SKINVISIBLE INC
Form PRER14A
July 25, 2018

SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

Filed by the Registrant
Filed by a Party other than the Registrant
Check the appropriate box:

Preliminary Proxy Statement
Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
Definitive Proxy Statement
Definitive Additional Materials
Soliciting Material Pursuant to Section 240.14a-12

Skinvisible, Inc.

(Exact name of registrant as specified in its charter)

N/A

(Name of person(s) filing proxy statement, if other than the registrant)

Payment of Filing Fee (check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies: Common Stock

(2) Aggregate number of securities to which transaction applies: 371,668,218 shares of Registrant's common stock (before proposed reverse stock-split)

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange

Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined): $0.0191, representing average of high and low prices of Registrant's common stock as reported by the OTCQB on April 26, 2018.

(4) Proposed maximum aggregate value of transaction: $7,098,863

(5) Total fee paid: $883.81

Fee paid previously with

preliminary materials.
Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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SKINVISIBLE, INC.
6320 SOUTH SANDHILL ROAD, SUITE 10
LAS VEGAS, NV 89120

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

TO BE HELD ON [ ], 2018

TO SKINVISIBLE'S STOCKHOLDERS:

NOTICE IS HEREBY GIVEN, that a special meeting (the "Special Meeting") of stockholders of Skinvisible, Inc., a Nevada corporation (referred to herein as "we", "us", or "Skinvisible"), will be held at 10:00 a.m., local time, on [ ], 2018, at [ ], for the following purposes, as more fully described in the Proxy Statement accompanying this notice:

(1) To adopt an Agreement and Plan of Merger and Reorganization (the "Merger Agreement") by and among Quoin Pharmaceuticals, Inc., a Delaware corporation ("Quoin"), Skinvisible and Skinvisible's wholly owned subsidiary, Quoin Merger Sub, Inc. ("Merger Sub"), the transaction contemplated by the Merger Agreement is known as the "Merger";
(2) To amend Skinvisible's Articles of Incorporation to effect a Reverse Split (the "Reverse Split") of Skinvisible issued and outstanding common stock by a ratio of not less than one-for-ten and not more than one-for-one hundred, with the exact ratio to be set at a whole number within this range, as determined by Skinvisible's board of directors in its sole discretion;
(3) To approve an amendment to the Articles of Incorporation of Skinvisible which changes its name to Quoin Pharmaceuticals, Inc. at the effective time of the Merger (the "Name Change"); and
(4) To approve a proposal to adjourn the Special Meeting to a later date or dates, if necessary, to permit further solicitation and vote of proxies if, based upon the tabulated vote at the time of the Special Meeting, Skinvisible is not authorized to consummate the transactions contemplated by the aforementioned proposals.

Stockholders who owned shares of Skinvisible's common stock at the close of business on [ ], 2018 are entitled to receive notice of, attend and vote at the Special Meeting and any adjournment or postponement thereof.

Your vote is important. Whether or not you plan to attend the Special Meeting, please vote as soon as possible. You may vote by mailing a completed proxy card, by telephone or online. For specific voting instructions, please refer to the information provided in the following Proxy Statement, together with your proxy card or the voting instructions you receive by e-mail.

By Order of the Board of Directors,

Skinvisible, Inc.

By: /s/ Terry H. Howlett
Terry H. Howlett
President & Chief Executive Officer
[ ], 2018

Important Notice Regarding the Availability of Proxy Materials for the Special Meeting of Stockholders to be held on [ ], 2018. The Proxy Statement is available at [TBD].

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SKINVISIBLE, INC.
6320 SOUTH SANDHILL ROAD, SUITE 10
LAS VEGAS, NV 89120

PROXY STATEMENT

For the Special Meeting of Stockholders to be held on [ ], 2018

Your proxy is being solicited on behalf of the Board of Directors (the “Board”) of Skinvisible, Inc., a Nevada corporation, for use at the Special Meeting of Stockholders (the “Special Meeting”) to be held at 10:00 a.m. local time on [ ], 2018, or at any adjournment or postponement thereof, for the purposes set forth in this Proxy Statement. The Special Meeting will be held at for the following purposes:

(1) To adopt an Agreement and Plan of Merger and Reorganization (the “Merger Agreement”) by and among Quoin Pharmaceuticals, Inc., a Delaware corporation (“Quoin”), Skinvisible and Skinvisible’s wholly owned subsidiary, Quoin Merger Sub, Inc. (“Merger Sub”), the transaction contemplated by the Merger Agreement is known as the “Merger”;

(2) To amend Skinvisible’s Articles of Incorporation to effect a Reverse Split (the “Reverse Split”) of Skinvisible’s issued and outstanding common stock by a ratio of not less than one-for-ten and not more than one-for-one hundred, with the exact ratio to be set at a whole number within this range, as determined by Skinvisible’s board of directors in its sole discretion;

(3) To approve an amendment to the Articles of Incorporation of Skinvisible which changes its name to Quoin Pharmaceuticals, Inc. at the effective time of the Merger; and

(4) To approve a proposal to adjourn the Special Meeting to a later date or dates, if necessary, to permit further solicitation and vote of proxies if, based upon the tabulated vote at the time of the Special Meeting, Skinvisible is not authorized to consummate the transactions contemplated by the aforementioned proposals.

These proxy materials are first being provided on or about [ ], 2018 to all stockholders as of the record date, [ ], 2018. Stockholders who owned Skinvisible’s common stock at the close of business on [ ], 2018 are entitled to receive notice of, attend and vote at the Special Meeting. On the record date, there were [ ] shares of Skinvisible’s common stock outstanding.

All proxies will be voted in accordance with the instructions contained on those proxies, and if no choice is specified, the proxies will be voted in favor of each matter set forth in the accompanying Notice of Special Meeting. Any proxy may be revoked by a stockholder at any time before it is exercised by delivery of written revocation to Skinvisible’s corporate secretary.

Unless otherwise indicated, (i) all references to “Skinvisible,” “us” or “we” means Skinvisible, Inc. and all references to the “Combined Company” means Skinvisible after the closing of the Merger and its name change to Quoin Pharmaceuticals, Inc.

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FORWARD-LOOKING STATEMENTS

This proxy statement/prospectus, including information incorporated by reference into this proxy statement/prospectus, includes forward-looking statements regarding, among other things, Skinvisible's and Quoin's plans, strategies and prospects, both business and financial. Although Skinvisible and Quoin believe that their plans, intentions and expectations reflected in or suggested by these forward-looking statements are reasonable, neither Skinvisible nor Quoin can assure you that either will achieve or realize these plans, intentions or expectations. Forward-looking statements are inherently subject to risks, uncertainties and assumptions including, without limitation, the factors described under "Risk Factors" from time to time in Skinvisible's filings with the SEC. All statements other than statements of historical fact are statements that could be deemed forward-looking statements. Many of the forward-looking statements contained in this presentation may be identified by the use of forward-looking words such as "believe", "expect", "anticipate", "should", "planned", "will", "may", "intend", "estimated", "a "target", "opportunity", "tentative", "positioning", "designed", "create", "predict", "project", "seek", "would", "could", "contir "upside", "increases" and "potential", among others. Important factors that could cause actual results to differ materially from the forward-looking statements we make in this presentation are set forth in other reports or documents that we file from time to time with the SEC, and include, but are not limited to:

- the number and percentage of Skinvisible's public stockholders voting against the proposals set forth in this proxy statement;
- the occurrence of any event, change or other circumstances that could give rise to the termination of the Merger Agreement;
- changes adversely affecting the business in which Skinvisible or Quoin are engaged;
- management of growth;
- general economic conditions;
- Quoin's business strategy and plans;
- the result of future financing efforts; and
- and the other factors summarized under the section entitled "Risk Factors".

You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this proxy statement/prospectus. All forward-looking statements included herein attributable to any of Skinvisible, Quoin or any person acting on either party's behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section.

For a discussion of the factors that may cause Skinvisible's or Quoin's actual results, performance or achievements to differ materially from any future results, performance or achievements expressed or implied in such forward-looking statements, see "Risk Factors" beginning on page [ ].

If any of these risks or uncertainties materializes or any of these assumptions proves incorrect, the actual results of Skinvisible or Quoin could differ materially from the forward-looking statements. All forward-looking statements in this proxy statement are current only as of the date on which the statements were made. Skinvisible and Quoin do not undertake any obligation to publicly update any forward-looking statement to reflect events or circumstances after the date on which any statement is made or to reflect the occurrence of unanticipated events.

Before a stockholder grants its proxy or instructs how its vote should be cast or vote on the merger proposal, spin-off proposal, or the adjournment proposal, it should be aware that the occurrence of the events described in the "Risk Factors" section and elsewhere in this proxy statement/prospectus may adversely affect Skinvisible and Quoin.

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VOTING AND RELATED MATTERS

Voting Procedures

As a stockholder of Skinvisible, you have a right to vote on certain business matters affecting us. The proposals that will be presented at the Special Meeting and upon which you are being asked to vote are discussed below. Each share of Skinvisible's common stock you owned as of the record date entitles you to one vote on each proposal presented at the Special Meeting.

Methods of Voting

You may vote over the Internet, by telephone, by mail or in person at the Special Meeting.

Voting over the Internet. You can vote via the Internet. The website address for Internet voting and the instructions for voting are provided on your proxy card. You will need to use the control number appearing on your proxy card to vote via the Internet. If you vote via the Internet, you do not need to vote by telephone or return a proxy card.

Voting by Telephone. You can vote by telephone by calling the toll-free telephone number provided on your proxy card. You will need to use the control number appearing on your proxy card to vote by telephone. If you vote by telephone, you do not need to vote over the Internet or return a proxy card.

Voting by Mail. You can vote by marking, dating and signing your proxy card, and returning it in the postage-paid envelope provided. Please promptly mail your proxy card to ensure that it is received prior to the closing of the polls at the Special Meeting.

Voting in Person at the Meeting. If you attend the Special Meeting and plan to vote in person, we will provide you with a ballot at the Special Meeting. If your shares are registered directly in your name, you are considered the stockholder of record, and you have the right to vote in person at the Special Meeting. If your shares are held in the name of your broker or other nominee, you are considered the beneficial owner of shares held in street name. As a beneficial owner, if you wish to vote at the Special Meeting, you will need to bring to the Special Meeting a legal proxy from your broker or other nominee authorizing you to vote those shares.

Revoking Your Proxy

You may revoke your proxy at any time before it is voted at the Special Meeting. To do this, you must:

- enter a new vote over the Internet or by telephone, or by signing and returning a replacement proxy card;
- provide written notice by [ ], 2018 of the revocation to Skinvisible's Corporate Secretary at Skinvisible's principal executive offices, which are located at 6320 South Sandhill Road, Suite 10, Las Vegas, NV 89120; or
- attend the Special Meeting and vote in person.

Quorum and Voting Requirements

Stockholders of record at the close of business on [ ], 2018 are entitled to receive notice and vote at the meeting. On the record date, there were [ ] issued and outstanding shares of Skinvisible's common stock. Each holder of Skinvisible's common stock voting at the meeting, either in person or by proxy, may cast one vote per share of common stock held on each of the matters to be voted on at the meeting.

The presence, in person or by proxy, of the holders of a majority of the outstanding shares of common stock entitled to vote constitutes a quorum for the transaction of business at the meeting. Assuming that a quorum is present, the following table summarizes the voting requirements to approve each proposal:

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Proposal	Vote Required	Broker Discretionary Voting Allowed
Proposal No. 1 — To approve the Merger Agreement.	The affirmative vote of a majority of the votes cast at the Special Meeting.	No
Proposal No. 2 — To amend Skinvisible's Articles of Incorporation to effect a Reverse Split (the "Reverse Split") of Skinvisible's issued and outstanding common stock by a ratio of not less than one-for-ten and not more than one-for-one hundred, with the exact ratio to be set at a whole number within this range, as determined by Skinvisible's board of directors in its sole discretion.	The affirmative vote of a majority of the outstanding shares of common stock.	No
Proposal No. 3 — To approve an amendment to the Articles of Incorporation of Skinvisible which changes its name to Quoin Pharmaceuticals, Inc. at the effective time of the Merger.	The affirmative vote of a majority of the outstanding shares of common stock.	No
Proposal No. 4 — To approve a proposal to adjourn the Special Meeting to a later date or dates, if necessary, to permit further solicitation and vote of proxies if, based upon the tabulated vote at the time of the Special Meeting, Skinvisible is not authorized to consummate the transactions contemplated by the aforementioned proposals.	The affirmative vote of a majority of the votes cast at the Special Meeting.	Yes

Votes cast by proxy or in person at the meeting will be tabulated by the election inspectors appointed for the meeting. Such inspectors will also determine whether a quorum is present. The election inspectors will treat abstentions as shares that are present and entitled to vote for purposes of determining the presence of a quorum, but as unvoted for purposes of

determining the approval of any matter submitted to the stockholders for a vote. Accordingly, abstentions will have no effect on whether Proposal No. 1 and Proposal No. 4, are approved at the Special Meeting. Abstentions will have the same effect as a vote "AGAINST" Proposal No. 2 and Proposal No. 3.

If your shares are held in street name and you do not instruct your broker on how to vote your shares, your brokerage firm, in its discretion, is permitted to either leave your shares unvoted or vote your shares on matters that are considered routine.

Proposal No. 4 is considered a routine matter while Proposal No. 1, Proposal No. 2 and Proposal No. 3 are considered non-routine matters. Consequently, without your voting instructions, your brokerage firm will not be able to vote your shares on Proposal No. 1, Proposal No. 2 and Proposal No. 3. These unvoted shares, called "broker non-votes," refer to shares held by brokers who have not received voting instructions from their clients and who do not have discretionary authority to vote on non-routine matters. Broker non-votes will not be counted as shares that are present and entitled to vote for purposes of determining the presence of a quorum.

Assuming that a quorum is present, broker non-votes (i) will have no effect on whether Proposal No. 1 and Proposal No. 4 are approved at the Special Meeting and (ii) will have the same effect as a vote "AGAINST" each of Proposal No. 2 and Proposal No. 3.

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Voting of Proxies

When a proxy is properly executed and returned, the shares it represents will be voted at the Special Meeting as directed. If no specification is indicated, the shares will be voted:

(1) "FOR" Proposal No. 1 to approve the Merger Agreement;
(2) "FOR" Proposal No. 2 to approve the Reverse Split;
(3) "FOR" Proposal No. 3 to approve an amendment to the Articles of Incorporation of Skinvisible which changes the name of Skinvisible, Inc. to "Quoin Pharmaceuticals, Inc.";
(4) "FOR" Proposal No. 4 to approve a proposal to adjourn the Special Meeting to a later date or dates, if necessary, to permit further solicitation and vote of proxies if, based upon the tabulated vote at the time of the Special Meeting, Skinvisible is not authorized to consummate the transactions contemplated by the aforementioned proposals; and
(5) at the discretion of your proxies on any other matter that may be properly brought before the Special Meeting.

Voting Confidentiality

Proxies, ballots and voting tabulations are handled on a confidential basis to protect your voting privacy. This information will not be disclosed, except as required by law.

Voting Results

Voting results will be announced at the Special Meeting and published in a Form 8-K to be filed within four (4) business days after the Special Meeting.

Householding of Proxy Materials

In a further effort to reduce printing costs and postage fees, we have adopted a practice approved by the SEC called "householding." Under this practice, stockholders who have the same address and last name and do not participate in electronic delivery of proxy materials will receive only one copy of Skinvisible's proxy materials, unless one or more of these stockholders notifies us that he or she wishes to continue receiving individual copies.

We will promptly deliver a separate copy of these proxy materials to any stockholder upon written or oral request to Skinvisible's Corporate Secretary by mail at 6320 South Sandhill Road, Suite 10, Las Vegas, NV 89120 or by phone at (702) 433-7154.

If: (1) you share an address with another stockholder and received only one set of proxy materials, and would like to request a separate paper copy of these materials; or (2) you share an address with another stockholder and in the future together you would like to receive only a single paper copy of these materials, please notify Skinvisible's Corporate Secretary by mail at 6320 South Sandhill Road, Suite 10, Las Vegas, NV 89120 or by phone at (702) 433-7154.

If you have previously elected to receive Skinvisible's proxy materials electronically, you will continue to receive these materials via e-mail unless you elect otherwise.

