to be amortized over the weighted average remaining period of 0.99 years.

Restricted Stock

On April 26, 2016, the Company granted the Company's Chief Executive Officer, Andrew Levi, 500,000 shares of the Company's common stock under a Restricted Stock Award Agreement (the "Award Agreement"). Under the Award Agreement, the awarded shares shall vest on the tenth anniversary of the date of grant, provided that the holder is employed by the Company or its subsidiaries. All awarded shares not previously vested shall immediately become fully vested upon holder's termination of service other than for cause (as defined under the Award Agreement).

The Company determined the fair value at the date of grant of $1,040,000 based on the quoted price of the Company's common stock and is accreting ratably to operations over the vesting terms.

The stock-based compensation expense related to restricted stock awards was $17,333 during the three and six months ended June 30, 2016, and $-0- during the three and six months ended June 30, 2015.

As of June 30, 2016, stock-based compensation related to restricted stock awards of $1,022,667 remains unamortized and is expected to be amortized over the weighted average remaining period of 9.83 years.

Warrants

The following table summarizes information with respect to outstanding warrants to purchase common stock of the Company, all of which were exercisable, at June 30, 2016:

Exercise Price	Number Outstanding	Expiration Date
$ 1.25	$ 117,648	March 2021
2.13	609,756	April 2021
4.75	482,500	Sept/Oct 2020
5.00	220,913	August 2016
	1,430,817	

The following table summarizes the warrant activity for the six months ended June 30, 2016:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at January 1, 2016	703,413	$ 4.83	3.5	
Grants	727,404	$ 1.99	5.0	

Exercised	-					
Forfeitures or expirations	-					
Outstanding at June 30, 2016	1,430,817	$	3.38	3.9	$	-
Exercisable at June 30, 2016	1,430,817	$	3.38	3.9	$	-

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BLUE CALYPSO, INC. AND SUBSIDIARIES
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In March 2016, in connection with the sale of common stock, the Company issued an aggregate of 117,648 warrants to purchase the Company's common stock at $1.25 per share expiring five years from the date of issuance.

In May 2016, in connection with the sale of common stock, the Company issued 609,756 warrants to purchase the Company's common stock at $2.13 per share expiring five years from the date of issuance.

NOTE 7 – RELATED PARTY TRANSACTIONS

The Company utilizes Assure Professional, LLC ("Assure") to provide certain outsourced accounting services. The Company's current Chief Financial Officer is a partial owner of Assure. The Company incurred expense of $6,750 and $17,000 in exchange for these services for the three and six months ended June 30, 2016, respectively; and $6,750 and $13,500 for the three and six months ended June 30, 2015, respectively. Included in accounts payable and due to Assure at June 30, 2016 and 2015 was approximately $4,500 and $2,250, respectively.

Jonathan Merriman was appointed to the Company's Board of Directors during December 2014. Mr. Merriman is the CEO of Merriman Capital, Inc. ("Merriman"). Merriman provides capital market advisory services to the Company for which we incurred expense of $41,660 and $80,000 during the three and six months ended June 30, 2016, respectively, and $30,000 and $60,000 for the three and six months ended June 30, 2015, respectively. The Company primarily issues common stock in exchange for monthly services and $-0- was due to Merriman at June 30, 2016. In addition, Merriman Capital advised the Company in connection with its March 2016 private placement and received an advisory fee of $10,000 and acted as the Company's placement agent during its most recent offering.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

Litigation

On July 31, 2012, the Company filed suit against Groupon, Inc. in the Eastern District of Texas in Civil Action No. 6:12-cv-00486. The Company filed additional suits against IZEA, Inc. on October 17, 2012, Yelp, Inc. on October 17, 2012, and Foursquare Labs, Inc. on October 31, 2012 in Civil Action Nos. 6:12-cv-786, 6:12-cv-788, 6:12-cv-837, respectively. Each of these cases alleges that the defendants infringe U.S. Patent Nos. 7,664,516 entitled "Method and System for Peer-to-Peer Advertising Between Mobile Communication Devices" and 8,155,679 entitled "System and Method for Peer-to-Peer Advertising Between Mobile Communication Devices." The Company subsequently added U.S. Patent Nos. 8,438,055, 8,452,646, and 8,457,670 to the cases, alleging each defendant infringed the newly added patents. Each of the defendants have answered, denying infringement and claiming that the asserted patents are invalid. Groupon, Yelp, and Foursquare filed counterclaims for declaratory judgment that the asserted patents are invalid and not infringed. Yelp filed an additional counterclaim for declaratory judgment that the asserted patens are unenforceable. The Court subsequently consolidated the actions for at least pre-trial purposes. Groupon filed a motion to transfer the case against it to the U.S. District Court for the Northern District of Illinois, which the Court denied on September 27, 2013. On February 3, 2014, Groupon filed a petition to the U.S. Court of Appeals for the Federal Circuit for mandamus on the district court's denial of its motion to transfer. On April 23, 2014, the petition was denied by the Federal Circuit.

Between July 19, 2013 and October 3, 2013, Groupon filed petitions with the Patent Trial & Appeals Board ("PTAB") requesting institution of Covered Business Method Review ("CBMR") of all asserted claims. On December 19, 2013 and January 17, 2014, the PTAB issued decisions instituting review on all but four of the asserted claims. On January 14, 2014, the Company and all defendants filed a joint motion to stay the district court litigation. The Court granted the motion and stayed the case on January 16, 2014 pending a decision by the PTAB. Trial on the CBMR at the PTAB occurred during September 2014.

On December 17, 2014, the Patent Trial and Appeal Board issued final decisions in Covered Business Method Review proceedings CBM2013-00035, CBM2013-00033, CBM2013-00034, CBM2013-00046 and CBM2013-00044. In each case, certain claims of each patent were held to be invalid for various reasons.

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With respect to the ‘516, ‘679, ‘055 and ‘646 patents, many of the claims survived and the patents remain enforceable. All of the claims of the ‘670 patent were held invalid. The Company appealed each of the final decisions to the United States Federal Circuit Court of Appeals. The Company appealed the unpatentability determinations including the decision of invalidity based on anticipation of several claims of the patents by prior art (the Paul reference”). The Company also appealed the decision to review its patents under the provisions for CBMR and that the ‘516 patent lacked sufficient written description under § 112 to support the claims. Groupon appealed the Board’s decision that the patents were not valid under § 103 and the determination by the PTAB that the Ratsimor reference was not publically available prior art.