Proxy Solicitation

We will bear the cost of this solicitation. In addition, we may reimburse brokerage firms and other persons representing beneficial owners of shares for reasonable expenses incurred in forwarding solicitation materials to such beneficial owners. Proxies also may be solicited by Skinvisible's directors, officers or employees, personally, or by mail, facsimile, telephone, messenger or via the Internet, without additional compensation.

Available Information

Skinvisible's website, www.Skinvisible.com, provides access, without charge, to Skinvisible's annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports as soon as reasonably practicable after such material is electronically filed with the SEC. The information provided on Skinvisible's website is not part of this report, and is therefore not incorporated by reference unless such information is otherwise specifically referenced elsewhere in this report.

Materials filed by Skinvisible with the SEC may be read and copied at the SEC's Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. The SEC also maintains a website at www.sec.gov that contains reports, proxy and information statements, and other information regarding Skinvisible's company that we file electronically with the SEC.

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SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Beneficial ownership is determined in accordance with the rules of the SEC. In computing the number of shares beneficially owned by a person and the percentage of ownership of that person, shares of common stock subject to options and warrants held by that person that are currently exercisable or become exercisable within 60 days of [ ], 2018 are deemed outstanding even if they have not actually been exercised. Those shares, however, are not deemed outstanding for the purpose of computing the percentage ownership of any other person.

The following table sets forth, as of [ ], 2018 the beneficial ownership of Skinvisible's common stock by each executive officer and director, by each person known by us to beneficially own more than 5% of Skinvisible's common stock and by the executive officers and directors as a group.

Title of class	**Name and address of beneficial owner** (1)	**Amount of beneficial ownership**(2)	**Percent of class**(3)
	Executive Officers & Directors:		
Common	Terry Howlett(4)	151,685,787 shares	53%
Common	David St. James(5)	100,000 shares	Less than 1%
	Total of All Directors and Executive Officers:	**151,785,787 shares**	**53%**
	More Than 5% Beneficial Owners:		
	Lutz Family Trust(6) 8322 West Tonto Lane, Peoria, AZ 85382	10,998,300 shares	7.8%
	Doreen McMorran(7)	159,024,409 shares	53%

(1) Except as otherwise indicated, the address of each person named in this table is c/o Skinvisible, Inc., 6320 South Sandhill Road, Suite 10, Las Vegas, Nevada 89120.

(2) As used in this table, "beneficial ownership" means the sole or shared power to vote, or to direct the voting of, a security, or the sole or shared investment power with respect to a security (i.e., the power to dispose of, or to direct the disposition of, a security). In addition, for purposes of this table, a person is deemed, as of any date, to have "beneficial ownership" of any security that such person has the right to acquire within 60 days after such date.

(3) Except as otherwise indicated, all shares are owned directly and the percentage shown is based on 140,977,600 shares of common stock issued and outstanding on [ ], 2018.

(4) Includes 7,723,248 shares held in his name as indicated on Skinvisible's shareholder list, and 143,962,539 shares of common stock that may be acquired upon exercise of outstanding convertible promissory notes and stock options. These derivative securities are comprised of 139,262,539 shares that may be issued upon conversion of outstanding convertible promissory notes and 4,700,000 options to purchase common stock, and all such rights are exercisable within sixty days of [ ], 2018.

(5) Includes an option to purchase 100,000 shares of common stock at $0.035 per share.

(6) As stated in the reporting person's Form 4 filed with the Securities and Exchange Commission on January 25, 2010.

(7) Includes 1,800,000 shares held in her name as indicated on Skinvisible's shareholder list, and 157,224,409 shares of common stock that may be acquired upon exercise of outstanding convertible promissory notes and stock options. These derivative securities are comprised of 154,824,409 shares

that may be issued upon conversion of outstanding convertible promissory notes and 2,400,000 options to purchase common stock, and all such rights are exercisable within sixty days of [ ], 2018.

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MARKET PRICES AND DIVIDEND DATA

Market Information

Skinvisible's common stock is quoted under the symbol "SKVI" on the OTCQB operated by OTC Markets Group, Inc.

Only a limited market exists for Skinvisible's securities. There is no assurance that a regular trading market will develop, or if developed, that it will be sustained. Therefore, a shareholder may be unable to resell his securities in Skinvisible.

The following table sets forth the range of high and low bid quotations for Skinvisible's common stock for each of the periods indicated as reported by the OTCQB. These quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions.

Fiscal Year Ending December 31, 2017		
Quarter Ended	High $	Low $
December 31, 2017	0.1095	0.035
September 30, 2017	0.1	0.02
June 30, 2017	0.0365	0.02
March 31, 2017	0.045	0.025

Fiscal Year Ending December 31, 2016		
Quarter Ended	High $	Low $
December 31, 2016	0.0289	0.0081
September 30, 2016	0.0236	0.0068
June 30, 2016	0.02	0.0042
March 31, 2016	0.032	0.0136

On [ ], 2018, the last sales price per share of Skinvisible's common stock on the OTCQB was $[ ].

Penny Stock

The SEC has adopted rules that regulate broker-dealer practices in connection with transactions in penny stocks. Penny stocks are generally equity securities with a market price of less than $5.00, other than securities registered on certain national securities exchanges or quoted on the NASDAQ system, provided that current price and volume information with respect to transactions in such securities is provided by the exchange or system. The penny stock rules require a broker-dealer, prior to a transaction in a penny stock, to deliver a standardized risk disclosure document prepared by the SEC, that: (a) contains a description of the nature and level of risk in the market for penny stocks in both public offerings and secondary trading; (b) contains a description of the broker's or dealer's duties to the customer and of the rights and remedies available to the customer with respect to a violation of such duties or other requirements of the securities laws; (c) contains a brief, clear, narrative description of a dealer market, including bid and ask prices for penny stocks and the significance of the spread between the bid and ask price; (d) contains a toll-free telephone number for inquiries on disciplinary actions; (e) defines significant terms in the disclosure document or in the conduct of trading in penny stocks; and (f) contains such other information and is in such form, including language, type size and format, as the SEC shall require by rule or regulation.

The broker-dealer also must provide, prior to effecting any transaction in a penny stock, the customer with (a) bid and offer quotations for the penny stock; (b) the compensation of the broker-dealer and its salesperson in the transaction; (c) the number of shares to which such bid and ask prices apply, or other comparable information relating to the depth and liquidity of the market for such stock; and (d) a monthly account statement showing the market value of each penny stock held in the customer's account.

In addition, the penny stock rules require that prior to a transaction in a penny stock not otherwise exempt from those rules, the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written acknowledgment of the receipt of a risk disclosure statement, a written agreement as to transactions involving penny stocks, and a signed and dated copy of a written suitability statement.

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These disclosure requirements may have the effect of reducing the trading activity for Skinvisible's common stock. Therefore, stockholders may have difficulty selling Skinvisible's securities.

Holders of Skinvisible Common Stock

As of March 31, 2017, we had 140,977,600 shares of Skinvisible's common stock issued and outstanding, held by 189 shareholders of record, other than those held in street name.

Dividends

There are no restrictions in Skinvisible's articles of incorporation or bylaws that prevent us from declaring dividends. The Nevada Revised Statutes, however, do prohibit us from declaring dividends where after giving effect to the distribution of the dividend:

1. Skinvisible would not be able to pay its debts as they become due in the usual course of business, or;
2. Skinvisible's total assets would be less than the sum of its total liabilities plus the amount that would be needed to satisfy the rights of shareholders who have preferential rights superior to those receiving the distribution.

Skinvisible has not declared any dividends and Skinvisible does not plan to declare any dividends in the foreseeable future.

Interests of Skinvisible's Directors and Officers in the Merger

In considering the recommendation Skinvisible's Board to vote for the proposals presented at the special meeting, you should be aware that our executive officers and members of our Board have interests in the merger proposal that are different from, or in addition to, the interests of our shareholders generally. The members of our Board were aware of these differing interests and considered them, among other matters, in evaluating and negotiating the transaction agreements and in recommending to our shareholders that they vote in favor of the proposals presented at the special meeting. These interests include, among other things:

- Terry Howlett and Doreen McMorran have entered into new 1 year employment agreements with the Combined Company, which employment agreements will become effect upon the closing of the Merger; and
- Terry Howlett and Doreen McMorran and certain other related parties have agreed to cancel $500,000 of Related Party Indebtedness, in exchange for 100% of the shares (5,750,000) in Ovation Science Inc. ("Ovation") held by Skinvisible.

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QUESTIONS AND ANSWERS ABOUT THE PROPOSALS

The following are answers to some questions that you, as a stockholder of Skinvisible, may have regarding the matters being considered at Skinvisible's Special Meeting, which is referred to herein as the "Special Meeting." We urge you to read carefully the remainder of this proxy statement because the information in this section does not provide all the information that might be important to you with respect to the matters being considered at the Special Meeting. Additional important information is also contained in the annexes to and the documents incorporated by reference into this proxy statement.

General

Skinvisible will hold the Special Meeting to consider and vote upon these proposals. This proxy statement/prospectus contains important information about matters to be acted upon at the Special Meeting. Stockholders should read it carefully. The vote of stockholders is important.

In order to complete the Merger, Skinvisible stockholders must vote to approve the merger proposal and all other conditions to the Merger must be satisfied or waived.

Stockholders are encouraged to vote as soon as possible after carefully reviewing this proxy statement/prospectus. If Skinvisible stockholders fail to adopt the merger proposal, the Merger cannot be completed.

Q: Why am I receiving this proxy statement?

A: The board of directors of Skinvisible is soliciting your proxy to vote at the Special Meeting because you owned shares of Skinvisible common stock at the close of business on [ ], 2018, the "Record Date" for the Special Meeting, and are therefore entitled to vote at the Special Meeting. This proxy statement, along with a proxy card or a voting instruction card, is being mailed to stockholders on or about [ ], 2018. Skinvisible has made these materials available to you on the Internet, and Skinvisible has delivered printed proxy materials to you or sent them to you by e-mail. This proxy statement summarizes the information that you need to know in order to cast your vote at the Special Meeting. You do not need to attend the Special Meeting in person to vote your shares of Skinvisible common stock.

Q: On what matters will I be voting?

A: The Merger — Skinvisible stockholders are being asked to consider and vote upon a proposal to adopt and approve an Agreement and Plan of Merger and Reorganization (the "Merger Agreement") dated March 26, 2018 by and among Quoin Pharmaceuticals, Inc. ("Quoin"), Skinvisible and Skinvisible's wholly owned subsidiary, Quoin Merger Sub, Inc. ("Merger Sub"). A copy of the Merger Agreement, as amended, is attached to this proxy statement as Annex A, and Skinvisible encourages its stockholders to read it in its entirety.

The Reverse Split — Skinvisible's stockholders are also being asked to consider and vote upon a proposal to approve a reverse split of Skinvisible's issued outstanding stock by a ratio of not less than one-for-ten and not more than one-for-one hundred, with the exact ratio to be set at a whole number within this range as determined by Skinvisible's board of directors in its sole discretion.

Name Change. Skinvisible's stockholders are also being asked to consider and vote upon a proposal to approve an amendment to Skinvisible's Articles of Incorporation to change the name of Skinvisible, Inc. after the effective date of the Merger to "Quoin Pharmaceuticals, Inc.

The Adjournment Proposal — Skinvisible's stockholders may also be asked to consider and vote upon a proposal to adjourn the meeting to a later date or dates to permit further solicitation and vote of proxies if, based upon the tabulated vote at the time of the Special Meeting, Skinvisible would not have been authorized to consummate the Merger.

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Proposal No. 1 — The Merger

Q: Why is Skinvisible proposing the Merger?

A: In evaluating the Merger Agreement and the transactions contemplated thereby and recommending that Skinvisible's stockholders vote in favor of approval of the Merger Agreement and the transactions contemplated thereby, Skinvisible's board of directors, in consultation with Skinvisible's senior management and outside legal counsel, concluded that the other strategic alternatives available to Skinvisible, such as continuing to operate as an independent company and pursuing its strategic plan and the possibility of growing its business through acquisitions and internal growth, was less attractive than Quoin's proposal to Skinvisible's stockholders. Skinvisible believes that a business combination with Quoin as contemplated by the Merger Agreement described below will provide Skinvisible stockholders with an opportunity to participate in a company with significant growth potential.

Q: What will Skinvisible stockholders retain if the Merger is completed?

A: Subject to the terms of the Merger Agreement, at the effective time of the Merger, Quoin stockholders will receive a number of newly issued shares of Skinvisible common stock determined using the exchange ratio described below in exchange for their shares of Quoin stock.

Following the Merger, stockholders of Quoin will become the majority owners of Skinvisible.

At the Effective Time, all outstanding shares of Quoin common stock will be converted solely into the right to receive a number of shares of Skinvisible common stock such that the holders of outstanding equity of Quoin immediately prior to the Effective Time will own approximately 72.5% of the outstanding equity of Skinvisible immediately following the Effective Time and holders of outstanding equity of Skinvisible immediately prior to the Effective Time will own approximately 27.5% of the outstanding equity of Skinvisible immediately following the Effective Time, which ratio we refer to herein as the "Exchange Ratio."

Skinvisible is required, within 30 business days after the execution of the Merger Agreement to use its commercially reasonable efforts to enter into one or more agreements to cause certain of its indebtedness to be converted into Skinvisible common stock immediately prior to the Effective Time.

If such agreements are not executed, the Exchange Ratio will be revised to cause the percentage of the outstanding equity of Skinvisible immediately following the Effective Time to be held by holders of the outstanding equity of Skinvisible immediately prior to the Effective Time to be reduced from approximately 27.5% to a percentage equal to (i) 27.5% minus (ii) the product of (x) 0.000004 and (y) the amount of the such remaining indebtedness. If none of Skinvisible's indebtedness is converted, holders of the outstanding equity of Skinvisible will de diluted from 27.5% to 10.64%.

Q: What will the business of the combined company be if the Merger is consummated?

A: Following the Merger, the combined company intends to pursue commercialization of Quoin's two lead products. In addition, the combined company will continue to pursue commercial opportunities for products developed by Skinvisible prior to the merger. The combined company also intends to leverage Skinvisible's Invisicare technology as a potential delivery system for the Quoin products intended to be developments by the combined company.

Quoin is a pre-clinical, specialty pharmaceutical company dedicated to developing products that help address major societal issues including the opioid epidemic and the military veteran suicide rate. Quoin's two lead products are expected to be different applications of a single NMDA receptor antagonist delivered transdermally. QRX001 is a single use transdermal patch designed to provide up to 72 hours of effective post-operative analgesia whilst significantly reducing opioid consumption. Quoin intends to apply for Breakthrough Therapy designation for QRX001. Quoin's second product, QRX002 is a once-daily transdermal for the treatment of military related PTSD with suicidal ideation. Quoin believes QRX002 could be the first product approved to treat this major unmet medical need and could be a candidate for both Orphan Drug and Breakthrough Therapy Status. Quoin has been engaged in discussions with the US Department of Veteran Affairs (VA) for the clinical development of QRX002. Two of the VA's leading researchers into military veteran suicides have been appointed as Principal Investigators (PI's) for QRX002 for this indication. The clinical program will be conducted at various VA facilities across the country under the supervision of the Principal Investigators. Quoin believes this arrangement will greatly increase the efficiency and cost effectiveness of the clinical program for QRX002. In addition, Quoin has two additional products that it plans to begin the development of for opioid addiction and chronic pain. Clinical testing for these products may also be conducted at VA facilities. Quoin expects to generate clinical data for QRX001 and QRX0002 within 12-18 months of the Effective date of the merger.

It is important to note that no formal written agreement has been entered into with the VA and neither the VA nor are the PI's are obligated to participate in the clinical studies. All costs for clinical studies will be borne by Quoin with no financial assistance from the VA.

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Q: What will the management of the combined company be if the Merger is consummated?

A: Following the consummation of the Merger, the combined company's board of directors is expected to consist of six members from Quoin, which is expected to include Dr. Michael Myers and Denise Carter, who are currently directors and officers of Quoin, and [ ]. Two independent directors, Dr. Dennis Langer and Mr. Peter Lankau, will be appointed immediately following the merger. Both Dr. Langer and Mr. Lankau are experienced pharmaceutical executives who currently sit on the boards of other private and publicly traded companies. Quoin plans to appoint two additional directors to its board of directors within a few months of the merger closing. The combined company, led by Quoin's management team, is expected to be named "Quoin Pharmaceuticals, Inc."