On April 2, 2015, the District Court lifted the stay and required the parties to file a joint docket control order. On April 6, 2015, the Court set a Markman Hearing for June 29, 2015, and jury selection for December 14, 2015. On April 15, 2015, the parties filed their joint docket control order. The Court entered its docket control order on April 23, 2015. Due to an apparent scheduling conflict, the Court rescheduled the Markman Hearing to July 8, 2015.

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On July 8, 2015 the Company attended the Markman Hearing in order to construe the claims of the patents. On July 14, 2015, the Court entered its Memorandum Opinion and Order regarding claim construction. In that Order, the Court analyzed eleven claim terms. The Court agreed with Blue Calypso’s proffered construction as to seven terms, chose its own construction as to three terms and agreed with defendants’ proffered construction as to only one term. The Court also expressly rejected defendants’ argument that the term “testimonial tag” was indefinite.

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On July 20, 2015, the Company attended court-ordered mediation with Foursquare. The result of that mediation was an impasse.

As part of the Company's settlement with Living Social, the Company's attorney is entitled to additional compensation for the value of certain non-monetary arrangements.

On August 17, 2015, the Company entered into a settlement agreement with IZEA, pursuant to which it settled all outstanding litigation with IZEA.

Under the Agreement, IZEA has agreed to pay the Company a royalty fee of 4.125% of revenue from IZEA’s discontinued legacy platforms SocialSpark, Sponsored Tweets and WeReward. The remaining terms of the settlement are confidential. Legal costs due to our attorneys associated with the IZEA settlement are classified as a settlement payable on our consolidated balance sheet.

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On March 1, 2016, the Federal Circuit overturned the PTAB decision as to insufficient written description but upheld the decision that the Ratsimor reference was not publically available prior art. However, the Federal Circuit confirmed the PTAB's decision to institute the CBMR process on the basis that Blue Calypso's patent portfolio qualified as a business method patent which was financial in nature. The Federal Circuit also upheld the decision of invalidity based on anticipation of several claims of the patents by the prior art Paul reference.

The reversal of the written description matter is significant as it re-establishes the '516 parent patent issue date of February 2010 as the date that damages begin to accrue. Prior to this reversal the first date of infringement was relegated to the later issue date of the '679 patent on April 2012.

The Company requested an En Banc review by the Federal Circuit of the holding with respect to anticipation by the Paul reference on March 31, 2016. The Company has the option of requesting that the Supreme Court review the Federal Circuit's decision. The option for appeal to the Supreme Court must be filed by June 1, 2016.

On April 20, 2016, the District Court set a hearing date of May 6, 2016 at 9:00am in Marshall, Texas. The items to be discussed were the Federal Circuit's Decision issued on March 1, 2016 and the pending Motion for Judgment of lack of subject matter eligibility.

On May 4, 2016, the Federal Circuit denied the request for En Banc review.

On May 5, 2016, the Company entered into a memorandum of settlement with Groupon pursuant to which it has in principal settled all outstanding litigation with Groupon. The terms of the settlement are confidential.

On May 6, 2016, the Court held a hearing regarding the Federal Circuits decision issued on March 1, 2016 and the pending motion for summary judgment related to subject matter eligibility. The Court heard arguments of the Company and Four Square Labs and took the matter under advisement. The Court also set a trial date of September 12, 2016. The Court also required the parties to submit briefing on certain collateral estoppel issues and a joint docket control order within 15 days, or by May 21, 2016.

On June 2, 2016, the Company entered into a Memorandum of Settlement with Foursquare pursuant to which it has in principle settled all outstanding litigation with Foursquare. The terms of the settlement are confidential.

On July 7, 2016, the Court dismissed the case against Groupon. The Court also stayed all deadlines with respect to Foursquare, the sole remaining Defendant.

The court dockets for each case, including the parties' briefs are publicly available on the Public Access to Court Electronic Records website, or PACER, www.pacer.gov, which is operated by the Administrative Office of the U.S. Courts.

On July 8, 2016, the Company filed a Notice of Opposition at the Trademark Trial and Appeal Board against T. Scott Pernici to prevent registration of the trademark "DASH TAG" because of the potential to create a likelihood of confusion in the marketplace. The deadline for Pernici to file an Answer to the Notice is August 18, 2016.

The Board dockets for each case are publicly available on the Trademark Trial and Appeal Board Inquiry System, or TTABVUE, http://ttabvue.uspto.gov/ttabvue/v, which is operated by the United States Patent and Trademark Office.

Other than as noted above, the Company is not a party to any pending legal proceeding nor is its property the subject of any pending legal proceeding that is not in the ordinary course of business or otherwise material to the financial condition of its business. Further, to the knowledge of management, no director or executive officer is party to any action in which any has an interest adverse to us.

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NOTE 9 – SUBSEQUENT EVENTS

Effective July 23, 2016, Harold M. Brierley was appointed as Chairman of the Board of Directors of the Company. In conjunction with his appointment, Mr. Brierley was granted a restricted stock award of 600,000 shares of the Company's Common Stock. Twenty five percent of the shares vest on the first anniversary of the grant date with the balance vesting in equal quarterly installments of 37,500 shares over a remaining term of three years.

On June 2, 2016, the Company entered into a Memorandum of Settlement with Foursquare pursuant to which it has in principle settled all outstanding litigation with Foursquare. The agreement was finalized during July 2016. The terms of the settlement are confidential.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This report contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). All statements other than statements of historical facts included or incorporated by reference in this quarterly report on Form 10-Q, including without limitation, statements regarding our future financial position, business strategy, budgets, projected revenues, projected costs and plans and objective of management for future operations, are forward-looking statements. In addition, forward-looking statements generally can be identified by the use of forward-looking terminology such as "may," "will," "expects," "intends," "plans," "projects," "estimates," "anticipates," or "believes" or the negative thereof or any variation thereon or similar terminology or expressions.

We have based these forward-looking statements on our current expectations and projections about future events. These forward-looking statements are not guarantees and are subject to known and unknown risks, uncertainties and assumptions about us that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. Important factors that could cause actual results to differ materially from our expectations include, but are not limited to:

- our ability to raise additional capital;
- minimal operating history or revenue;
- our ability to attract and retain qualified personnel;
- market acceptance of our platform;
- our limited experience in a relatively new industry;
- regulatory and competitive developments;
- intense competition with larger companies;
- general economic conditions
- failure to adequately protect our intellectual property;
- technological obsolescence of our products and services;
- technical problems with our products and services;
- loss or retirement of key executives, and
- other factors set forth under the caption "Risk Factors" in the Company's Annual Report on Form 10-K for the year ended December 31, 2015 filed with the Securities and Exchange Commission.

All subsequent written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by the foregoing. Except as required by law, we assume no duty to update or revise our forward-looking statements.