Q: Are there risks associated with the Merger that I should consider in deciding how to vote?

A: Yes. There are a number of risks related to the Merger that are discussed in this proxy statement/prospectus. Please read with particular care the detailed description of the risks described in "Risk Factors" beginning on page [ ] of this proxy statement.

Q. What happens if the Merger Proposal is approved but some if not all of the other proposals are not approved?

A: The Merger Proposal would be approved; approval of no one proposal is conditioned on the approval of all or any of the other proposals.

Q: When do you expect the Merger to be completed?

A: We are working to complete the Merger as quickly as possible, and we expect to complete the Merger in June of 2018. However, Skinvisible cannot assure you when or if the Merger will occur. The Merger is subject to stockholder approvals and other conditions, and it is possible that factors outside the control of both Skinvisible and Quoin could result in the Merger being completed at a later time, or not at all.

Q. What happens if not all of the Proposals are approved?

A: Approval of no one proposal is conditional on the approval of all or any of the other proposals.

Q: Are Skinvisible stockholders entitled to appraisal rights?

A: No. Skinvisible stockholders do not have appraisal rights in connection with the Merger or any of the other proposals included in this proxy statement under the Nevada Revised Statutes (the "NRS").

Proposal No. 2 — The Reverse Split

Q. Why is Skinvisible proposing the Reverse Split?

A. Skinvisible's board of directors has adopted resolutions (i) declaring that filing an amendment to Skinvisible's Articles of Incorporation to effect the Reverse Split of Skinvisible's issued and outstanding common stock was advisable, and (ii) directing that a proposal to approve the Reverse Split be submitted to the holders of Skinvisible's common stock for their approval. The Reverse Split of Skinvisible's issued and outstanding common stock will be effected by a ratio of not less than one-for-ten and not more than one-for-one hundred, with the exact ratio to be set at a whole number within this range as determined by Skinvisible's board of directors in its sole discretion.

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Skinvisible's board of directors believes that the Reverse Split is in the best interest of Skinvisible. A Reverse Split typically will initially result in an increase in the price per share of Skinvisible's common stock. The Board believes that an increased stock price may encourage investor interest and improve the marketability and liquidity of Skinvisible's common stock. In addition, Skinvisible may in the future seek a listing on a national exchange, for which a higher stock price than the current price will be required. Because of the trading volatility often associated with low-priced stocks, many brokerage firms and institutional investors have internal policies and practices that either prohibit them from investing in low-priced stocks or tend to discourage individual brokers from recommending low-priced stocks to their customers. Some of those policies and practices may function to make the processing of trades in low-priced stocks economically unattractive to brokers and investors. Skinvisible's board of directors believes that the anticipated higher market price resulting from a Reverse Split may reduce, to some extent, the negative effects on the liquidity and marketability of the common stock inherent in some of the policies and practices of institutional investors and brokerage firms described above. Additionally, because brokers' commissions on low-priced stocks generally represent a higher percentage of the stock price than commissions on higher-priced stocks, the current average price per share of Skinvisible's common stock can result in individual stockholders paying transaction costs representing a higher percentage of their total share value than would be the case if the share price were substantially higher.

Proposal No. 3 —Change the Name of Skinvisible after the Effective Date of the Merger to "Quoin Pharmaceuticals, Inc."

Q. Why is Skinvisible proposing to change the name of Skinvisible after the effective date of the Merger to "Quoin Pharmaceuticals, Inc."?

A: Further to the Merger Agreement, the name of Skinvisible after the effective date of the Merger will become "Quoin Pharm Inc. An amendment to Skinvisible's Articles of Incorporation is required to effect the name change.

The board of directors believes that changing the name of the combined company to Quoin Pharmaceuticals better reflects t direction and focus of the combined company, which will not be focused solely on dermatological products as the name Ski suggests.

The Federal Trade Commission ("FTC") adopted Guides Concerning the Use of Endorsements and Testimonials in ("Guides") on October 5, 2009. The Guides recommend that advertisers and publishers clearly disclose in third-party e made online, such as in social media, if compensation was received in exchange for said endorsements. Because ou connects endorsers and advertisers, relies on endorsers sharing their brand endorsements within their digital social circle we and endorsers may earn cash and other incentives, any failure on our part to comply with the Guides may be damag business. We are currently taking several steps to ensure that our endorsers indicate in social media posts that compensati provided to the endorsers, including by listing the phrase "paid" or "ad" or other appropriate language in advertise endorsers circulate on social media. We also advise endorsers of the need to comply with the Guides, and we can terminat with endorsers for noncompliance. Nonetheless, the FTC could potentially identify a violation of the Guides, which could to a financial penalty or loss of endorsers or advertisers.

In the area of information security and data protection, many states have passed laws requiring notification to users whe security breach for personal data, such as the 2002 amendment to California's Information Practices Act, or requiring the minimum information security standards that are often vaguely defined and difficult to practically implement. Th compliance with these laws may increase in the future as a result of changes in interpretation. Furthermore, any failure on comply with these laws may subject us to significant liabilities.

We are also subject to federal, state, and foreign laws regarding privacy and protection of member data. Any failure by us with these privacy-related laws and regulations could result in proceedings against us by governmental authorities or oth could harm our business. In addition, the interpretation of data protection laws, and their application to the Internet is unc a state of flux. There is a risk that these laws may be interpreted and applied in conflicting ways from state to state, country, or region to region, and in a manner that is not consistent with our current data protection practices. Complying varying international requirements could cause us to incur additional costs and change our business practices. Further, any us to adequately protect our members' privacy and data could result in a loss of member confidence in our services and ult loss of members and customers, which could adversely affect our business.

We post on our website our privacy policy and user agreement, which describe our practices concerning the use, transm disclosure of member data. Any failure by us to comply with our privacy policy and user agreement could result in pr against us by members, customers, governmental authorities or others, which could harm our business.

Many states have passed laws requiring notification to subscribers when there is a security breach of personal data. There number of legislative proposals pending before the United States Congress, various state legislative bodies and foreign go concerning data protection. In addition, data protection laws in Europe and other jurisdictions outside the United States ma restrictive, and the interpretation and application of these laws are still uncertain and in flux. It is possible that these la interpreted and applied in a manner that is inconsistent with our data practices. If so, in addition to the possibility of fines, result in an order requiring that we change our data practices, which could have an adverse effect on our business. Furthe Digital Millennium Copyright Act has provisions that limit, but do not necessarily eliminate, our liability for linking to websites that include materials that infringe copyrights or other rights, so long as we comply with the statutory requireme Act. Complying with these various laws could cause us to incur substantial costs or require us to change our business pr manner adverse to our business.

The CARD Act, as well as the laws of most states, contains provisions governing product terms and conditions of gift certificates, stored value or prepaid cards or coupons ("prepaid cards"). The CARD Act and its implementing regulation prepaid cards located in Regulation E are administered by the Consumer Financial Protection Bureau (the "CFPB"), which as a result of the enactment of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank

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The reloadable branded Visa debit cards provided to endorsers are prepaid cards that fall under the jurisdiction of the addition, the Company is indirectly subject to supervision by the appropriate Federal banking regulator of the bank that reloadable branded Visa debit cards. In addition, certain state and foreign jurisdictions have laws that govern disclosure product terms and conditions, including restrictions on expiration dates and fees that may apply to reloadable branded cards. However, the CARD Act and its implementing regulations, as well as a number of states and certain foreign jurisdic have exemptions from the operation of these provisions or otherwise modify the application of these provisions applicable cards that are issued as part of a loyalty, award or promotional program.

We believe that the reloadable branded Visa debit cards used in this program fall within the exemption under the CAR loyalty, award or promotional programs contained in Regulation E because the cards are part of a referral program that certain limitations provides prepaid cards in exchange for referring other potential consumers to a merchant, the cards are r at any place Visa debit cards are accepted and the cards and other materials contain required disclosures set forth in the C provisions in Regulation E. However, regardless of an exemption for the reloadable branded Visa debit cards under the C and its implementing regulations, in those states that prohibit or otherwise restrict expiration dates on prepaid cards that are include our reloadable branded Visa debit cards and do not have exemptions that apply to our Visa debit cards, the r branded Visa debit cards used in our program may be required to be honored for full value until redeemed.

In addition, some states and foreign jurisdictions also include prepaid cards under their unclaimed and abandoned pro which require companies to remit to the government the value of the unredeemed balance on the prepaid cards after a speci of time (generally between one and five years) and subject companies to certain reporting and recordkeeping obligations.

Various federal laws, such as the Bank Secrecy Act and the USA PATRIOT Act, impose certain anti-money laundering re on companies that are financial institutions. These laws are designed to prevent the U.S. financial system from being used money generated from illegal conduct, such as illegal drug smuggling, as well as terrorist financing. For these purposes institutions" is broadly defined and includes "providers of prepaid access" and "sellers of prepaid access" such as prepai Visa debit cards. Examples of anti-money laundering requirements imposed on financial institutions include customer ide and verification programs, record retention policies and procedures, transaction monitoring and reporting, and reporting activities to law enforcement. The Financial Crimes Enforcement Network ("FinCEN"), a division of the U.S. Treasury tasked with implementing the requirements of the Bank Secrecy Act and the USA PATRIOT Act, published a final rule o 2011 setting forth the scope and requirements for certain parties involved in prepaid cards, but also extended the date for c with most aspects of the final rule until March 31, 2012. We have commenced discussions with the entities that assist us our reloadable branded Visa debit cards to our endorser and believe we will be able to amend our agreements with these pa to the March 31, 2012 effective date to, among other things, establish that these third parties (rather than us) are the "p prepaid access" under the FinCEN final rule, which will subject them (rather than us) to the Bank Secrecy Act program requirements discussed above and require them (rather than us) to register with FinCEN as a money services busi agreements with our vendors also include other terms that we believe protect us from being deemed a "seller of prepaid example, they are limited to $5,000 in transactions per person and per day and the program requires that complete c information be provided for each card issued at the time of issuance, including name, address, home phone number (if avail of birth and social security number. Accordingly, the Company is not a "provider" or "seller" of prepaid access subject Secrecy Act and USA Patriot Act laws and regulations based on our agreement with our vendor and our role with res distribution of the cards to customers.

In addition, foreign laws and regulations, such as the European Directive on the prevention of the use of the financial syst purpose of money laundering and terrorist financing, impose certain anti-money laundering requirements on compani financial institutions or that provide financial products and services. Although we do not believe we are a financial ins otherwise subject to these laws and regulations, it is possible that we could be considered a financial institution or p financial products.

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Our endorsers communicate across email, mobile, social and/or web-based channels. These communications are gov variety of U.S. federal, state, and foreign laws and regulations. With respect to email campaigns, for example, in the Uni the Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003, or the CAN-SPAM Act, establis requirements for the distribution of "commercial" email messages for the primary purpose of advertising or promoting a product, service, or Internet website and provides for penalties for transmission of commercial email messages that are i deceive the recipient as to source or content or that do not give opt-out control to the recipient. The U.S. Federal Trade Co a federal consumer protection agency, is primarily responsible for enforcing the CAN-SPAM Act, and the U.S. Dep Justice, other federal agencies, state attorneys general, and Internet service providers also have authority to enforce ce provisions.

The CAN-SPAM Act's main provisions include:

§ prohibiting false or misleading email header information;

§ prohibiting the use of deceptive subject lines;

§ ensuring that recipients may, for at least 30 days after an email is sent, opt out of receiving future commercial email mes the sender, with the opt-out effective within 10 days of the request;

§ requiring that commercial email be identified as a solicitation or advertisement unless the recipient affirmatively assente receiving the message; and

§ requiring that the sender include a valid postal address in the email message.

The CAN-SPAM Act preempts most state restrictions specific to email marketing. However, some states have passed laws commercial email practices that are significantly more punitive and difficult to comply with than the CAN-SPAM Act, p Utah and Michigan, which have enacted do-not-email registries listing minors who do not wish to receive unsolicited c email that markets certain covered content, such as adult content or content regarding harmful products. Some portions of laws may not be preempted by the CAN-SPAM Act.

Violations of the CAN-SPAM Act's provisions can result in criminal and civil penalties, including statutory penalties based in part upon the number of emails sent, with enhanced penalties for commercial email senders who harvest email add dictionary attack patterns to generate email addresses, and/or relay emails through a network without permission.

With respect to text message campaigns, for example, the CAN-SPAM Act and regulations implemented by the U. Communications Commission pursuant to the CAN-SPAM Act, and the Telephone Consumer Protection Act, also kn

Federal Do-Not-Call law, among other requirements, prohibit companies from sending specified types of commercial tex
unless the recipient has given his or her prior express consent.

We, our endorsers and our advertisers may all be subject to various provisions of the CAN-SPAM Act. If we are found to
to the CAN-SPAM Act, we may be required to change one or more aspects of the way we operate our business.

If we were found to be in violation of the CAN-SPAM Act, other federal laws, applicable state laws not preemp
CAN-SPAM Act, or foreign laws regulating the distribution of commercial email, whether as a result of violations by our
or any determination that we are directly subject to and in violation of these requirements, we could be required to pay
which would adversely affect our financial performance and significantly harm our reputation and our business.

In addition, because our services are accessible worldwide, certain foreign jurisdictions may claim that we are required
with their laws, including in jurisdictions where we have no local entity, employees, or infrastructure.

ITEM 1A. Risk Factors.

*Investing in our common stock involves a high degree of risk. Before investing in our common stock, you should carefull
the risks described below and the financial and other information included in this Annual report. If any of the following ri
other risks not described below, actually occur, it is likely that our business, financial condition, and/or operating result
materially adversely affected. In such case, the trading price and market value of our common stock could decline and yo
part or all of your investment in our common stock. The risks and uncertainties described below include forward-looking
and our actual results may differ from those discussed in these forward-looking statements.*

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Risks Relating to our Business

We have a history of losses which may continue, which may negatively impact our ability to achieve our business objecti

We incurred net losses of $5,114,948 and $1,834,900 for the years ended December 31, 2012 and December 31, 2011, re As of December 31, 2012, we had a stockholders' deficit of $78,413. While a significant portion of the loss is attribute non-cash equity compensation expense, we cannot assure you that we can achieve or sustain profitability on a quarterly basis in the future. Our operations are subject to the risks and competition inherent in the establishment of a business enter relatively new and volatile market for product marketing and branding through social media communities. Revenues and any, will depend upon various factors, including whether we will be able to continue expansion of our revenue model. W achieve our business objectives and the failure to achieve such goals would have an adverse impact on us.

We have a limited operating history and if we are not successful in continuing to grow our business, then we may ha back or even cease our ongoing business operations.

We have a limited operating history. Our operations will be subject to all the risks inherent in the establishment of a d enterprise and the uncertainties arising from the absence of a significant operating history. We have nominal reve operations and limited assets. We have yet to generate positive earnings and there can be no assurance that we will ev profitably. If our business plan is not successful, and we are not able to operate profitably, investors may lose some or investment in our company.

We will need additional capital to fund our operations.

As of December 31, 2012, we have 8% debentures in the aggregate principal amount of $465,000 which are currently past These debentures are secured by a first priority security interest in all of our assets. Our inability to satisfy these obligation demand by the lender may subject us to costly litigation and adversely affect our business, financial condition and results o operations. In the event that the lender declares these 8% debentures to be in default, the lender shall have all rights and re a secured party under the UCC, including but not limited to, taking possession of and/or selling the collateral in order to sa outstanding obligations. We are currently in discussions with the lender regarding a further extension of the 8% debentures, we can provide no assurance that such extension will be granted, and if granted, on terms acceptable to us. We will require capital to satisfy our outstanding debt obligations, fund the anticipated expansion of our business and to pursue targeted rev opportunities. We cannot assure you that we will be able to raise additional capital. If we are able to raise additional capital not know what the terms of any such capital would be. In addition, any future sale of our equity securities would dilute the and control of our current stockholders and could be at prices substantially below prices at which our shares currently trade inability to raise capital could require us to significantly curtail or terminate our operations.

Our failure to manage growth effectively could impair our business.

Our business strategy envisions a period of rapid growth that may put a strain on our administrative, operational resources funding requirements. Our ability to effectively manage growth will require us to continue to expand the capabilities of our operational and management systems and to attract, train, manage and retain qualified personnel. There can be no assurance will be able to do so, particularly if losses continue and we are unable to obtain sufficient financing. If we are unable to suc manage growth, our business, prospects, financial condition, and results of operations could be adversely affected.