Business Overview

Blue Calypso develops and delivers location-centric mobile shopper marketing, engagement, influence and analytics solutions for the brick-and-mortar retail sector by leveraging mobile, social media, gamification and our intellectual property portfolio. We have developed a patented technology platform that enables product brands and retailers to engage with shoppers when they are on the path-to-purchase goods and services. Our technology also allows brands to leverage customer relationships to increase brand loyalty and drive revenue through sharing, affinity and influencer marketing programs. We also deliver the unique ability to ensure in-store display lifecycle compliance. We generate revenue from the cloud-based consumption of our technology platform, consulting/services fees, and licensing and/or enforcement of our patented technologies. Our intellectual property portfolio consists of six US patents and eleven pending patent applications that generally cover methods and systems for communicating advertisements and electronic offers and gamification between mobile communication devices.

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All of the patents and patent applications that cover the core of our business, i.e., a "System and method for peer-to-peer advertising between mobile communication devices", have been developed internally by our Founder and Chief Executive Officer, Andrew Levi, and our Director of Innovation, Bradley Bauer, and assigned to our wholly owned subsidiary, Blue Calypso, LLC. In September 2013, we acquired proprietary mobile gamification technology and subsequently applied for two additional patents based upon the enhancement and integration of this technology into our platform of which one has recently issued.

Our proprietary technology solutions, KIOSentrix® and POPTrak™ enable product manufacturers and retailers to harness the power and adoption that today's mobile devices bring to the consumer shopping experience. Our unique platform connects brands with store shoppers when they are on the path-to-purchase and enable those customers to engage with, and redeem brand content as well as syndicate their brand affinity across the most popular social media channels. Our platform drives activation, facilitates engagement, tracks performance, manages attribution and delivers robust, real-time analytics that provide acute insight regarding the adoption, conversion and return on investment of our client's promotions and location-based content. Our technology is designed to help clients target their marketing messages, attract new customers, increase awareness and drive product sales. For example, campaigns facilitated through our platform can encourage consumers to learn more about products, watch promotional videos about particular products, see product reviews and comparative pricing or click to buy products. All delivered through a highly engaging mobile "kiosk" or "digital concierge" type experience.

Over the last five years, the world has seen mobile, social media, and digital advertising evolve dramatically and actually converge. Through this technological evolution, a sociological shift has occurred in how influential digital media can be when deployed strategically with hyper-targeted and personalized content.

Today, retailers are aggressively exploring mobile shopper engagement as the next frontier of the physical shopping experience. According to the Consumer Electronics Association, more than half of all consumers use their mobile devices at some point while shopping, however product brands and retailers have yet to find a comfortable way of co-existing in this ecosystem of traditional consumer engagement.

Through mobile and social media, consumers and brands have their own unique and significant digital audience. According to Facebook, the average user has 130 friends; Twitter states the average user has 300 followers; and on average an individual has 25 unique frequent contacts they communicate with weekly via text messages or mobile calls. Active participation in LinkedIn, Google+, Tumblr and/or a personal blog can further extend one's direct social reach significantly. With our platform, brand content is not bound by any single app, social media community, website, carrier, device or method of activation such as beacons, NFC, SMS, WiFi, social media or QR codes. As a result, brand influencers have the capability to immediately reach hundreds or even thousands of people through their direct personal and digital social relationships.

As a by-product of campaign delivery and recipient interaction, we deliver real-time analytics and business intelligence capabilities, which provide brands the ability to see how campaigns are deployed, where they are getting the most traction, and which are seeing the most activity.

Recent Developments

Recent Accounting Pronouncements

There are various updates recently issued, most of which represented technical corrections to the accounting literature or application to specific industries and are not expected to a have a material impact on the Company's financial position, results of operations or cash flows. See Note 3 to the condensed consolidated financial statements included elsewhere in this document.

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Litigation

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On July 7, 2016, the Court dismissed the case against Groupon. The Court also stayed all deadlines with respect to Foursquare, the sole remaining Defendant.

The court dockets for each case, including the parties' briefs are publicly available on the Public Access to Court Electronic Records website, or PACER, www.pacer.gov, which is operated by the Administrative Office of the U.S. Courts.

On July 8, 2016, the Company filed a Notice of Opposition at the Trademark Trial and Appeal Board against T. Scott Pernici to prevent registration of the trademark "DASH TAG" because of the potential to create a likelihood of confusion in the marketplace. The deadline for Pernici to file an Answer to the Notice is August 18, 2016.

The Board dockets for each case are publicly available on the Trademark Trial and Appeal Board Inquiry System, or TTABVUE, http://ttabvue.uspto.gov/ttabvue/v, which is operated by the United States Patent and Trademark Office.

Other than as noted above, the Company is not a party to any pending legal proceeding nor is its property the subject of any pending legal proceeding that is not in the ordinary course of business or otherwise material to the financial condition of its business. Further, to the knowledge of management, no director or executive officer is party to any action in which any has an interest adverse to us.

Critical Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, 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. Significant estimates include the recoverability and useful lives of long-lived assets, the fair value of the Company's stock, stock-based compensation, debt discounts, derivative liabilities and the valuation allowance related to deferred tax assets. Actual results may differ from these estimates.

Revenue Recognition

Revenue is recognized when persuasive evidence of an arrangement exists, delivery of the product or service has occurred, all obligations have been performed pursuant to the terms of the agreement, the sales price is fixed or determinable, and collectability is reasonably assured. Revenue includes fees received from customers for advertising and marketing services. In each case, revenue is recognized when services are performed or licenses are granted to customers.

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Revenue from the licensing of the Company's intellectual property and settlements reached from legal enforcement of the Company's patent rights is recognized when the arrangement with the licensee has been signed and the license has been delivered and made effective, provided license fees are fixed or determinable and collectability is reasonably assured. The fair value of licenses achieved by ordinary business negotiations is recognized as revenue.

The amount of consideration received upon any settlement or judgment is allocated to each element of the settlement based on the fair value of each element. Elements related to licensing agreements, royalty revenues, net of contingent legal fees, are recognized as revenue in the consolidated statement of operations. Elements that are not related to license agreements and royalty revenue in nature will be reflected as a separate line item within the other income section of the consolidated statements of operations. Elements provided in either settlement agreements or judgments include: the value of a license, legal release, and interest. When settlements or judgments are achieved at discounts to the fair value of a license, the Company allocates the full settlement or judgment, excluding specifically named elements as mentioned above, to the value of the license agreement or royalty revenue under the residual method.

Legal release as part of a settlement agreement is recognized as a separate line item in the consolidated statements of operations when value can be allocated to the legal release. When the Company reaches a settlement with a defendant, no value is allocated to the legal release since the existence of a settlement removes legal standing to bring a claim of infringement and without a legal claim, the legal release has no economic value. The element that is applicable to interest income will be recorded as a separate line item in other income. The Company does not assume future performance obligations in its license arrangements.

The Company also has revenue from information technology consulting services. Revenue is recognized in the periods that satisfactory performance of services is delivered to customers. Revenue is recognized when persuasive evidence of an arrangement exists, delivery of the service has occurred, all obligations have been performed pursuant to the terms of the agreement, the sales price is fixed or determinable, and collectability is reasonably assured.

Cost of Revenue

Cost of revenue includes technical service costs directly associated with initiating and supporting a customer social media program, technical service costs directly associated with providing IT consulting and legal fees directly related to the settlement of intellectual property claims that result in licensing and royalty revenue.

Intangible Assets

The Company capitalizes certain software development costs as well as purchased software upon achieving technological feasibility of the related products. Software development costs incurred and software purchased prior to achieving technological feasibility are charged to engineering and product development expense as incurred. Commencing upon initial product release, capitalized costs are amortized to cost of software licenses using the straight-line method over the estimated life of the product (which approximates the ratio that current gross revenues for a product bear to the total of current and anticipated future gross revenues for that product), which is generally up to five years.

Impairment of Long-Lived Assets

The Company reviews the carrying value of intangibles and other long-lived assets for impairment at least annually or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of long-lived assets is measured by comparing the carrying amount of the asset or asset group to the undiscounted cash flows that the asset or asset group is expected to generate. If the undiscounted cash flows of such assets are less than the carrying amount, the impairment to be recognized is measured by the amount by which the carrying amount of the property, if any, exceeds its fair market value. No impairment was deemed to exist as of June 30, 2016 and 2015.

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The Company re-evaluates the carrying amounts of its amortizable intangibles at least quarterly to identify any triggering events. As described above, if triggering events require us to undertake an impairment review, it is not possible at this time to determine whether it would be necessary to record a charge or if such charge would be material.

Fair Value Measurements

We have adopted ASC Topic 820, "Fair Value Measurements and Disclosures," which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. ASC 820 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability.

Stock-Based Compensation

The Company measures the cost of services received in exchange for an award of equity instruments based on the fair value of the award. For employees and directors, the fair value of the award is measured on the grant date and for non-employees, the fair value of the award is generally re-measured on vesting dates and interim financial reporting dates until the service period is complete. The fair value amount is then recognized over the period during which services are required to be provided in exchange for the award, usually the vesting period. Stock-based compensation expense is recorded by the Company in the same expense classifications in the consolidated statements of operations, as if such amounts were paid in cash.

Results of Operations

Comparison of Three Months Ended June 30, 2016 and 2015

Net Loss. For the three months ended June 30, 2016, we had a net loss of $586,610, as compared to a net loss of $695,846 for the three months ended June 30, 2015. The decrease in net loss resulted primarily from an increase in revenue of $394,253, net with an increase in operating expenses of $283,914, comprised of increase in cost of sales of $188,339, general and administrative costs of $115,590 and depreciation and amortization of $29,916, net with a reduction in sales and marketing of $49,930.

Revenue. Revenue for the three months ended June 30, 2016 was $503,742, as compared to $109,489 in revenues for the same period in 2015. The increase in revenue is from our project based revenue which is subject to timing of development projects and as a result of licensing fees associated with related settlements.

Cost of Revenue. Our cost of revenue was $233,004 for the three months ended June 30, 2016, as compared to $44,665 for the same period in 2015. The increase in cost of revenue is primarily attributable to costs operating our labs and fees paid in connection with reached settlements.

Sales and Marketing. For the three months ended June 30, 2016, sales and marketing expenses decreased by $49,930 to $55,751 as compared to the same period in 2015. Sales and marketing expenses decreased as a result in timing in marketing spend and reclassification of certain personnel costs.

General and Administrative. For the three months ended June 30, 2016, general and administrative expenses were $681,668 as compared to $566,078 for the three months ended June 30, 2015. This was primarily due to an increase of $80,885 in stock based compensation primarily associated with options granted during the three months ended June 30, 2016. The remaining increase is the result of reclassification of certain personnel costs.

Depreciation and Amortization. Depreciation and amortization expenses relate primarily to the amortization of capitalized software development. Depreciation and amortization expenses were $118,070 for the three months ended June 30, 2016 as compared to $88,154 for the three months ended June 30, 2015, representing an increase of $29,916 which was primarily due to an increase in additional capitalized software during the period. For the three months ended June 30, 2016, we incurred $109,880 of capitalized software development costs associated with improvements to our commercial platform. This compares to $73,384 of capitalized software development costs for the quarter ended June 30, 2015. The Company continues to invest in the ongoing improvements to its core platform.

Interest Expense. Interest expense was $1,859 for the three months ended June 30, 2016 as compared to $757 for the three months ended June 30, 2015. Interest expense for the current period and for 2015 related to credit card and vendor financing.

Comparison of Six Months Ended June 30, 2016 and 2015

Net Loss. For the six months ended June 30, 2016, we had a net loss of $1,470,838, as compared to a net loss of $1,304,691 for the six months ended June 30, 2015. The increase in net loss resulted primarily from an increase in our cost of sales of $223,627, sales and marketing of $37,135, general and administrative of $377,504 depreciation and amortization of $56,556 and interest expense of $114,572, net with increase in revenue of $541,866 and gain on change in derivative liabilities of $101,381.

Revenue. Revenue for the six months ended June 30, 2016 was $767,080, as compared to $225,214 in revenues for the same period in 2015. The increase in revenue is from our project based revenue which is subject to timing of development projects and as a result of licensing fees associated with related settlements.

Cost of Revenue. Our cost of revenue was $323,404 for the six months ended June 30, 2016, as compared to $99,777 for the same period in 2015. The increase in cost of revenue is primarily attributable to costs operating our labs and fees paid in connection with reached settlements.

Sales and Marketing. For the six months ended June 30, 2016, sales and marketing expenses increased by $37,135 to $191,390 as compared to the same period in 2015. Sales and marketing expenses increased as a result of increased spend to market our platform through various channels and increased personnel as compared to the same period in 2015.

General and Administrative. For the six months ended June 30, 2016, general and administrative expenses were $1,479,129 as compared to $1,101,625 for the six months ended June 30, 2015. This was primarily due to an increase of $345,790 in stock based compensation primarily associated with options granted during the six months ended June 30, 2016.