The markets that we are targeting for revenue opportunities may change before we can access them.

The markets for social media and mobile web products and services that we are targeting for revenue opportunities are rapidly and are being pursued by many other companies, and the barriers to entry are relatively low. We cannot provide that we will be able to realize our targeted revenue opportunities before they change or before other companies dominate t With the introduction of new technologies and the influx of new entrants to the market, we expect competition to persist an in the future, which could harm our ability to increase sales, limit client attrition and maintain our prices.

We operate within a highly competitive and complex market, which could have an adverse effect on our business.

Product advertising, marketing, awareness and branding through social media sites is an extremely competitive and fr industry. The industry can be significantly affected by many factors, including changes in local, regional, and national conditions, changes in consumer preferences, brand name recognition, marketing and the development of new and c products or new social media companies. We expect that existing businesses that compete with us and have greater resources than us will be able to undertake more extensive marketing campaigns and more aggressive advertising strategi thereby generating more attention to their companies. These competitive pressures could have a material adverse eff business, prospects, financial condition, and results of operations.

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Future competitive technology for advertising, branding and awareness campaigns in the mobile device market may r technology obsolete.

Newer technology may render our technology obsolete which would have a material adverse effect on our business and operations. In addition, in order to adapt to new technology, we may be required to collaborate with third parties to de deploy our services, and we may not be able to do so on a timely and cost-effective basis, if at all.

We may not be able to adequately protect our proprietary rights, which would have an adverse effect on our ability to co conduct our business.

We rely on our proprietary rights to deliver our platform. To protect our proprietary rights, we rely on a combination of trade secret laws, confidentiality agreements, and protective contractual provisions. Despite these efforts, our patents and i property relating to our business may not provide us with adequate protection of our platform or any competitive advantage

Our issued patent may be subject to challenge and possibly invalidated by third parties. Changes in either the patent law interpretations of patent laws in the United States or other countries may diminish the value of our intellectual property.

We own three patent applications in the United States. We cannot assure that these patent applications will be issued, in v part, as patents. Patent applications in the United States are maintained in secrecy until the patents are published or issu publication of discoveries in the scientific or patent literature tends to lag behind actual discoveries by several months, we certain that we are the first creator of the inventions covered by pending patent applications.

The status of patents involves complex legal and factual questions and the breadth of claims allowed is uncertain. Accor cannot be certain that the patent applications that we file will actually afford protection against competitors with similar te Others may independently develop similar or alternative products and technologies that may be outside the scope of our i property. In addition, patents issued to us may be infringed upon or designed around by others and others may obtai patents that we need to license or design around, either of which would increase costs and may adversely affect our operatio

Further, effective protection of intellectual property rights may be unavailable or limited in some foreign countries. Our i adequately protect our proprietary rights would have an adverse impact on our ability to competitively market our pla world-wide basis.

We also rely on trade secrets law to protect our technology. Trade secrets, however, are difficult to protect. While we b
we use reasonable efforts to protect our trade secrets, our own or our strategic partners' employees, consultants, cor
advisors may unintentionally or willfully disclose our information to competitors. We seek to protect this informatio
through the use of non-disclosure and confidentiality agreements with employees, consultants, advisors, and othe
agreements may be breached, and we may not have adequate remedies for a breach. In addition, we cannot ensure
agreements will provide adequate protection for our trade secrets, know-how or other proprietary information or pre
unauthorized use or disclosure.

If our trade secrets become known to competitors with greater experience and financial resources, the competitors may c
our trade secrets and other proprietary information in the advancement of their products, methods or technologies. If v
prosecute a claim that a third party had illegally obtained and was using our trade secrets, it could be expensive and time c
and the outcome could be unpredictable. In addition, courts outside the United States are sometimes less willing to pro
secrets than courts in the United States. Moreover, if our competitors independently develop equivalent knowledge, we v
any contractual claim to this information, and our business could be harmed.

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To the extent that consultants and key employees apply technological information independently developed by them or b
our potential products, disputes may arise as to the proprietary rights of the information, which may not be resolved in
Consultants and key employees that work with our confidential and proprietary technologies are required to assign all i
property rights in their discoveries to us. However, these consultants and key employees may terminate their relationsh
and we cannot preclude them indefinitely from dealing with our competitors.

***We could become involved in intellectual property disputes that create a drain on our resources and could ultimately i
assets.***

We do not knowingly infringe on patents, copyrights or other intellectual property rights owned by other parties; howe
event of an infringement claim, we may be required to spend a significant amount of money to defend a claim,
non-infringing alternative or to obtain licenses. We may not be successful in developing such an alternative or obtaining l
reasonable terms, if at all. Any litigation, even if without merit, could result in substantial costs and diversion of our res
could materially and adversely affect our business and operating results.

Third-party intellectual property rights in our field are complicated and continuously evolving. We have not performed s
third-party intellectual property rights that may raise freedom-to-operate issues, and we have not obtained legal opinions
commercialization of our potential products. As such, there may be existing patents that may affect our ability to commer
potential products.

In addition, because patent applications are published up to 18 months after their filing, and because applications can ta
years to issue, there may be currently pending third-party patent applications that are unknown to us, which may later resu
patents that result in challenges to our use of intellectual property.

If a third-party claims that we infringe on its patents or other proprietary rights, we could face a number of issues that coul
harm our competitive position, including:

- infringement claims, with or without merit, which can be costly and time consuming to litigate, delay any regulator
process and divert management's attention from our core business strategy;

- substantial damages for past infringement, which we may have to pay if a court determines that our products or te
infringe upon a competitor's patent or other proprietary rights; and

- a court order prohibiting us from commercializing our potential products or technologies unless the holder licenses
or other proprietary rights to us, which such holder is not required to do.

Our dependence on the continued growth in the use of the web and mobile smartphone networking could adversely results of operations.

Our business depends on consumers continuing to increase their use of the mobile smartphone for social networking product content, reward type offers as well as for conducting commercial transactions. The rapid growth and use of the s as an information conduit is a relatively recent phenomenon. As a result, the acceptance and use of smartphones may not c develop at historical rates. Mobile web usage may be inhibited for a number of reasons, such as inadequate network infr security concerns, inconsistent quality of service and availability of cost-effective, high-speed service or smart mobile devic

If mobile web usage grows, the mobile Internet infrastructure may not be able to support the demands placed on it by this its performance and reliability may decline. In addition, websites and mobile networks have experienced interruptions in th as a result of outages and other delays occurring throughout the Internet and mobile network infrastructure. If these ou delays occur frequently in the future, web usage, as well as usage of our website, could grow more slowly or decline, w adversely affect our results of operations.

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If we are unable to establish and maintain strategic relationships with advertisers or are unable to attract users to e advertisers' products, our business could be adversely affected.

We depend on establishing and maintaining relationships with advertisers and matching users with advertisers' pro significant portion of our traffic. Our mobile advertising platform matches advertisers with their target customers through mobile devices and social media psychology. To initiate an advertising campaign on our platform, an advertiser req matched with a group of our subscribers that meet their target demographic and interest criteria. Consumers' tastes may c may become difficult to match advertisers' products with consumer tastes. In addition, we may not be able to establish relationships with advertisers.

Currently, we have only a small number of paying advertisers. We are continuing to evaluate our pricing strategies proposition to both the advertiser and endorser communities. As such, we are very early in creation of brand awareness recognition. Due to these factors as well as current and future competition from startups as well as large existing so search, or other well-known brands, we cannot guarantee that we will be successful in growing our business. In additio have conducted hundreds of limited launch programs to date, it is not certain that people will be willing to participate a due to their perception of our offering being spam, annoying or lacking value to themselves or their social circles for platform is intended.

Difficulty accommodating increases in the number of users of our services and Internet service problems outside of o ultimately could result in the reduction of users.

Our platform must accommodate a high volume of traffic and deliver frequently updated information. Our platform may i experience slower response times or other problems for a variety of reasons. In addition, our platform could experience or interruptions in service due to the failure or delay in the transmission or receipt of this information. In addition, our us on Internet service providers, online service providers and other website operators for access to our platform. Each o experienced significant outages in the past, and could experience outages, delays and other difficulties due to syst unrelated to our systems.

Given our early stage of development, we are still developing our regulatory compliance program and our failure to co existing and future regulatory requirements could adversely affect our business, results of operations and financial con

Aspects of the digital marketing and advertising industry and how our business operates are highly regulated. We are s number of domestic and, to the extent our operations are conducted outside the U.S., foreign laws and regulations companies conducting business on the Internet and through other electronic means, many of which are still evolving an interpreted in ways that could harm our business. In particular, we are subject to rules of the Federal Trade Commission

Federal Communications Commission (“FCC”) and potentially other federal agencies and state laws related to our advert
and methods, the Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003, or CAN-SPAM A
establishes certain requirements for commercial electronic mail messages and specifies penalties for the transmission of c
electronic mail messages that follow a recipient’s opt-out request or are intended to deceive the recipient as to source
federal and state regulations covering the treatment of member data that we collect from endorsers, and federal and state ru
to our use of prepaid Visa debit cards to compensate our endorsers.

U.S. and foreign regulations and laws potentially affecting our business are evolving frequently. We are, and will continu
and improve our regulatory compliance features and functionality, and we will need to continue to identify and determ
effectively comply with all the regulations to which we are subject now or in the future. If we are unable to identify all reg
which our business is subject and implement effective means of compliance, we could be subject to enforcement actions, la
penalties, including but not limited to fines and other monetary liability or injunction that could prevent us from ope
business or certain aspects of our business. In addition, compliance with the regulations to which we are subject now or in
may require changes to our products or services, restrict or impose additional costs upon the conduct of our business or cau
abandon material aspects of our services. Any such action could have a material adverse effect on our business, results of
and financial condition.

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Existing federal, state and foreign laws regulating email and text messaging marketing practices impose certain obligati senders of commercial emails and text messages, which could minimize the effectiveness of our on-demand software o our operating expenses to the extent financial penalties are triggered.

The Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003, or CAN-SPAM Act, establish requirements for commercial email messages and specifies penalties for the transmission of commercial email messag intended to deceive the recipient as to source or content. The CAN-SPAM Act, among other things, obligates the commercial emails, and someone who initiates commercial emails, to provide recipients with the ability to opt out of recei emails from the sender. In addition, some states have passed laws regulating commercial email practices that are signific punitive and difficult to comply with than the CAN-SPAM Act, particularly Utah and Michigan, which have enacted do registries listing minors who do not wish to receive unsolicited commercial email that markets certain covered content, su content or content regarding harmful products. Some portions of these state laws may not be preempted by the CAN-SPAM our endorsers and our advertisers may all be subject to various provisions of the CAN-SPAM Act. If we are found to be the CAN-SPAM Act, we may be required to change one or more aspects of the way we operate our business, inc eliminating the option for endorsers to send emails containing our advertisers' messages or by not allowing endorsers compensation directly or indirectly as a result of distributing emails containing our advertisers' messages.

If we were found to be in violation of the CAN-SPAM Act, other federal laws, applicable state laws not preemp CAN-SPAM Act, or foreign laws regulating the distribution of commercial email, whether as a result of violations by our or any determination that we are directly subject to and in violation of these requirements, we could be required to pay which would adversely affect our financial performance and significantly harm our reputation and our business.

Information technology, network and data security risks could harm our business.

Our business faces security risks. Our failure to adequately address these risks could have an adverse effect on our bu reputation. Computer viruses, break-ins, or other security problems could lead to misappropriation of proprietary inform interruptions, delays, or cessation in service to our customers.

We could be subject to enforcement action or civil liability under federal and state law regarding privacy and the use ar of personal information.

Our business model includes the collection of certain personal information from our endorsers. Federal and state pri regulate the circumstances under which we may use or share this information. We take steps to ensure our compliance laws, and we take steps to ensure compliance by those with whom we share personal information through non-disclosure a and contract provisions. Nonetheless, we may be subject to federal or state governmental enforcement action or civil lit improper use or sharing of personal identifying information. This risk could result in substantial costs to our business and and adversely affect our business and operating results. Further, if any party overcomes our physical, electronic, and p safeguards implemented to protect personal information, we may be subject to federal or state governmental enforcemen civil litigation for inadequately protecting personal identifying information.

Our business method relies heavily on circulating endorsements, including through social media, which if conducted in could subject our business to liability under Federal Trade Commission regulations.

The Federal Trade Commission ("FTC") adopted Guides Concerning the Use of Endorsements and Testimonials in ("Guides") on October 5, 2009. The Guides recommend that advertisers and publishers clearly disclose in third-party e made online, such as in social media, if compensation was received in exchange for said endorsements. Because ou connects endorsers and advertisers, relies on endorsers sharing their brand endorsements within their digital social circles we and endorsers may earn cash and other incentives, the Guides may be relevant to our business.

We are currently taking several steps to ensure that our endorsers or other appropriate language indicate in so posts that compensation is being provided to the endorsers. First, the media content provided to endorsers includes the phr "ad." Our system generally provides for endorsers to post advertising content on social media in the exact form provided. would have to take steps to individually modify the content provided in order to delete the phrase "paid" or "ad." registering as endorsers with us, endorsers are required to agree to abide by the terms and conditions regarding the use of o and mobile platform. These terms and conditions specifically require compliance with the FTC Guides regarding paid end and contain other, general prohibitions against deceptive posts. The terms and conditions also allow us to terminate an access to the system at any time for non-compliance with the terms and conditions, and it is our policy to terminate the a endorsers for noncompliance with the Guides. Nonetheless, the FTC could potentially identify a violation of the Guides, w subject us to a financial penalty or loss of endorsers or advertisers.

If we do not develop new and enhanced services and features, we may not be able to attract and retain a sufficient r users.

We believe that our platform will be more attractive to advertisers if we develop a larger audience comprised of demog favorable subscribers. Accordingly, we intend to introduce additional or enhanced services in the future in order to reta users and attract new users. If we introduce a service that is not favorably received, the current users may not continue service as frequently. New users could also choose a competitive service over ours.

We may also experience difficulties that could delay or prevent us from introducing new services. Furthermore, these ser contain errors that are discovered after the services are introduced. We may need to significantly modify the design of thes on our website to correct these errors. Our business could be adversely affected if it experiences difficulties in introd services or if users do not accept these new services.

The laws concerning reloadable branded Visa debit cards are evolving, which could have an adverse effect on our busin

Federal, state and foreign laws related to the issuance of reloadable branded Visa debit cards are evolving and the impleme the Credit Card Accountability, Responsibility, and Disclosure Act (the "CARD Act"), the Bank Secrecy Act and the US Act as well as increasing government focus in this area could increase our costs of compliance or subject us to go enforcement actions or lawsuits that could result in penalties, fines, damages and defense costs. Confusion exists rega these laws will be interpreted, applied and enforced among the various entities that assist us with providing reloadable bra debit cards to endorsers. These costs and the ongoing uncertainty could cause us to change our business model for endorsers, which could have a material adverse effect on our business and results of operations.

Risks Relating to Our Common Stock

We are subject to the reporting requirements of federal securities laws, which can be expensive and may divert resou other projects, impairing our ability to grow.

We are subject to the information and reporting requirements of the Securities Exchange Act of 1934, as amended, and ot securities laws, including compliance with the Sarbanes-Oxley Act of 2002. The costs of preparing and filing annual and reports, proxy statements and other information with the Securities and Exchange Commission and furnishing audited stockholders will cause our expenses to be higher than they would be if we remained privately held.

It may be time consuming, difficult and costly for us to develop and implement the internal controls and reporting p
required by the Sarbanes-Oxley Act of 2002. We will need to hire additional financial reporting, internal controls and oth
personnel in order to develop and implement appropriate internal controls and reporting procedures. If we are unable to co
the internal controls requirements of the Sarbanes-Oxley Act of 2002, then we may not be able to obtain the independent a
certifications required by such Act, which may preclude us from keeping our filings with the Securities and Exchange Co
current and interfere with the ability of investors to trade our securities and for our shares to continue to be quoted on
Bulletin Board or to list on any national securities exchange.

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If we fail to establish and maintain an effective system of internal control, we may not be able to report our financial res accurately or to prevent fraud. Any inability to report and file our financial results accurately and timely could harm ou reputation and adversely impact the trading price of our common stock.