Depreciation and Amortization. Depreciation and amortization expenses relate primarily to the amortization of capitalized software development. Depreciation and amortization expenses were $229,331 for the six months ended June 30, 2016 as compared to $172,775 for the six months ended June 30, 2015, representing an increase of $56,556 which was primarily due to an increase in additional capitalized software during the period. For the six months ended June 30, 2016, we incurred $213,582 of capitalized software development costs associated with improvements to our commercial platform. This compares to $150,615 of capitalized software development costs for the six months ended June 30, 2015. The Company continues to invest in the ongoing improvements to its core platform.

Change in fair value of derivative liabilities. We issued convertible debt that contains certain reset provisions in connection with financing. As such, we were required to record these reset provisions as a liability and mark them to market each reporting period. For the six months ended June 30, 2016, we recorded a gain of $101,381 in change in the fair value of these reset provisions versus $-0- for the six months ended June 30, 2015. In February 2016, we paid off the remaining convertible debt.

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Interest Expense. Interest expense was $116,045 for the six months ended June 30, 2016 as compared to $1,473 for the six months ended June 30, 2015. Interest expense for the current period represents primarily amortization of beneficial conversion features on our convertible note of $119,115 with the remainder credit card and vendor financing, net with a reduction of prior period interest accrual. In comparison, interest for 2015 related to credit card and vendor financing.

Cash Flows

Net cash used in operating activities during the six months ended June 30, 2016 was $567,167 as compared to $791,443 for the six months ended June 30, 2015. Cash used in operations for the six months ended June 30, 2016 was comprised of a net loss of $1,470,838 offset primarily by certain non-cash items: (i) stock based compensation expenses (including common stock issued in exchange for services) of $643,088; (ii) depreciation and amortization of $229,331; (iii) amortization of debt discounts of $119,115; (iv) with net change in operating assets and liabilities of $9,468, net with gain in change in fair value of derivative liabilities of $101,381.

Net cash used in investing activities during the six months ended June 30, 2016 was $213,582, as compared to $157,121 for the six months ended June 30, 2015. This increase was primarily attributable to additional expenditures on the development of our software.

During the six months ended June 30, 2016, net cash provided by financing activities was $1,073,829 as compared to cash used of $79,912 for the same period in 2015. For the six months ended June 30, 2016, we received $1,373,829 from the sale of its common stock and warrants and paid $300,000 in full settlement of our outstanding convertible note.

Off Balance Sheet Arrangements

None

Liquidity and Capital Resources

As of June 30, 2016, the Company had cash of $1,023,562 and working capital of $1,071,123. During the six months ended June 30, 2016, the Company used net cash in operating activities of $567,167. The Company has incurred net losses since inception.

In March 2016, the Company raised approximately $385,000 from the sale of its common stock and warrants.

On April 22, 2016, Blue Calypso, Inc. entered into a Securities Purchase Agreement (the “Purchase Agreement”) with a strategic investor, Hal Brierley, who was subsequently approved as Chairman of the Company’s Board of Directors, pursuant to which the Company issued and sold 609,756 shares of the Company’s common stock and warrants to purchase an additional 609,756 shares of the Company’s common stock to Brierley for aggregate gross proceeds of $1,000,000.

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The Company's primary source of operating funds since inception has been cash proceeds from private placements of common stock, preferred stock, convertible debentures and the exercise of warrants. The Company intends to raise additional capital through private issuances of debt and equity instruments, but there can be no assurance that these funds will be available on terms acceptable to the Company, or will be sufficient to enable the Company to fully execute on its business plan or sustain operations.

If the Company is unable to raise sufficient additional funds, it will have to develop and implement a plan to further extend payables, reduce overhead, or scale back its current business plan until sufficient additional capital is raised to support further operations. There can be no assurance that such a plan will be successful.

Accordingly, the accompanying condensed consolidated financial statements have been prepared in conformity with U.S. GAAP, which contemplates continuation of the Company as a going concern and the realization of assets and satisfaction of liabilities in the normal course of business. The carrying amounts of assets and liabilities presented in the financial statements do not necessarily purport to represent realizable or settlement values. The condensed consolidated financial statements do not include any adjustment that might result from the outcome of this uncertainty.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 4. CONTROLS AND PROCEDURES.

(a) Evaluation of disclosure controls and procedures.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), as of the end of the period covered by this Quarterly Report on Form 10-Q. In designing and evaluating the disclosure controls and procedures, 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. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of June 30, 2016, our disclosure controls and procedures are designed at a reasonable assurance level and are effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC 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.

(b) Changes in internal control over financial reporting.

There were no changes in our internal control over financial reporting that occurred during the quarter ended June 30, 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

On July 31, 2012, the Company filed suit against Groupon, Inc. in the Eastern District of Texas in Civil Action No. 6:12-cv-00486. The Company filed additional suits against IZEA, Inc. on October 17, 2012, Yelp, Inc. on October 17, 2012, and Foursquare Labs, Inc. on October 31, 2012 in Civil Action Nos. 6:12-cv-786, 6:12-cv-788, 6:12-cv-837, respectively. Each of these cases alleges that the defendants infringe U.S. Patent Nos. 7,664,516 entitled "Method and System for Peer-to-Peer Advertising Between Mobile Communication Devices" and 8,155,679 entitled "System and Method for Peer-to-Peer Advertising Between Mobile Communication Devices." The Company subsequently added U.S. Patent Nos. 8,438,055, 8,452,646, and 8,457,670 to the cases, alleging each defendant infringed the newly added patents. Each of the defendants have answered, denying infringement and claiming that the asserted patents are invalid. Groupon, Yelp, and Foursquare filed counterclaims for declaratory judgment that the asserted patents are invalid and not infringed. Yelp filed an additional counterclaim for declaratory judgment that the asserted patens are unenforceable. The Court subsequently consolidated the actions for at least pre-trial purposes. Groupon filed a motion to transfer the case against it to the U.S. District Court for the Northern District of Illinois, which the Court denied on September 27, 2013. On February 3, 2014, Groupon filed a petition to the U.S. Court of Appeals for the Federal Circuit for mandamus on the district court's denial of its motion to transfer. On April 23, 2014, the petition was denied by the Federal Circuit.

Between July 19, 2013 and October 3, 2013, Groupon filed petitions with the Patent Trial & Appeals Board (“PTAB”) requesting institution of Covered Business Method Review (“CBMR”) of all asserted claims. On December 19, 2013 and January 17, 2014, the PTAB issued decisions instituting review on all but four of the asserted claims.

On January 14, 2014, the Company and all defendants filed a joint motion to stay the district court litigation. The Court granted the motion and stayed the case on January 16, 2014 pending a decision by the PTAB. Trial on the CBMR at the PTAB occurred during September 2014.

On December 17, 2014, the Patent Trial and Appeal Board issued final decisions in Covered Business Method Review proceedings CBM2013-00035, CBM2013-00033, CBM2013-00034, CBM2013-00046 and CBM2013-00044. In each case, certain claims of each patent were held to be invalid for various reasons. With respect to the ‘516, ‘679, ‘055 and ‘646 patents, many of the claims survived and the patents remain enforceable. All of the claims of the ‘670 patent were held invalid. The Company appealed each of the final decisions to the United States Federal Circuit Court of Appeals. The Company appealed the unpatentability determinations including the decision of invalidity based on anticipation of several claims of the patents by prior art (the Paul reference”). The Company also appealed the decision to review its patents under the provisions for CBMR and that the ‘516 patent lacked sufficient written description under § 112 to support the claims. Groupon appealed the Board’s decision that the patents were not valid under § 103 and the determination by the PTAB that the Ratsimor reference was not publically available prior art.

On April 2, 2015, the District Court lifted the stay and required the parties to file a joint docket control order. On April 6, 2015, the Court set a Markman Hearing for June 29, 2015, and jury selection for December 14, 2015. On April 15, 2015, the parties filed their joint docket control order. The Court entered its docket control order on April 23, 2015. Due to an apparent scheduling conflict, the Court rescheduled the Markman Hearing to July 8, 2015.

On April 22, 2015, the Company filed its third amended complaint against all defendants. The defendants timely answered on May 11, 2015. Each of the defendant’s answers included a counterclaim for invalidity of the patents. The Company responded to these invalidity contentions on June 1, 2015.

On May 13, 2015, the Company filed a motion for entry of an order focusing patent claims and prior art. That motion requested that the Court narrow the number of claims at issue and the number of prior art references that defendants could use in an attempt to invalidate the Company's patents. On May 27, 2015, the Court held a hearing on the motion and ordered defendants to reduce the number of references in support of any invalidity contention against the patents.

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On June 25, 2015, the Company attended mediation with Yelp in an effort to settle the case. That mediation was recessed to explore settlement options.

On July 8, 2015 the Company attended the Markman Hearing in order to construe the claims of the patents. On July 14, 2015, the Court entered its Memorandum Opinion and Order regarding claim construction. In that Order, the Court analyzed eleven claim terms. The Court agreed with Blue Calypso's proffered construction as to seven terms, chose its own construction as to three terms and agreed with defendants' proffered construction as to only one term. The Court also expressly rejected defendants' argument that the term "testimonial tag" was indefinite.

On July 13, 2015 the Court entered an order severing the non-active claims out of the case and consolidating claims regarding those patents into a separate set of cases. These new cases address the claims which were held invalid by the PTAB and which are now on appeal to the Federal Circuit Court of Appeals.

On July 14, 2015, the Company attended court-ordered mediation with Groupon. The result of that mediation was an impasse.

On July 16, 2015, the Company attended court-ordered mediation with IZEA. The parties reached a settlement.

On July 20, 2015, the Company attended court-ordered mediation with Foursquare. The result of that mediation was an impasse.

As part of the Company's settlement with Living Social, the Company's attorney is entitled to additional compensation for the value of certain non-monetary arrangements.

On August 17, 2015, the Company entered into a settlement agreement with IZEA, pursuant to which it settled all outstanding litigation with IZEA. Under the Agreement, IZEA has agreed to pay the Company a royalty fee of 4.125% of revenue from IZEA's discontinued legacy platforms SocialSpark, Sponsored Tweets and WeReward. The remaining terms of the settlement are confidential. Legal costs due to our attorneys associated with the IZEA settlement are classified as a settlement payable on our consolidated balance sheet.

On September 21, 2015, the Company entered into a settlement agreement with Yelp, pursuant to which all outstanding litigation with Yelp was settled. Under the agreement, Yelp has agreed to purchase 4,000 KIOSentrix beacons.

On March 1, 2016, the Federal Circuit overturned the PTAB decision as to insufficient written description but upheld the decision that the Ratsimor reference was not publically available prior art. However, the Federal Circuit confirmed the PTAB's decision to institute the CBMR process on the basis that Blue Calypso's patent portfolio qualified as a business method patent which was financial in nature. The Federal Circuit also upheld the decision of invalidity based on anticipation of several claims of the patents by the prior art Paul reference.

The reversal of the written description matter is significant as it re-establishes the '516 parent patent issue date of February 2010 as the date that damages begin to accrue. Prior to this reversal the first date of infringement was relegated to the later issue date of the '679 patent on April 2012.

The Company requested an En Banc review by the Federal Circuit of the holding with respect to anticipation by the Paul reference on March 31, 2016. The Company has the option of requesting that the Supreme Court review the Federal Circuit's decision. The option for appeal to the Supreme Court must be filed by June 1, 2016.

On April 20, 2016, the District Court set a hearing date of May 6, 2016 at 9:00am in Marshall, Texas. The items to be discussed were the Federal Circuit's Decision issued on March 1, 2016 and the pending Motion for Judgment of lack of subject matter eligibility.

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On May 4, 2016, the Federal Circuit denied the request for En Banc review.

On May 5, 2016, the Company entered into a memorandum of settlement with Groupon pursuant to which it has in principal settled all outstanding litigation with Groupon. The terms of the settlement are confidential.

On May 6, 2016, the Court held a hearing regarding the Federal Circuits decision issued on March 1, 2016 and the pending motion for summary judgment related to subject matter eligibility. The Court heard arguments of the Company and Four Square Labs and took the matter under advisement. The Court also set a trial date of September 12, 2016. The Court also required the parties to submit briefing on certain collateral estoppel issues and a joint docket control order within 15 days, or by May 21, 2016.

On June 2, 2016, the Company entered into a Memorandum of Settlement with Foursquare pursuant to which it has in principle settled all outstanding litigation with Foursquare. The terms of the settlement are confidential.

On July 7, 2016, the Court dismissed the case against Groupon. The Court also stayed all deadlines with respect to Foursquare, the sole remaining Defendant.

The court dockets for each case, including the parties' briefs are publicly available on the Public Access to Court Electronic Records website, or PACER, www.pacer.gov, which is operated by the Administrative Office of the U.S. Courts.

On July 8, 2016, the Company filed a Notice of Opposition at the Trademark Trial and Appeal Board against T. Scott Pernici to prevent registration of the trademark "DASH TAG" because of the potential to create a likelihood of confusion in the marketplace. The deadline for Pernici to file an Answer to the Notice is August 18, 2016.

The Board dockets for each case are publicly available on the Trademark Trial and Appeal Board Inquiry System, or TTABVUE, http://ttabvue.uspto.gov/ttabvue/v, which is operated by the United States Patent and Trademark Office.