Effective internal control is necessary for us to provide reliable financial reports and prevent fraud. If we cannot provi financial reports or prevent fraud, we may not be able to manage our business as effectively as we would if an effecti environment existed, and our business and reputation with investors may be harmed. As a result, our small size and a internal control deficiencies may adversely affect our financial condition, results of operation and access to capital. W performed an in-depth analysis to determine if historical un-discovered failures of internal controls exist, and may in discover areas of our internal control that need improvement.

Public company compliance may make it more difficult to attract and retain officers and directors.

The Sarbanes-Oxley Act of 2002 and rules implemented by the Securities and Exchange Commission have required c corporate governance practices of public companies. As a public company, we expect these rules and regulations to in compliance costs in 2013 and beyond and to make certain activities more time consuming and costly. As a public compan expect that these rules and regulations may make it more difficult and expensive for us to obtain director and office insurance and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtai or similar coverage. As a result, it may be more difficult for us to attract and retain qualified persons to serve on ou directors or as executive officers, and to maintain insurance at reasonable rates, or at all.

Because we became public by means of a reverse merger, we may not be able to attract the attention of major brokerage

There may be risks associated with us becoming public through a "reverse merger" with a shell company. Although the sh did not have recent or past operations or assets and we performed a due diligence review of the shell company, there assurance that we will not be exposed to undisclosed liabilities resulting from the prior operations of the shell company. analysts of major brokerage firms and securities institutions may also not provide coverage of us because ther broker-dealers who sold our stock in a public offering that would be incentivized to follow or recommend the purch common stock. The absence of such research coverage could limit investor interest in our common stock, resulting in liquidity. No assurance can be given that established brokerage firms will, in the future, want to cover our securities or co secondary offerings or other financings on our behalf.

Our stock price may be volatile.

The market price of our common stock is highly volatile and subject to wide fluctuations in price in response to various fac of which are beyond our control. These factors include:

- changes in our industry;
- competitive pricing pressures;
- our ability to obtain working capital financing;
- quarterly variations in our results of operations;
- changes in estimates of our financial results;
- investors' general perception of us;
- disruption to our operations;
- the emergence of new sales channels in which we are unable to compete effectively;
- commencement of, or our involvement in, litigation;
- any major change in our board or management; and
- changes in governmental regulations or in the status of our regulatory approvals.

In addition, the stock market in general, and the market for technology companies in particular, have experienced extreme volume fluctuations that have often been unrelated or disproportionate to the operating performance of those companies. T market and industry factors may seriously harm the market price of our common stock, regardless of our actual performance.

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We have not paid dividends in the past and do not expect to pay dividends in the future. Any return on investment may to the value of our common stock.

We have never paid cash dividends on our common stock and do not anticipate doing so in the foreseeable future. The p dividends on our common stock will depend on earnings, financial condition and other business and economic factors affe such time as our board of directors may consider relevant. If we do not pay dividends, our common stock may be les because a return on your investment will only occur if our stock price appreciates.

Our shares of common stock are very thinly traded, and the price may not reflect our value and there can be no assu there will be an active market for our shares of common stock either now or in the future.

Our shares of common stock are very thinly traded, only a small percentage of our common stock is available to be traded by a small number of holders and the price, if traded, may not reflect our actual or perceived value. There can be no assu there will be an active market for our shares of common stock either now or in the future. The market liquidity will be dep the perception of our operating business, among other things. We intend to take certain steps, including utilizing investor campaigns, press releases, road shows and conferences to increase awareness of our business and any steps that we mi bring us to the awareness of investors may require we compensate consultants with cash and/or stock. There can be no assu there will be any awareness generated or the results of any efforts will result in any impact on our trading volume. Con investors may not be able to liquidate their investment or liquidate it at a price that reflects the value of the business and tr be at an inflated price relative to the performance of our company due to, among other things, availability of sellers of our market should develop, the price may be highly volatile. Because there may be a low price for our shares of common st brokerage firms or clearing firms may not be willing to effect transactions in the securities or accept our shares for de account. Even if an investor finds a broker willing to effect a transaction in the shares of our common stock, the comb brokerage commissions, transfer fees, taxes, if any, and any other selling costs may exceed the selling price. Further, ma institutions will not permit the use of low priced shares of common stock as collateral for any loans.

Our common stock is a "penny stock," which makes it more difficult for our investors to sell their shares.

Our common stock is subject to the "penny stock" rules adopted under Section 15(g) of the Securities Exchange Act amended. The penny stock rules generally apply to companies whose common stock is not listed on The NASDAQ Stock other national securities exchange and trades at less than $5.00 per share, other than companies that have had average rev least $6,000,000 for the last three years or that have tangible net worth of at least $5,000,000 ($2,000,000 if the compan operating for three or more years). These rules require, among other things, that brokers who trade penny stock to persons "established customers" complete certain documentation, make suitability inquiries of investors and provide investors information concerning trading in the security, including a risk disclosure document and quote information und circumstances. Many brokers have decided not to trade penny stocks because of the requirements of the penny stock rule result, the number of broker-dealers willing to act as market makers in such securities is limited. If we remain subject to stock rules for any significant period, it could have an adverse effect on the market, if any, for our securities. If our sec subject to the penny stock rules, investors will find it more difficult to dispose of our securities.

Offers or availability for sale of a substantial number of shares of our common stock may cause the price of our comm decline.

If our stockholders sell substantial amounts of our common stock in the public market upon the expiration of any statuto period under Rule 144, it could create a circumstance commonly referred to as an “overhang,” in anticipation of which the of our common stock could fall. The existence of an overhang, whether or not sales have occurred or are occurring, also c more difficult our ability to raise additional financing through the sale of equity or equity-related securities in the future at price that we deem reasonable or appropriate.

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Our stockholders may experience substantial dilution as a result of the conversion of outstanding convertible prefer convertible debentures, convertible notes, or the exercise of options and warrants to purchase shares of our common sto

As of March 28, 2013, we have granted options to purchase 13,979,073 shares of common stock and have reserved 16,941, of our common stock for future issuance pursuant to our 2011 Long-Term Incentive Plan. We have also granted restri awards totaling 13,456,667 shares of our common stock. In addition, as of March 28, 2013, we have reserved for issuance 2 shares of our common stock for issuance upon conversion or outstanding convertible preferred stock and 32,495,755 sha common stock for issuance upon exercise of outstanding warrants. The respective exercise prices of certain of our ou warrants are also subject to anti-dilution adjustments. As of March 28, 2013, we have also reserved 3,433,333 shares of ou stock for issuance upon conversion of outstanding convertible debentures. The conversion price of our outstanding c debentures are also subject to anti-dilution adjustments. On December 12, 2012, we entered into a financial advisory a pursuant to which we agreed to issue 4.9% of our issued and outstanding common stock on a fully-diluted basis to such advisor in the event that we complete capital raising transactions that generate at least $4 million in net proceeds and co uplisting of our common stock to a national securities exchange during the term of the agreement.

In connection with the issuance of the convertible debentures, we entered into a stockholder's agreement with our chief officer, Andrew Levi, pursuant to which Mr. Levi agreed to place 25,000,000 shares of our common stock owned by him until April 19, 2013. Pursuant to the stockholder's agreement, Mr. Levi agreed that if the Company issues shares of Comm a financing transaction or in connection with the hiring or retention of senior management or directors during such period o corresponding number of escrowed shares will be cancelled and returned to the Company's treasury. Any shares remainin at the end of the one-year period will be released to Mr. Levi. As of March 28, 2013, 22,828,199 shares remain in escrow.

Because our directors and executive officers are among our largest stockholders, they can exert significant contro business and affairs and have actual or potential interests that may depart from those of our other stockholders.

Our directors and executive officers own or control a significant percentage of our common stock. Additionally, the holdi directors and executive officers may increase in the future upon vesting or other maturation of exercise rights under options or warrants they may hold or in the future be granted or if they otherwise acquire additional shares of our common of March 28, 2013, our officers and directors beneficially own approximately 49% of the outstanding shares of our comm The interests of such persons may differ from the interests of our other stockholders. As a result, in addition to their board offices, such persons will have significant influence over and control all corporate actions requiring stockholder approval, i of how our other stockholders may vote, including the following actions:

- to elect or defeat the election of our directors;
- to amend or prevent amendment of our certificate of incorporation or bylaws;

- to effect or prevent a merger, sale of assets or other corporate transaction; and
- to control the outcome of any other matter submitted to our stockholders for vote.

In addition, such persons' stock ownership may discourage a potential acquirer from making a tender offer or otherwise at
obtain control of us, which in turn could reduce our stock price or prevent our stockholders from realizing a premium ove
price

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES

We owned no properties and had no property leases at December 31, 2012. We currently have one sub-lease for office s
current location.

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ITEM 3. LEGAL PROCEEDINGS

On July 31, 2012, the Company filed a patent infringement complaint against Groupon, Inc. alleging infringement of patents, 7,664,516 and 8,155,679, focused on its peer-to-peer marketing technology. The complaint was filed in the U. Court in the Eastern District of Texas.

On August 24, 2012, the Company filed a patent infringement complaint against Living Social, Inc. alleging infringemen its patents, 7,664,516 and 8,155,679, focused on its peer-to-peer marketing technology. The complaint was filed in the U. Court in the Eastern District of Texas. A Claim Construction Hearing or "Markman" hearing has been set for August 27, 20

On October 17, 2012, the Company filed patent infringement complaints against YELP, Inc. and IZEA, Inc. The su infringement of two of its patents, 7,664,516 and 8,155,679, focused on its peer-to-peer marketing technology. The com filed in the U.S. District Court in the Eastern District of Texas.

On November 6, 2012, the Company filed patent infringement complaints against MyLikes. and Foursquare. The s infringement of two of its patents, 7,664,516 and 8,155,679, focused on its peer-to-peer marketing technology. The com filed in the U.S. District Court in the Eastern District of Texas.

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

ITEM 4. Mine Safety Disclosures.

None.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AN PURCHASES OF EQUITY SECURITIES.

Our common stock was originally approved for quotation on the OTC Bulletin Board on July 13, 2011 and since August 8, common stock has been quoted under the trading symbol BCYP.OB. The following table sets forth the high and low bid our common stock for the periods indicated, as reported by the OTC Bulletin Board. The quotations reflect inter-dea without retail mark-up, mark-down or commission, and may not represent actual transactions.

		High		Low
Fiscal Year 2011				
Third Quarter (commencing September 14, 2011)	$	3.00	$	
Fourth Quarter		1.10		
Fiscal Year 2012				
First Quarter (through March 31, 2012)	$	1.05	$	
Second Quarter		0.92		
Third Quarter		0.98		
Fourth Quarter		0.85		

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The last reported sales price of our common stock on the OTC Bulletin Board on March 28, 2013, was $0.13 per share. As o
28, 2013, there were approximately 38 holders of record of our common stock.

Dividends

We have not paid, nor declared, any cash dividends since our inception and do not intend to declare any such divide
foreseeable future. Our ability to pay cash dividends is subject to limitations imposed by Delaware law. Under Delaware
dividends may be paid to the extent that a corporation's assets exceed its liabilities and it is able to pay its debts as they bec
the usual course of business.

Securities Authorized for Issuance Under Equity Compensation Plans

On August 31, 2012, the board adopted, subject to stockholder approval, the Blue Calypso, Inc. 2011 Long-Term Incenti
the Plan. Our stockholders approved the Plan on September 9, 2011. The Plan is intended to enable us to remain comp
innovative in our ability to attract, motivate, reward and retain the services of key employees, certain key contra
non-employee directors. The Plan provides for the granting of incentive stock options, nonqualified stock options, stock ap
rights, restricted stock, restricted stock units, performance awards, dividend equivalent rights, and other awards which may
singly, in combination, or in tandem, and which may be paid in cash or shares of common stock. The Plan is expected
flexibility to our compensation methods in order to adapt the compensation of employees, contractors, and non-employee d
a changing business environment, after giving due consideration to competitive conditions and the impact of federal tax law
to certain adjustments, the maximum number of shares of our common stock that may be delivered pursuant to awards und
is 35,000,000 shares.

As of December 31, 2012, securities issued and securities available for future issuance under the Blue Calypso 2011 Long-T
Incentive Plan were as follows:

	Number of securities to be issued upon exercise of outstanding options, warrants and rights	**Weighted-average exercise price of outstanding options, warrants and rights**	**Number of securities rema available for future issuanc equity compensation plans (excluding securities reflec column (a))**
Equity compensation plans approved by security holders	71,769,360	$0.1135	33,234,896

Equity compensation plans not approved by security holders	—	—	—
Total	71,769,360	$0.1135	33,234,896

Recent Sales of Unregistered Securities

On December 12, 2012, we entered into a financial advisory agreement, pursuant to which we agreed to issue 500,000 sh common stock as consideration for such financial advisory services. As further compensation for the services to be pro agreed to issue 4.9% of our common stock on a fully diluted basis to such advisor upon the closing of capital raising tr which in the aggregate generate at least $4 million in net proceeds and the completion of an uplisting of our common national securities exchange, provided that both events occur during the one year term of the agreement. The securitie registered under the Securities Act or the securities laws of any state, and were offered and issued in reliance on the exem registration under the Securities Act, provided by Section 4(2) and Regulation D (Rule 506) under the Securities Act. The may not be transferred or sold absent registration under the Securities Act or the availability of an applicable exemption the

On November 15, 2012, we commenced a private offering of up to $3,000,000 of units at a purchase price of $50,00 pursuant to the Securities Purchase Agreement dated November 15, 2012 (the "Purchase Agreement"). Each Unit consi Convertible Debenture in the principal amount of $50,000 (the "Debenture") and 12,500 shares of the Company's comm Debenture bears interest at a rate of 10% per annum, is due two years from the issuance date and is convertible into sh Company's common stock at a conversion price of $0.20 per share. As of December 31, 2012, we have issued and sold a of 9 units.

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On November 9, 2012, we entered into an exchange agreement with Aztec Systems, Inc., pursuant to which we agreed to e promissory note with a balance of $368,059.23 and our existing accounts payable to Aztec of $177,898.92 for an 8% c note in the original principal amount of $545,958.16. The 8% convertible note is due on March 31, 2013. Pursuant to the agreement, the Company agreed to register the shares of Common Stock issuable upon conversion of the 8% convertible n aggregate of 3,733,428 shares of our common stock then held by Aztec on or before December 31, 2012. The 8% converti convertible into shares of our common stock at a conversion price equal to the greater of: (i) $0.15 per share or (ii) the pric at which our common stock is sold in a subsequent financing. Upon effectiveness of the registration statement covering th such shares, the 8% convertible note automatically converted into shares of our common stock. The foregoing securities w a limited number of accredited investors, without registration under the Securities Act of 1933, as amended (the "Securitie reliance upon an exemption from registration provided by Section 4(2) under the Securities Act and Rule 506 of Reg promulgated thereunder. The securities may not be transferred or sold absent registration under the Securities Act or the a of an applicable exemption therefrom.

On August 28, 2012, we issued an aggregate of 44,007 shares of our common stock as consideration for consulting service On November 21, 2012, we issued an aggregate of 36,863 shares of our common stock as consideration for consultin rendered. The shares were not registered under the Securities Act of 1933, as amended, or the securities laws of any state offered and sold in reliance on the exemption from registration under the Securities Act of 1933, as amended, provided 4(2)of the Securities Act of 1933, as amended. The securities may not be transferred or sold absent registration under the Act or the availability of an applicable exemption therefrom.

On June 14, 2012, we commenced a private offering of up to $10,000,000 of units, at a purchase price of $1.00 per unit. consisted of: (i) two shares of our common stock and (ii) a warrant to purchase one share of our common stock. The exercisable for a term of two years at an exercise price of $0.75 per share. The warrants contain provisions that protect th against dilution by adjustment of the purchase price in certain events such as stock dividends, stock splits, issuances of sec purchase price less than $0.75 per share (subject to certain exceptions) and other similar events. As of the termination private offering, we had issued and sold an aggregate of 445,000 units in consideration of gross cash proceeds of $445 result, we issued an aggregate of 890,000 shares of common stock and warrants to purchase an aggregate of 445,000 common stock. WFG Investments, Inc. acted as placement agent in connection with the private placement and received a $44,500 and warrants to purchase 26,700 shares of Common Stock. The securities were not registered under the Securities securities laws of any state, and were offered and issued in reliance on the exemption from registration under the Secu provided by Section 4(2) and Regulation D (Rule 506) under the Securities Act. The securities may not be transferred or s registration under the Securities Act or the availability of an applicable exemption therefrom.