Other than as noted above, the Company is not a party to any pending legal proceeding nor is its property the subject of any pending legal proceeding that is not in the ordinary course of business or otherwise material to the financial condition of its business. Further, to the knowledge of management, no director or executive officer is party to any action in which any has an interest adverse to us.

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ITEM 1A. RISK FACTORS

Not required

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

In April 22, 2016, pursuant to a securities purchase agreement, the Company sold an aggregate of 609,756 shares of its common stock together with warrants to purchase an aggregate of 609,756 shares of its common stock for net proceeds, after commissions and other costs, of $988,519. The warrants are exercisable at an exercise price of $2.13 for a term of five years. The securities were issued in a private placement transaction solely to an accredited investors pursuant to an exemption from registration provided by Section 4(a)(2) of the Securities Act and/or Rule 506 of Regulation D thereunder, without engaging in any advertising or general solicitation of any kind.

On April 22, 2016, the Company awarded options to purchase 50,000 shares of common stock to a consultant. These options vest quarterly beginning June 30, 2016 through March 31, 2018 and have a term of 10 years. The options have an exercise price of $2.08 per share. The options were issued pursuant to an exemption from registration provided by Section 4(a)(2) of the Securities Act.

On May 23, 2016, the Company awarded options to purchase an aggregate of 100,000 shares of common stock to key employees. These options vest immediately and have a term of 10 years. The options have an exercise price of $0.90 per share. The options were issued pursuant to an exemption from registration provided by Section 4(a)(2) of the Securities Act.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None

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ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

Copies of the following documents are included as exhibits to this report pursuant to Item 601 of Regulation S-K.

Exhibit Number	Description
2.1	Agreement and Plan of Merger and Reorganization, dated as of September 1, 2011, by and among Blue Calypso, Inc., Blue Calypso Acquisition Corp., and Blue Calypso Holdings, Inc. (incorporated by reference to Exhibit 2.1 to Current Report on Form 8-K filed with the Securities and Exchange Commission on September 8, 2011).
2.2	Agreement and Plan of Merger, dated September 9, 2011, by and between Blue Calypso, Inc., a Nevada corporation, and Blue Calypso, Inc., a Delaware corporation (incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K filed with the Securities and Exchange Commission on September 15, 2011).
3.1	Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to Current Report on Form 8-K filed with the Securities and Exchange Commission on October 19, 2011).
3.2	Certificate of Designation of Series A Convertible Preferred Stock (incorporated by reference to Exhibit 3.2 to Current Report on Form 8-K filed with the Securities and Exchange Commission on October 19, 2011).
3.3	Bylaws of Blue Calypso, Inc., a Delaware corporation, adopted September 9, 2011 (incorporated by reference to Exhibit 3.3 to Current Report on Form 8-K filed with the Securities and Exchange Commission on October 19, 2011).
3.4	Certificate of Amendment (incorporated by reference to Exhibit 3.1 to Current Report on Form 8-K filed with the Securities and Exchange Commission on July 2, 2015).
3.5	Certificate of Correction (incorporated by reference to Exhibit 3.1 to Current Report on Form 8-K filed with the Securities and Exchange Commission on April 22, 2016).
10.1	2011 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K filed with the Securities and Exchange Commission on September 8, 2011).
10.2	Form of Incentive Stock Option Agreement (incorporated by reference to Exhibit 10.2 to Current Report on Form 8-K filed with the Securities and Exchange Commission on September 8, 2011).
10.3	Form of Non-Qualified Stock Option Agreement (incorporated by reference to Exhibit 10.3 to Current Report on Form 8-K filed with the Securities and Exchange Commission on September 8, 2011).
10.4	Form Restricted Stock Award Agreement (incorporated by reference to Exhibit 10.4 to Current Report on Form 8-K filed with the Securities and Exchange Commission on September 8, 2011).
10.5	Agreement of Conveyance, Transfer and Assignment of Assets and Assumption of Obligations, dated as of September 1, 2011 (incorporated by reference to Exhibit 10.5 to Current Report on Form 8-K filed with the Securities and Exchange Commission on September 8, 2011).
10.6	Stock Purchase Agreement, by and between Blue Calypso, Inc. and Deborah Flores, dated as of September 1, 2011 (incorporated by reference to Exhibit 10.6 to Current Report on Form 8-K filed with the Securities and

Exchange Commission on September 8, 2011).

10.7	Securities Purchase Agreement, dated as of September 1, 2011, by and among Blue Calypso, Inc. and certain purchasers set forth therein (incorporated by reference to Exhibit 10.7 to Current Report on Form 8-K filed with the Securities and Exchange Commission on September 8, 2011).
10.8	Registration Rights Agreement, dated as of September 1, 2011, by and among Blue Calypso, Inc. and certain purchasers set forth therein (incorporated by reference to Exhibit 10.9 to Current Report on Form 8-K filed with the Securities and Exchange Commission on September 8, 2011).
10.9	Form of Warrant (incorporated by reference to Exhibit 10.10 to Current Report on Form 8-K filed with the Securities and Exchange Commission on September 8, 2011).
10.10	Letter Agreement, dated January 16, 2012, by and between Blue Calypso, Inc. and Aztec Systems, Inc. (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed with the Securities and Exchange Commission on January 20, 2012).
10.11	Promissory Note, dated January 17, 2012, issued by Blue Calypso, Inc. to Aztec Systems, Inc. (incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K filed with the Securities and Exchange Commission on January 20, 2012).
10.12	Securities Purchase Agreement, dated April 19, 2012, by and between Blue Calypso, Inc. and the Buyer thereto (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed with the Securities and Exchange Commission on April 24, 2012).
10.13	Senior Secured Convertible Note issued April 19, 2012 (incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K filed with the Securities and Exchange Commission on April 24, 2012).
10.14	Common Stock Purchase Warrant issued April 19, 2012 (incorporated by reference to Exhibit 10.3 to our Current Report on Form 8-K filed with the Securities and Exchange Commission on April 24, 2012).
10.15	Security Agreement, dated April 19, 2012, by and between the Company, Blue Calypso, LLC and the Buyer (incorporated by reference to Exhibit 10.4 to our Current Report on Form 8-K filed with the Securities and Exchange Commission on April 24, 2012).
10.16	Intellectual Property Security Agreement, dated April 19, 2012, by and between the Company, Blue Calypso, LLC, and the Buyer (incorporated by reference to Exhibit 10.5 to our Current Report on Form 8-K filed with the Securities and Exchange Commission on April 24, 2012).
10.17	Subsidiary Guarantee, dated April 19, 2012, by Blue Calypso, LLC, in favor of the Buyer (incorporated by reference to Exhibit 10.6 to our Current Report on Form 8-K filed with the Securities and Exchange Commission on April 24, 2012).
10.18	Form of Lock-Up Agreement (incorporated by reference to Exhibit 10.7 to our Current Report on Form 8-K filed with the Securities and Exchange Commission on April 24, 2012).
10.19	Amendment No. 1 to Common Stock Purchase Warrant (incorporated by reference to Exhibit 10.8 to our Current Report on Form 8-K filed with the Securities and Exchange Commission on April 24, 2012).
10.20	Stockholder Agreement, dated April 19, 2012, by and between Andrew Levi and the Company (incorporated by reference to Exhibit 10.9 to our Current Report on Form 8-K filed with the Securities and Exchange Commission on April 24, 2012).