On June 1, 2012, we entered into an employment letter agreement with William Ogle, our chief executive officer. Purs employment letter agreement, Mr. Ogle is entitled to receive a restricted stock award equal to 7% of our total issued and o shares as of June 11, 2012. This restricted stock award vests: (i) one-third on the one year anniversary of the grant date, a remaining two-thirds will vest pro rata in eight equal quarterly installments. Mr. Ogle may also be offered additional ann awards of up to 200% of his base salary subject to mutually agreeable and reasonable targets beginning in 2013. In additio to his employment letter agreement, we also granted to Mr. Ogle options to purchase 3% of our issued and outstanding common stock on a fully-diluted basis. The options are exercisable at an exercise price equal to $0.10 per share for a years. . The shares and options issued were not registered under the Securities Act of 1933, as amended, or the securities l state, and were offered and sold in reliance on the exemption from registration under the Securities Act of 1933, as provided by Section 4(2)of the Securities Act of 1933, as amended. The securities may not be transferred or sold absent r under the Securities Act or the availability of an applicable exemption therefrom.

On April 19, 2012, we entered into a securities purchase agreement with an existing stockholder, pursuant to which we iss senior secured convertible debenture in the principal amount of $35,000 and a warrant to purchase 6,500,000 shares of ou stock at an exercise price of $0.10 per share for a term of five years. Pursuant to the securities purchase agreement, th covenanted to purchase up to an additional $465,000 of senior secured convertible debentures in a series of closings to o discretion through October 19, 2012. As of December 31, 2012, we have issued and sold an aggregate of $465,000 of such in consideration of gross proceeds of $465,000. The debentures are convertible into shares of our common stock at the op holder at a conversion price equal to the closing price of our common stock on the date of conversion. The 8% debentur provisions that protect their holders against dilution by adjustment of the purchase price in certain events such as stock stock splits, issuances of securities at a purchase price less than the closing price of our common stock on the date of c (subject to certain exceptions) and other similar events. The debentures and the warrant issued to the investor were not under the Securities Act or the securities laws of any state, and were offered and issued in reliance on the exemption from r under the Securities Act, provided by Section 4(2) and Regulation D (Rule 506) under the Securities Act.

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ITEM 6. SELECTED FINANCIAL DATA.

Since we are a “smaller reporting company,” as defined by SEC regulation, we are not required to provide the information r this Item.

ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Forward-Looking Statements

The statements made herein for fiscal 2012 and beyond represent “forward looking statements” within the meaning of Se the Securities Act of 1933 and Section 21E of the Securities and Exchange Act of 1934 and are subject to a number o uncertainties. These include, among other risks and uncertainties, whether we will be able to generate sufficient cash flo operations or other sources to fund our working capital needs, maintain existing relationships with our lender, successfully and attain market acceptance of any new products, attract and retain qualified personnel both in our existing markets a territories in an extremely competitive environment, and potential obsolescence of our technologies.

In some cases, you can identify forward-looking statements by terms such as “may,” “will,” “should,” “could,” “wo “anticipates,” “believes,” “estimates,” “projects,” “predicts,” “potential” and similar expressions intended to identify forw These statements are only predictions and involve known and unknown risks, uncertainties, and other factors that may actual results, levels of activity, performance, or achievements to be materially different from any future results, levels o performance, or achievements expressed or implied by such forward-looking statements. Given these uncertainties, you place undue reliance on these forward-looking statements. Also, these forward-looking statements represent our esti assumptions only as of the date of this report. Except as otherwise required by law, we expressly disclaim any obl undertaking to release publicly any updates or revisions to any forward-looking statement contained in this report to r change in our expectations or any change in events, conditions or circumstances on which any of our forward-looking stat based. We qualify all of our forward-looking statements by these cautionary statements.

You should read the following discussion and analysis of our financial condition and results of operations in conjunctio consolidated financial statements and the related notes thereto that are included in this Annual Report. In addition to information, the following discussion and analysis includes forward-looking information that involves risks, uncerta assumptions. Actual results and the timing of events could differ materially from those anticipated by these forwa statements as a result of many factors.

Recent Events

Prior to September 1, 2011, we were a public shell company without material assets or liabilities. On September 1, 2 Calypso Holdings, Inc. completed a reverse merger with us, pursuant to which Blue Calypso Holdings, Inc. be wholly-owned subsidiary and we succeeded to the business of Blue Calypso Holdings, Inc. as our sole line of business and security holders of Blue Calypso Holdings, Inc. became our controlling stockholders. For financial reporting purposes, Blu Holdings, Inc. is considered the accounting acquirer in the reverse merger and the former public shell company is cons acquired company. Accordingly, the historical financial statements presented and the discussion of financial condition and operations herein are those of Blue Calypso Holdings, Inc., and do not include the historical financial results of our forme The accumulated earnings of Blue Calypso Holdings, Inc. were also carried forward after the reverse merger for a presented. Operations reported for periods prior to the reverse merger are those of Blue Calypso Holdings, Inc.

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Business Overview

We offer a patented social mobile advertising platform through which advertisers offer advertising content to our subscr publicly endorse the products and services of these advertisers using their mobile smartphones or personal computers. End receive cash and other rewards for each endorsement they make.

Critical Accounting Policies

Development Stage Company

We are a development stage company as defined by Accounting Standards Codification ("ASC") 915, "Development Stag are still devoting substantial efforts to establishing our business. Our principal operations have commenced but there h significant revenue thus far. All losses accumulated since inception have been considered part of our development stage act

Principles of Consolidation and Basis of Presentation

The consolidated financial statements are stated in U.S. dollars and include the accounts of Blue Calypso Holdings, I subsidiary Blue Calypso LLC, which is wholly owned. All intercompany balances and transactions have been eli consolidation. The consolidated financial statements have been prepared in accordance with accounting principles generall in the United States of America.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in States of America requires management to make estimates and assumptions that affect the reported amounts of assets and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue an during the reporting period. Significant estimates include: the useful lives of intangible assets and the recoverability or imp tangible and intangible asset values; deferred revenues; legal and other contingencies that are recorded when it is probable has been incurred and the amount is reasonably estimable; and our effective income tax rate and the valuation allowan against deferred tax assets, which are based upon the expectations of future taxable income, allowable deductions, and pr credits. Actual results may differ from these estimates.

Revenue Recognition

We recognize revenue in accordance with ASC 605, “Revenue Recognition” when persuasive evidence of an arrangeme
fee is fixed or determinable, delivery of the product has occurred or services have been rendered and collectability is r
assured. Revenue includes fees received from customers for advertising and marketing services provided by us and is rec
earned when brand loyalists personally endorse and share the advertising campaigns with others in their digital social strear

Cost of Revenue

Cost of revenue is accrued and recorded as earned by the endorser under the defined reward programs. Expense rela
payments to endorsers is recognized when we recognize revenue for such payments, in the case of endorsements rela
customers, and when the endorsement is made, in the case of endorsements of advertisers who are endorsed through our pa
in one of the affiliate programs in which we participate. This is in accordance with the terms and conditions agreed
endorsers.

Rewards are delivered periodically to the endorser by loading loyalty cards. Endorsers are required to provide certain in
before loyalty cards can be issued and loaded. Endorsers retain rights to any unpaid rewards until they have been inactiv
months or the applicable time frame specified in the endorser terms and conditions, if such time frame is changed. T
additional expense to us associated with compensating endorsers through cash that is reloaded on a personal Visa debit c
than compensating endorsers through cash sent directly to them.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in bank demand deposits. We consider all highly liquid debt instruments wit
maturities of three months or less to be cash equivalents.

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Property and Equipment and Long-Lived Assets

Property and equipment consists of office equipment and is recorded at cost, less accumulated depreciation and am
Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which
equipment is three to five years. Expenditures for major renewals and betterments that extend the useful lives of the pr
equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Intangible Assets

Software development costs are accounted for in accordance with ASC 350-40, "Intangibles — Goodwill and Other
Software." According to ASC 350-40, capitalization of costs related to a computer software project should begin when
following occur: (a) the preliminary project stage is complete; and (b) management, with relevant authority, implicitly or
authorizes and commits to funding the project and it is probable that the project will be completed and the software will
perform the function intended. The costs capitalized include: fees paid to third parties for services provided to develop th
during the application development stage; payroll and payroll-related costs, such as costs of employee benefits for employe
directly associated with and who devote time to the software project on activities that include coding and testing
application development stage; and interest costs incurred while developing the software (in accordance with ASC 835-20)
are amortized using straight-line amortization over the estimated useful life of up to five years, once the software is re
intended use. The unamortized capitalized cost of the software is compared annually to the net realizable value. The
which the unamortized capitalized costs of the internal use software exceed the net realizable value of that asset is written o

Impairment of Long-Lived Tangible Assets and Definite-Lived Intangible Assets

Long-lived tangible assets and definite lived intangible assets are reviewed for impairment whenever events or c
circumstances indicate that the carrying amount of the assets might not be recoverable. Recoverability of assets held a
generally measured by a comparison of the carrying amount of an asset to undiscounted future net cash flows expe
generated by that asset. If it is determined that the carrying amount of an asset may not be recoverable, an impairm
recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset.

Fair Value Measurements

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

Income Taxes

Income taxes are recorded in accordance with ASC 740, "Income Taxes." Deferred income taxes are recognized for th consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. An all provided when it is more likely than not that tax benefits will not be utilized.

Stock-Based Compensation

We grant stock options and restricted stock as compensation to employees, directors and consultants. Compensation measured in accordance with FASB ASC 718 (formerly Statement of Financial Accounting Standards No. 123R), "Con Stock Compensation." Compensation expense is recognized over the requisite service period for awards of equity instrum on the grant date fair value of those awards expected to ultimately vest. Forfeitures are estimated on the date of grant and actual or expected forfeiture activity differs materially from original estimates.

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Concentrations of Credit Risk

Significant concentrations of credit risk may arise from our cash maintained in the bank. We maintain cash in quality institutions; however, at times, cash balances may exceed the federal deposit insurance limits.

Advertising and Marketing

Our advertising and marketing costs, which consist primarily of marketing and trade show costs, business development a promotional and sales presentation materials, are charged to expense when incurred.

Results of Operations

Comparison of Twelve Months Ended December 31, 2012 and 2011

Net Loss. For the twelve months ended December 31, 2012, we had a net loss of $5,114,948 compared to a net loss of $1,8 the twelve months ended December 31, 2011. The increase in net loss was primarily due to an increase in other ex $2,155,897 resulting from deferred compensation for stock options of $2,205,727 and an increase in amortization of notes $573,019 for 2012. Additionally, selling, general and administrative expense increased by $439,223 to $1,977,885 as increased investment in operations, development and administration as we have ramped up our operations efforts.

Revenue. Revenue for the twelve months ended December 31, 2012 increased to $74,584, as compared to $51,590 fo period in 2011. We are a development stage company and have modest revenue to date.

Cost of Revenue. Cost of revenue is primarily comprised of payments to endorsers for promoting advertiser content. C revenue was $155,022 for the twelve months ended December 31, 2012, as compared to $111,511 for the same period in increase was due to promotions and payments to our endorser base.

Sales and Marketing. For the twelve months ended December 31, 2012, sales and marketing expenses decreased by $ $420,692 during the same period in 2011. The decrease was due primarily to decreased staffing and advertising expenses.

General and Administrative. For the twelve months ended December 31, 2012, general and administrative expe
$1,557,193, as compared to $807,179 for the twelve months ended December 31, 2011. The increase was due primarily to
of a new Chief Executive Officer as well as legal and professional expenses related to meeting the compliance require
publicly owned company as well as costs associated with continued fund raising efforts. We also had increase publi
expenses in the year ended December 31, 2012 as we sought to increase awareness of the Company in the financial com
well as our prospective customer base.

Other Operating Expenses. Other operating expenses increased from $55,276 for the twelve months ended December 3
$2,211,173 for the same period in 2012. The increase was primarily due to deferred compensation expense of $2,205,727
stock options.

Depreciation and Amortization. Depreciation and amortization expenses, which relate primarily to the amortization of c
software development, increased from $123,624 for the twelve months ended December 31, 2011 to $ 797,454 for the twel
ended December 31, 2012. This increase resulted from our ongoing software development initiative and impleme
improvements and new services related to our network, amortization of notes payable discount of $416,528 and amor
beneficial conversion features associated with notes payable of $156,491.

Interest Expense. Interest expense was $47,998 for the twelve months ended December 31, 2012 as compared to $57,4
twelve months ended December 31, 2011. Interest expense was incurred related to the Company's long-term debt ob
various interest rates ranging from 8% to 10%.

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Cash Flows

Comparison of Twelve Months Ended December 31, 2012 and 2011

Cash used in operating activities during the twelve months ended December 31, 2012 was $2,225,631, as compared to $1,5 the twelve months ended December 31, 2011. The change was due to an increase in net loss (net of deferred compe $2,205,727 and depreciation and amortization of $673,830) of $400,491.

Cash used in investing activities during the twelve months ended December 31, 2012 was $331,689, as compared to $509,6 twelve months ended December 31, 2011. The decrease in cash used in investing activities resulted primarily from a decre paid for software development expenses. We expect that cash used in investing activities to remain at the current le foreseeable future as we continue to expand our website service offerings.

During the twelve months ended December 31, 2012, cash provided by financing was $2,404,725, as compared to $2,294,3 same period in 2011. The Company continues to secure investment monies from multiple sources to meet its cash req during the continued development stage of the business.

Going Concern Consideration

Our independent registered public accounting firm, in their report accompanying our financial statements for the year ended December 31, 2012, expressed substantial doubt about our ability to continue as a going concern due to our recurring losses operations, negative cash flows from operating activities and our accumulated deficit. Our ability to continue as a going con dependent upon our ability to obtain additional equity or debt financing, attain further operating efficiencies, reduce expend dispose of selective assets, and ultimately, generate additional revenue. The going concern opinion may also limit our abilit access certain types of financing, prevent us from obtaining financing on acceptable terms, and limit our ability to obtain ne business due to potential customers' concern about our ability to deliver products or services. We must raise capital to impl project and stay in business.

Liquidity and Capital Resources

We are a development stage company and have incurred cumulative losses of $7,362,536 since beginning oper September 11, 2009. At December 31, 2012, we had a cash balance of $218,798 and negative working capital of ($1,026,6

On November 15, 2012, we commenced a private offering of up to $3,000,000 of units at a purchase price of $50,00 pursuant to the Securities Purchase Agreement dated November 15, 2012 (the "Purchase Agreement"). Each Unit consi Convertible Debenture in the principal amount of $50,000 (the "Debenture") and 12,500 shares of the Company's comm Debenture bears interest at a rate of 10% per annum, is due two years from the issuance date and is convertible into sh Company's common stock at a conversion price of $0.20 per share. As of December 31, 2012, we have issued and sold a of 9 units.

On November 9, 2012, the Company entered into the exchange agreement with Aztec, pursuant to which the Company agreed to exchange the Note and the Company's existing accounts payable to Aztec for an 8% Convertible Note in th principal amount of $545,958. The 8% Convertible Note is due on March 31, 2013. Pursuant to the exchange agre Company agreed to register the shares of Common Stock issuable upon conversion of the 8% Convertible Note and an ag 3,639,732 shares of Common Stock currently held by Aztec on or before December 31, 2012. The 8% Convertib convertible into shares of the Company's Common Stock at a conversion price equal to the greater of: (i) $0.15 per share price per share at which Common Stock is sold in a subsequent financing. Upon effectiveness of the registration statemen the resale of such shares, the 8% Convertible Note automatically converted into shares of the Company's Common S applicable conversion price.

On June 13, 2012, the Company commenced a private placement of up to $10,000,000 of Units, at a purchase price of $1.0 Each Unit consists of: (i) two shares of Common Stock and (ii) a warrant to purchase one share of the Company's Commo "Warrant"). The Warrant is exercisable for a term of two years at an exercise price of $0.75 per share. As of October 1 termination date of the offering, we issued and sold an aggregate of 445,000 Units in consideration of gross proceeds of $4

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On April 19, 2012 the Company entered into a securities purchase agreement with an existing stockholder pursuant to Company issued (i) a senior secured convertible debenture in the original aggregate principal amount of $35,000 and (ii to purchase 6,500,000 shares of common stock of the Company, and the buyer covenanted to purchase up to an additiona of senior secured convertible debentures in a series of four closing at such times as may be designated by the Company discretion through October 19, 2012. The balance outstanding under this agreement was $292,548. The convertible mature on October 19, 2012 and bear an interest rate of 8%. On October 17, 2012, the Company and LMD Capital, LLC agreement that extended the due date of the debentures issued to LMD Capital to November 30, 2012 (footnote # 6 in th statements above). On October 31, 2012, LMD loaned an additional $65,000 to the Company bringing the outstanding balance of the 8% debentures to $365,000. On November 14, 2012, LMD loaned an additional $50,000 and on November LMD loaned an additional $50,000 to the Company bringing the outstanding balance of the 8% debentures as of Dec 2012 to $465,000. The 8% debentures were due on November 31, 2012 and are currently past due. We are currently in d with the lender regarding a further extension of the 8% debentures, however we can provide no assurance that such extens granted, and if granted, on terms acceptable to us. Our inability to satisfy these obligations upon demand by the lender may to costly litigation and adversely affect our business, financial condition, and results of operations.

In connection with this private placement, the Company also entered into a security agreement, an intellectual propert agreement, Amendment No. 1 to the common stock purchase warrant, a stockholder's agreement and various ancillary c disclosure schedules and exhibits in support thereof, each dated April 19, 2012. Pursuant to the security agreeme intellectual property security agreement, the Company's obligations under the debentures are secured by a first priorit security interest in all of the assets and properties of the Company, including the stock of Blue Calypso, LLC. In ad subsidiary of the Company, Blue Calypso, LLC, entered into a subsidiary guarantee in favor of the issuer. In the event that declares that the 8% debentures which are currently past due to be in defualt, the lender shall have all rights and rem secured party under the UCC, including but not limited to, taking possession of and/or selling collateral in order to outstanding obligations.

As a development stage company, we have been and continue to be dependent upon outside sources of cash to pay expenses. We have had only nominal revenue and we expect operating losses to continue through the foreseeable future develop a consistent source of revenue to achieve a profitable level of operations that generates sufficient cash flow, we additional capital resources to fund growth and operations. We are continuing our efforts to raise capital through equity a offerings. However, there can be no assurance that we will be able to raise equity or debt capital on terms we consider and prudent, or at all. The availability of capital to us may be subject to the volatility in the financial markets, our futur condition and credit rating, and whether sufficient assets are available to be used as debt collateral in connection with any financing, among other factors. Future financings through equity investments are likely to be dilutive to the existing sto Also, the terms of securities we issue in future capital transactions may be more favorable for our new investors. Ne securities may include preferences, superior voting rights, and the issuance of warrants or other derivative securities, which additional dilutive effects. Further, we may incur substantial costs in pursuing future capital and/or financing, including i banking fees, legal fees, accounting fees, securities law compliance fees, printing and distribution expenses and other cost also be required to recognize non-cash expenses in connection with certain securities we may issue, such as convertible warrants, which may adversely impact our financial condition.

Off-Balance Sheet Arrangements

We do not maintain any off-balance sheet arrangements, transactions, obligations or other relationships with unconsolidatec that would be expected to have a material current or future effect upon our financial condition or results of operations.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Since we are a "smaller reporting company," as defined by SEC regulation, we are not required to provide the information r this Item.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The required financial statements are included following the signature page of this Form 10-K.

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ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIA DISCLOSURE

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

An evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) Securities Exchange Act of 1934), as amended (the "Exchange Act") was carried out by us under the supervision a participation of our Chief Executive Officer and Chief Financial Officer. Based on that evaluation, our Chief Executive C Chief Financial Officer have concluded that as of December 31, 2012, our disclosure controls and procedures were not e ensure (i) that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) that such information is a and communicated to management, including our Chief Executive Officer and Chief Financial Officer, in order to all decisions regarding required disclosure.

A material weakness is a control deficiency, or a combination of control deficiencies, that results in a more than remote that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely management, in consultation with our independent registered public accounting firm, concluded that material weaknesses e result of our inability to sufficiently segregate conflicting duties As additional resources and personnel become availab implement appropriate procedures and segregation of duties to remedy any material weaknesses.

This annual report does not include an attestation report of our registered public accounting firm regarding internal co financial reporting. Management's report was not subject to attestation by our registered public accounting firm purs Dodd-Frank Wall Street Reform and Consumer Protection Act, which permits us to provide only management's report in report.

Changes in Internal Control over Financial Reporting

There have not been any changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-1 the Securities Exchange Act) that occurred during the fiscal quarter ended December 31, 2012 that have materially affec reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

Executive Officers and Directors

Set forth below is certain information regarding our current executive officers and directors. Each of the directors listed bel appointed to our board of directors to serve until our next annual meeting of stockholders or until his successor is elected ar qualified. All directors hold office for one-year terms until the election and qualification of their successors.

Name	**Age**	**Position with the Company**	**Director Sir**
William Ogle	45	Chairman of the Board and Chief Executive Officer, Director	20
Andrew Levi	46	Chief Technology Officer, Director	20
Ian Wolfman	39	Director	20
Charles Thomas	46	Director	20
Andrew Malloy	55	Director	201
David S. Polster	60	Chief Financial Officer	20

* appointed to position effective January 15, 2013

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Biographical Information

William Ogle, Chairman of the Board and Chief Executive Officer, Director

Mr. Ogle was appointed as our Chairman and Chief Executive Officer in June 2012. Prior to joining the Com Ogle previously served as chief marketing officer at Motorola Mobility, an S&P 500 company that was acquired by Goo 2012. Mr. Ogle joined Motorola Mobility in 2009. Prior to that, he served as chief marketing officer for Telecommunications America. Earlier in his career, he was chief marketing officer at Pizza Hut and held brand ma positions at Proctor & Gamble and Sara Lee Corp. He received his bachelor's degree in business administration from the U Cincinnati. Mr. Ogle serves on the board of directors of the United States Ad Council and the Arts Community Alliance the board of advisors of the CMO Council. His achievements, experience and knowledge led the board to believe that he i to serve on the board of directors.

Andrew Levi, Director

Mr. Levi founded Blue Calypso Holdings, Inc. in September 2009. In June 2012, he was appointed as our Chief Technolo He previously served as our Chairman and Chief Executive Officer. From November 1991 until June 2012, Mr. Levi se founder, president and chief executive officer of Aztec Systems, Inc., a Dallas-based provider of mid-market ERP, manag and related technology solutions. Mr. Levi has been named to SmartPartner Magazine's list of "50 Smartest People" in t industry and to D Magazine's "Top Entrepreneurs under 40." Mr. Levi has been involved in numerous business and associ in the technology industry such as Boardroom Software, Inc., Critical Devices, Inc., Aztec Business Solutions, L.L Associates, the board of the International Association of Microsoft Certified Partners (IAMCP) and the Information T Solution Provider Alliance (ITSPA). Mr. Levi holds a Bachelor of Science degree in finance from Florida State University to numerous technical certifications and seven United States patents. His achievements, experience and knowledge led t believe that he is qualified to serve on the board of directors.

Ian Wolfman, Director

Mr. Wolfman was appointed to our board in June 2012. Mr. Wolfman has served as chief marketing MEplusYOU, a strategic and creative agency based in Dallas, Texas since August 1998. As chief marketing officer of Me he leads the marketing, public relations and business development functions. Mr. Wolfman received an MBA from the Cox Business at Southern Methodist University and a Bachelor of Science in corporate communications from the University of achievements, experience and knowledge led the board to believe that he is qualified to serve on the board of directors.

Charles Thomas, Director

Mr. Thomas was appointed to our board in June 2012. He is the senior vice president of sales for Centro, a medi company based in Chicago, Illinois. At Centro, Mr. Thomas leads the company's sales efforts and oversees the strategic d the sales force. Mr. Thomas was associated with Time Inc. from 1996 through 1998. Mr. Thomas became the company's ad sales person and was promoted to advertising sales director and VP of online sales and marketing. During his tenure at Charlie also contributed to the industry as a founding member of the Internet Advertising Bureau (IAB). Charlie th Broadcast.com as the VP of advertising sales, which was later purchased by Yahoo. Charlie remained Yahoo's central regio until 2007 and was later promoted to the VP of display sales strategy. When Charlie left Yahoo, he founded Step Ahead (SAS), a sales and marketing consulting firm.

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Andrew Malloy, Director

Mr. Malloy is a Managing Director of Monument Capital Group LLC, a Washington DC based private invest where he serves as the head of their Denver, Colorado office. He has 30 years of experience in alternative investments, fa and wealth management industries. Prior to joining Monument Capital Group, Mr. Malloy served as a Managing Director Quick & Co., a multi-family investment office, from March 2011 through December 2011. Prior to joining Massey Quick as a Managing Principal of Shepherd Kaplan LLC, an investment advisory firm based in Boston, Massachusetts from Febr through July 2010. Previous to Shepherd Kaplan, Mr. Malloy was an initial investor in, and the Director of Business St Development for WisdomTree Asset Management, Inc. from June 2006 through October 2008. Mr. Malloy also previously a Senior Managing Director and the Chief Investment Officer of TAG Associates, Ltd., as a Senior Vice President at Oppe Co. He also served in the corporate and executive services group of Bear, Stearns & Co. Mr. Malloy is also an Associa Partner of his family's real estate holding company. He attended Villanova University and the Harvard Business Schoo MBA program.

David S. Polster, Chief Financial Officer

Mr. Polster was appointed as our Chief Financial Officer in March 2012. Prior to joining the Company, M served as vice president and controller of ASAP Software from April 1992 until its acquisition by Dell in November Polster also previously served as the director of financial analysis of Dell's software and peripherals business. Earlier in Mr. Polster held the positions of treasurer of Katalco Corporation and controller of Berlin Packaging, Inc. He received hi the University of Colorado and an MBA from Northwestern University's Kellogg School of Management. He is a CPA an is a member of the Beta Gamma Sigma Honorary Business Society.

Independent Directors

Our board of directors has determined that each of Messrs. Ian Wolfman, Charles Thomas and Andrew Malloy is independ the meaning of applicable listing rules of the Nasdaq Stock Market and the rules and regulations promulgated by the Sec Exchange Commission. We anticipate that we will add additional independent directors in the future.

Committees of the Board of Directors

Audit Committee. We established an audit committee of the board of directors on October 25, 2011. The audit committee Messrs. Wolfman, Thomas and Malloy, each of whom our board has determined to be financially literate and qua independent director under Section 5605(a)(2) of the rules of the Nasdaq Stock Market. In addition, Mr. Malloy qua financial expert, as defined in Item 407(d)(5)(ii) of Regulation S-K. The function of the audit committee is to oversee our a and financial reporting and the audits of our financial statements. The audit committee assists the board in monitoring the i the financial statements, the qualifications, independence and appointment of the independent registered public accountin performance of our internal audit function and independent auditors, our systems of internal control and our compliance and regulatory requirements. Copies of our audit committee charter can be obtained free of charge from our www.bluecalypso.com.

Compensation Committee. We established a compensation committee of the board of directors October 25, 2011. The con committee consists of Messrs. Wolfman, Thomas and Malloy, each of whom our board has determined qualifies as an in director under Section 5605(a)(2) of the rules of the Nasdaq Stock Market, as an "outside director" for purposes of Sectio the Internal Revenue Code and as a "non-employee director" for purposes of Section 16b-3 under the Exchange Act. Th the compensation committee is to assist the board in overseeing our management compensation policies and practices, in determining and approving the compensation of the our chief executive officer and other executive officers, (ii) revi approving management incentive compensation policies and programs, and exercising discretion in the administrati programs, (iii) reviewing and approving the form and amount of director compensation and (iv) reviewing and approv compensation programs for employees and exercising discretion in the administration of such programs. Copies of our con committee charter can be obtained free of charge from our web site, www.bluecalypso.com.

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Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 (the "Act") requires the Company's directors, executive officers, and beneficially own more than 10 percent of our Common Stock, to file reports of ownership and changes in ownership wit Directors, executive officers, and greater than 10 percent stockholders are required by SEC regulations to furnish the Con copies of all Section 16(a) forms they file.

Based solely on our review of the copies of such forms received by us or filed with the SEC, we believe that during the December 31, 2012, all persons subject to the reporting requirements of Section 16(a) with respect to the Company filed th reports on a timely basis, except that Messrs. Ogle, Polster, Wolfman and Thomas failed to timely file a Form 3 and Mr. Po to timely file a Form 4.

Code of Ethics

We have adopted a Code of Business Conduct and Ethics that applies to directors, officers and other employees of the Co its subsidiaries, including our principal executive officer, principal financial officer and principal accounting officer. Co code can be obtained free of charge from our web site, www.bluecalypso.com. We intend to post any amendments to; from, our code of ethics on our web site.

ITEM 11. EXECUTIVE COMPENSATION

2011 and 2012 Summary Compensation Table

The following table sets forth the compensation earned by the Company's principal executive officer, and each of the Comp most highly compensated executive officers other than the principal executive officer whose compensation exceeded $100, (collectively, the "Named Executive Officers"), during the years ended December 31, 2012 and 2011.

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards	Option Awards	Nonequity Incentive	Nonqualified Deferred	All Other Compensatio

				($)	($)	Plan Compensation ($)	Compensation Earnings ($)	($)
William Ogle Chairman and Chief Executive Officer (1)	2012	241,026		5,234,337	1,719,139			
	2011							
David Polster Chief Financial Officer (2)	2012	64,625						
Andrew Levi Chief Technology Officer,	2012	—	—	—	—	—	—	—
Former Chairman and Chief Executive Officer (2)	2011	—	—	—	—	—	—	—
James Craig Former Chief Financial Officer	2012	18,974				—		
Deborah Flores Former President, Secretary and Treasurer (3)	2011	—	—	—	—	—	—	—

(1) Mr. Ogle was appointed as our chairman and chief executive officer effective June 11, 2012.
(2) Mr. Levi served as our chairman and chief executive officer from September 1, 2011 through June 10, 2012. He current
as our chief technology officer.
(3) Ms. Flores served as our president, secretary, treasurer and as a member of our board of directors from March 2, 2007 th
September 1, 2011.

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During the years ended December 31, 2011 and December 31, 2010, our named executive officers did not receive a salary, have any other compensation arrangements in place, except that they are eligible to receive discretionary awards unde Calypso, Inc. 2011 Long-Term Incentive Plan.

On June 1, 2012, we entered into an employment letter agreement with our Chief Executive Officer, William Ogle, effective on June 11, 2012. The agreement does not have a specified term and Mr. Ogle's employment is on an at-will agreement provides that Mr. Ogle is entitled to an annual base salary of $400,000. He is also entitled to annual incen compensation with a target value of 100% of his base salary with an upper limit of 200%, to be determined and administe board of directors. Such incentive-based compensation may be paid in the form of shares of our common stock or cash. Mr also receive a restricted stock award equal to 7% of our total issued and outstanding shares calculated as of June 11, restricted stock award will vest: (i) one-third on the one year anniversary of the grant date, and (ii) the remaining two-third pro rata in eight equal quarterly installments. Mr. Ogle may also be offered additional annual equity awards of up to 200% salary subject to mutually agreeable and reasonable targets beginning in 2013. In addition, on June 11, 2012, pursu employment letter agreement, we also granted to Mr. Ogle options to purchase 3% of the issued and outstanding shares c stock of the Company on a fully-diluted basis. The options will be exercisable at an exercise price equal to $0.10 per share of 10 years. Mr. Ogle will also be eligible to participate in the Company's comprehensive medical and dental program. I that we terminate Mr. Ogle's employment without cause or Mr. Ogle terminates his employment for good reason, we will base salary for a period of 12 months from the date of separation and he will be eligible to receive any incentive com subject to the applicable targets being achieved. During such severance period, we will pay the premiums for health coverage substantially similar to the benefits provided to Mr. Ogle and his dependents as of the date of termination.

Director Compensation

We do not currently compensate our directors, except as described below. We expect that the future compensation arrange be comprised of a combination of cash and/or equity awards.

On May 31, 2012, we granted stock options under the Blue Calypso, Inc. 2011 Long-Term Incentive Plan to the directors as

Name	Shares Subject to Option	Exercise Price		Vesting Provisions	Expiration Date
Charles Thomas (1)	375,000	$	0.454	Pro-rata vesting quarterly over two years	May 31, 2022
Ian Wolfman (1)	375,000	$	.0454	Pro-rata vesting quarterly over two	May 31, 2022

years

(1) Messrs. Thomas and Wolfman were appointed to the board of directors effective May 31, 2012.