10.21	Letter Agreement dated June 1, 2012, between Blue Calypso, Inc. and Bill Ogle effective as of June 1, 2012 (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed with the Securities and Exchange Commission on June 4, 2012).
10.22	Form of Subscription Agreement - June 2012 Private Placement (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed with the Securities and Exchange Commission on July 30, 2012).
10.23	Form of Warrant - June 2012 Private Placement (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed with the Securities and Exchange Commission on July 30, 2012).

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10.24	Exchange Agreement dated November 9, 2012 between Blue Calypso, Inc. and Aztec Systems, Inc. (incorporated by reference to Exhibit 10.24 to our Quarterly Report on Form 10-Q for the period ended September 30, 2012 filed with the Securities and Exchange Commission on November 19, 2012).
10.25	8% Convertible Note dated November 9, 2012 (incorporated by reference to Exhibit 10.24 to our Quarterly Report on Form 10-Q for the period ended September 30, 2012 filed with the Securities and Exchange Commission on November 19, 2012).
10.25	Amendment No. 1 to 8% Senior Secured Convertible Debentures between Blue Calypso, Inc. and the Holder dated April 29, 2013 (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed with the Securities and Exchange Commission on May 3, 2013).
10.26	Amendment No. 2 to Common Stock Purchase Warrants between the Company and the Holder dated April 29, 2013 (incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K filed with the Securities and Exchange Commission on May 3, 2013).
10.27	Amendment No. 2 to Common Stock Purchase Warrants between the Company and the Holder dated April 29, 2013 (incorporated by reference to Exhibit 10.3 to our Current Report on Form 8-K filed with the Securities and Exchange Commission on May 3, 2013).
10.28	Securities Purchase Agreement dated May 6, 2013 (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed with the Securities and Exchange Commission on May 6, 2013).
10.29	10% Convertible Debenture dated May 6, 2013 (incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K filed with the Securities and Exchange Commission on May 6, 2013).
10.30	10% Convertible Debenture dated May 6, 2013 (Incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K filed with the Securities and Exchange Commission on May 6, 2013).
10.31	Amendment No. 1 to 10% Convertible Debenture between Blue Calypso, Inc. and the Holder dated September 13, 2013 (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed with the Securities and Exchange Commission on September 16, 2013).
10.32	Amendment No. 3 to Common Stock Purchase Warrants between the Company and the Holder dated September 13, 2013 (incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K filed with the Securities and Exchange Commission on September 16, 2013).
10.33	Amendment No. 2 to Common Stock Purchase Warrant between the Company and the Holder dated September 13, 2013 (incorporated by reference to Exhibit 10.3 to our Current Report on Form 8-K filed with the Securities and Exchange Commission on September 16, 2013).
10.34	Securities Purchase Agreement dated October 7, 2013 (incorporated by reference to Exhibit 10.3 to our Current Report on Form 8-K filed with the Securities and Exchange Commission on October 11, 2013).

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10.35	Amendment No. 4 to Common Stock Purchase Warrants between the Company and the Holder dated January 9, 2014 (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed with the Securities and Exchange Commission on January 10, 2014).
10.36	Amendment No. 3 to Common Stock Purchase Warrant between the Company and the Holder dated January 9, 2014 (incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K filed with the Securities and Exchange Commission on January 10, 2014).
10.37	Settlement and Standstill Agreement dated September 26, 2014 by and between Blue Calypso, Inc., Ronald L. Chez, and Individual Retirement Accounts for the benefit of Ronald L. Chez (incorporated by reference to Exhibit 10.1 on Form 8-K filed with the Securities and Exchange Commission on October 2, 2014).
10.38	Form of note purchase agreement dated as of July 20, 2015 by and between the lender, Blue Calypso, Inc., Blue Calypso Holdings, Inc., Blue Calypso LLC and Blue Calypso Latin America, S.A. (incorporated by reference to Exhibit 10.1 to Current Report as form 8-k filed with the Securities and Exchange Commission on July 24, 2015).
10.39	Form of Senior Convertible Note issued on July 20, 2015 (incorporated by reference to Exhibit 10.2 to Current Report on Form 8-K filed with the Securities and Exchange Commission on July 24, 2015).
10.40	Form of Securities Purchase Agreement (incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K filed with the Securities and Exchange Commission on September 29, 2015).
10.41	Form of Warrant (incorporated by reference to Exhibit 10.2 to Current Report on Form 8-K filed with the Securities and Exchange Commission on September 29, 2015).
10.42	Form of Securities Purchase Agreement – February 2016 (incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K filed with the Securities and Exchange Commission on March 2, 2016).
10.43	Form of Warrant - February 2016 (incorporated by reference to Exhibit 10.2 to Current Report on Form 8-K filed with the Securities and Exchange Commission on March 2, 2016).
10.44	Form of Securities Purchase Agreement (incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K filed with the Securities and Exchange Commission on April 28, 2016).
10.45	Form of Warrant (incorporated by reference to Exhibit 10.2 to Current Report on Form 8-K filed with the Securities and Exchange Commission on April 28, 2016).
16.1	Letter dated December 30, 2015 addressed to the Securities and Exchange Commission from Marcum LLP (incorporated by reference to Exhibit 16.1 to Current Report on Form 8-K filed with the Securities and Exchange Commission on December 30, 2015).
21.1	List of subsidiaries (incorporated by reference to Exhibit 21.1 to our Annual Report on Form 10-K for the year ended December 31, 2012 filed with the Securities and Exchange Commission on April 16, 2012).

31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Principal Financial Officer 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

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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.

		BLUE CALYPSO, INC.	
Date:	August 10, 2016	By:	/s/ Andrew Levi
		Name:	Andrew Levi
		Title:	Chief Executive Officer (Principal Executive Officer)