Compensation Committee Interlocks and Insider Participation

No member of our compensation committee is an employee of the company. None of our executive officers serve on the bo
directors or compensation committee of a company that has an executive officer that serves on our board of directors or con
committee. No member of our board of directors serves as an executive officer of a company in which one of our executive
serves as a member of the board of directors or compensation committee of that company.

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To the extent any members of our compensation committee and affiliates of theirs have participated in transactions with us the requirements of Item 404 of Regulation S-K, a description of those transactions is described in “Certain Relationships a Party Transactions.” See “Item 10. Directors, Executive Officers and Corporate Governance – Committees of the Board of further information regarding our compensation committee.

Termination of Employment and Change of Control Arrangement

Mr. Ogle’s employment letter agreement provides that in the event that he is terminated without cause (as such term is defin letter agreement) or if Mr. Ogle terminates his employment with the Company for good reason (as such term is defined in th agreement), the Company will pay him his base salary for a period of twelve months from the date of his separation and tha be eligible to receive an incentive compensation subject to the applicable targets being achieved. In addition, Mr. Ogle’s res stock and equity grants will continue to vest for a period of eighteen months from the date of his termination. During the se period, the Company will also pay the premiums for Mr. Ogle’s health insurance coverage substantially similar to that prov Ogle and his family as of the date of his termination under the Company’s group health and medical policies for so long as continue such coverage.

Outstanding Equity Awards at Fiscal Year End

The following table provides information about the number of outstanding equity awards held by our named exec officers as of December 31, 2012.

	Option Awards					Stock Awards		
Name	**Number of Securities Underlying Unexercised Options (#) Exercisable**	**Number of Securities Underlying Unexercised Options (#) Unexercisable**	**Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)**	**Option Exercise Price ($)**	**Option Expiration Date**	**Number of Shares or Units of Stock That Have Not Vested (#)**	**Market Value of Shares or Units of Stock That Have Not Vested ($)**	**Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have**

								Not Vested (#)	**T I N V**
William Ogle	5,608,218(1)	-	5,608,218	0.10	6/11/2022	13,085,842(2)	6,542,921	-	-
David Polster	-	250,000(3)	250,000	0.50	7/18/2022	-	-	-	-

(1) All of these options were immediately exercisable on June 11, 2012.

(2) Of these shares, 4,361,947 shares will vest on June 11, 2013, and the remaining 8,723,895 shares will vest pro-rata in ei installments with each installment vesting on the last day of each calendar quarter.

(3) All of these options will vest on July 18, 2013. In the event that Mr. Polster's employment is terminated by reason other prior to March 18, 2013, 75% of the options will vest and become exercisable.

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ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELA STOCKHOLDER MATTERS.

The following table sets forth the number and percentage of outstanding shares of common stock and other classes of our ec securities entitled to vote on all matters submitted to a vote by holders of common stock beneficially owned as of February by (i) each of our directors and named executive officers; (ii) all persons who are known by us to be beneficial owners of 5 of our outstanding common stock; and (iii) all of our officers and directors as a group. The percentages of common stock b owned are reported on the basis of regulations of the Securities and Exchange Commission governing the determination of ownership of securities. Under the rules of the Securities and Exchange Commission, a person is deemed to be a beneficial security if that person has or shares voting power, which includes the power to vote or to direct the voting of the security, o investment power, which includes the power to dispose of or to direct the disposition of the security. Unless otherwise note knowledge and subject to community property laws where applicable, each of the persons listed below has sole voting and investment power with respect to the shares indicated as beneficially owned by such person. Our common stock is our only voting securities.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership(1)	Percent of Class (
William Ogle		
19111 North Dallas Parkway, Suite 200	18,956,560(3)	
Dallas, TX 75287		
Andrew Levi		
19111 North Dallas Parkway, Suite 200	51,473,815(4)	
Dallas, TX 75287		
David Polster		
19111 North Dallas Parkway, Suite 200	-	
Dallas, TX 75287		
Ian Wolfman		
19111 North Dallas Parkway, Suite 200	140,625(5)	
Dallas, TX 75287		
Charles Thomas	140,625(5)	

19111 North Dallas Parkway, Suite 200 Dallas, TX 75287	
Andrew Malloy 19111 North Dallas Parkway, Suite 200 Dallas, TX 75287	-
Esousa Holdings LLC(6) 317 Madison Ave., Suite 1621 New York, NY 10017	12,480,250(7)
All directors and executive officers as a group (5 persons)	70,711,625

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(1) Shares of common stock beneficially owned and the respective percentages of beneficial ownership of com assumes the exercise of all options, warrants and other securities convertible into common stock beneficially owned by su or entity currently exercisable or exercisable within 60 days of March 28, 2013, except as otherwise noted. Shares issuabl to the exercise of stock options and warrants exercisable within 60 days are deemed outstanding and held by the hold options or warrants for computing the percentage of outstanding common stock beneficially owned by such person, b deemed outstanding for computing the percentage of outstanding common stock beneficially owned by any other person.

(2) These percentages have been calculated based on 138,381,367 shares of common stock outstanding as of 2013.

(3) Includes (i) 5,608,218 shares issuable upon exercise of vested stock options, (ii) 250,000 shares issuable upon con 10% convertible debentures, and 13,085,842 shares issued pursuant to a restricted stock grant.

(4) Includes (i) 250,000 shares issuable upon conversion of 10% convertible debentures, and (ii) 22,954,395 shares of stock which are being held in escrow until April 19, 2013. Pursuant to the stockholder's agreement, Mr. Levi agreed that if Company issues shares of Common Stock in a financing transaction or in connection with the hiring or retention of senior management or directors during such period of time, the corresponding number of escrowed shares will be cancelled and re the Company's treasury.

(5) Includes 140,625 shares issuable upon exercise of vested stock options.

(6) Rachel Glicksman, as managing director of Esousa Holdings LLC, has voting and dispositive control over such sh

(7) Based upon a Schedule 13G/A filed by Esousa Holdings LLC on February 14, 2012.

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ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENC

Aztec Systems, Inc., is a corporation that has provided us with administrative and technical support services until Augus software development services until October 2012. Until the time of its sale to GLT Aztec LP on June 15, 2012, the majo of Aztec Systems, Inc. was Andrew Levi, our chief technology officer. From inception, September 11, 2009, through Sep 2012, we have incurred management fees of $90,384 and software development, hosting and infrastructure su of $1,043,334 related to Aztec Systems, Inc.

On January 16, 2012, we entered into a letter agreement with Aztec Systems, pursuant to which Aztec Systems agreed credit to us in an amount requested by us up to a maximum of $30,000 in any single month through March 31, 2012 to ass our ongoing software development efforts. In connection with the credit extension, we agreed to pay Aztec Systems a m $30,000 per month beginning January 2012 to be applied against any amounts currently owed by us to Aztec Systems or i the future for software development or hosting services. The credit extension was terminable upon notice by Aztec Sy January 17, 2012, we issued a promissory note to Aztec Systems in the principal amount of $254,992.89. The principal the note reflects the balance due to Aztec Systems as of December 31, 2011 for software development and hosting service by Aztec Systems. The note bears interest at a rate of 8% per annum and the entire principal and interest under the note September 30, 2012.

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On November 9, 2012, we entered into an exchange agreement with Aztec Systems, pursuant to which we agreed to ex
note which then had a balance of $368,059.24 and our existing accounts payable to Aztec Systems of $177,898.92
convertible note in the principal amount of $545,958.16. The 8% convertible note is due on March 31, 2013. Purs
exchange agreement, we agreed to register the shares of common stock issuable upon conversion of the 8% convertible n
aggregate of 3,733,428 shares of common stock then held by Aztec Systems on or before December 31, 2012. The 8% c
note is convertible into shares of our common stock at a conversion price equal to the greater of: (i) $0.15 per share or (i
per share at which common stock is sold in a subsequent financing. Upon effectiveness of the registration statement co
resale of such shares, the 8% convertible note automatically converted into shares of our common stock.

On September 1, 2011, in connection with our reverse merger and succession to the business of business of Blue Calypso
Inc. as our sole line of business, we transferred all of our pre-reverse merger operating assets and liabilities to JJ&R
Holdings, Inc., a Delaware corporation and our wholly owned subsidiary. Immediately after this transfer, we transferred a
Ventures Holdings, Inc.'s outstanding capital stock to Deborah Flores, our then-majority stockholder and our forme
treasurer, treasurer and sole director, in exchange for the cancellation of 51,000,000 shares of our common stock held by M

Independent Directors

Our board of directors has determined that each of Messrs. Wolfman, Thomas and Malloy is independent within the m
applicable listing rules of the Nasdaq Stock Market and the rules and regulations promulgated by the Securities and
Commission. We anticipate that we will add additional independent directors in the future.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

We have engaged Montgomery Coscia Greilich LLP, Certified Public Accountants for the audits of our financial stateme
years ended December 31, 2012 and 2011, respectively, and the reviews of our financial statements contained in each of ou
reports on Form 10-Q during the years ended December 31, 2012 and 2011..

Audit Fee

The aggregate fees billed for each of the last two fiscal years for professional services rendered by the principal account
audit of our financial statements were $46,000 for fiscal year ended 2012 and $43,966 for fiscal year ended 2011.

Audit-Related Fees

The aggregate fees billed in each of the last two fiscal years for assurance and related services by the principal accounta
reasonably related to the performance of the audit or review of our financial statements that are not reported above were
fiscal year ended 2012 and $2,165 for fiscal year ended 2011.

Tax Fees

The aggregate fees billed in each of the last two fiscal years for professional services rendered by the principal account
compliance, tax advice, and tax planning were $2,165 for fiscal year ended 2012 and $575 for fiscal year ended 2011.

All Other Fees

The aggregate fees billed in each of the last two fiscal years for products and services provided by the principal accountant,
the services reported above were $0 for fiscal year ended 2012 and $0 for fiscal year ended 2011.

Our audit committee will evaluate and approve in advance, the scope and cost of the engagement of an auditor before t
renders audit and non-audit services.

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ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) Exhibits

Exhibit Number	**Description**
2.1	Agreement and Plan of Merger and Reorganization, dated as of September 1, 2011, by and among Blue Calyp Blue Calypso Acquisition Corp., and Blue Calypso Holdings, Inc. (incorporated by reference to Exhibit 2.1 to 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 corpo and Blue Calypso, Inc., a Delaware corporation (incorporated by reference to Exhibit 10.1 to Current Report o 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 wit 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 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 Exhibit 3.3 to Current Report on Form 8-K filed with the Securities and Exchange Commission on October 19
10.1	2011 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K fil 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 F 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 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 For 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 Se 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, (incorporated by reference to Exhibit 10.6 to Current Report on Form 8-K filed with the Securities and Excha Commission on September 8, 2011)
10.7	Securities Purchase Agreement, dated as of September 1, 2011, by and among Blue Calypso, Inc. and certain set forth therein (incorporated by reference to Exhibit 10.7 to Current Report on Form 8-K filed with the Secu 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 set forth therein (incorporated by reference to Exhibit 10.9 to Current Report on Form 8-K filed with the Secu 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 Se 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. (incor reference to Exhibit 10.1 to our Current Report on Form 8-K filed with the Securities and Exchange Commiss January 20, 2012)
10.11	Promissory Note, dated January 17, 2012, issued by Blue Calypso, Inc. to Aztec Systems, Inc. (incorporated b reference to Exhibit 10.2 to our Current Report on Form 8-K filed with the Securities and Exchange Commiss January 20, 2012)

10.12	Securities Purchase Agreement, dated April 19, 2012, by and between Blue Calypso, Inc. and the Buyer theret (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed with the Securities and Ex Commission on April 24, 2012)
10.13	Senior Secured Convertible Note issued April 19, 2012 (incorporated by reference to Exhibit 10.2 to our Curr 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 Cur 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 Ex Commission on April 24, 2012)
10.16	Intellectual Property Security Agreement, dated April 19, 2012, by and between the Company, Blue Calypso, the Buyer (incorporated by reference to Exhibit 10.5 to our Current Report on Form 8-K filed with the Securit 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 ref Exhibit 10.6 to our Current Report on Form 8-K filed with the Securities and Exchange Commission on April
10.18	Form of Lock-Up Agreement (incorporated by reference to Exhibit 10.7 to our Current Report on Form 8-K fi 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 Cur Report on Form 8-K filed with the Securities and Exchange Commission on April 24, 2012)
10.20	Stockholder's Agreement, dated April 19, 2012, by and between Andrew Levi and the Company (incorporated reference to Exhibit 10.9 to our Current Report on Form 8-K filed with the Securities and Exchange Commiss 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 Ex Commission on June 4, 2012)
10.22	Form of Subscription Agreement – June 2012 Private Placement (incorporated by reference to Exhibit 10.1 to 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 Rep Form 8-K filed with the Securities and Exchange Commission on July 30, 2012)
10.24	Exchange Agreement dated November 9, 2012 between Blue Calypso, Inc. and Aztec Systems, Inc. (incorpor reference to Exhibit 10.24 to our Quarterly Report on Form 10-Q for the period ended September 30, 2012 fil 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 R Form 10-Q for the period ended September 30, 2012 filed with the Securities and Exchange Commission on N 19, 2012)
21.1	List of subsidiaries (incorporated by reference to Exhibit 21.1 to our Annual Report on Form 10-K for the yea 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 Chief 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

+ filed herewith

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SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by th
undersigned, thereunto duly authorized.

Blue Calypso, Inc.

Date: March 29, 2013

/s/ Willam Ogle
William Ogle
Chief Executive Officer

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant
the capacities and on the dates indicated.

Signature	Title	Date
/s/ William Ogle William Ogle	President, Chief Executive Officer and Director (Principal Executive Officer)	March 29, 2013
/s/ David Polster David Polster	Chief Financial Officer (Principal Financial and Accounting Officer)	March 29, 2013
/s/ Andrew Levi Andrew Levi	Director	March 29, 2013
/s/Charles Thomas Charles Thomas	Director	March 29, 2013

/s/ Ian Wolfman	Director	March 29, 2013
Ian Wolfman		
/s/Andrew Malloy	Director	March 29, 2013
Andrew Malloy		

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Blue Calypso, Inc., and Subsidiary

We have audited the accompanying consolidated balance sheets of Blue Calypso, Inc. and subsidiary (a development company, the "Company") as of December 31, 2012 and 2011, and the related consolidated statements of operations, stockholders' equity (deficit) and cash flows for each of the years then ended and the period from September 11, 200 (inception) to December 31, 2012. These financial statements are the responsibility of the Company's management. responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards of the Public Company Accounting Oversight Boar States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether financial statements are free of material misstatement. The Company is not required to have, nor were we engaged perform, an audit of its internal control over financial reporting. Our audit included consideration of internal contr financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for th purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Ac we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the fin position of Blue Calypso, Inc. and subsidiary as of December 31, 2012 and 2011, and the results of its operations and flows for the years then ended and for the period from September 11, 2009 (inception) to December 31, 2012 in conf with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue concern. As discussed in Note 9 to the consolidated financial statements, the Company has had recurring losses from operations, negative cash flows from operating activities and has an accumulated deficit. These conditions raise sub doubt about the Company's ability to continue as a going concern. These consolidated financial statements do not in adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

Montgomery Coscia Greilich LLP
Plano, Texas
March 28, 2013
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BLUE CALYPSO INC. AND SUBSIDIARY
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2012 AND 2011

		2012		2011
ASSETS				
Current assets:				
Cash and cash equivalents		218,798		
Accounts receivable		43,868		
Prepaid expenses		3,052		
Total current assets		265,718		
Property and equipment, net of accumulated depreciationof $7,153 and $2,397 in 2012 and 2011 respectively		16,628		
Capitalized software development costs, net of accumulated amortization of $352,957 and $133,279 in 2012 and 2011, respectively		923,449		
Total assets	$	**1,205,795**	$	
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)				
Current liabilities:				
Accounts payable		84,947		
Accounts payable-affiliate		-		
Accrued liabilities		186,508		
Unearned revenue		10,000		
Notes payable - LMD		465,000		
Notes payable - affiliate (net of discount of $244,705)		301,253		
Total current liabilities		1,047,708		
Notes payable - debentures (net of discount of $213,500)		236,500		
Committments and contingencies (note 10)		-		
Total liabilities		1,284,208		
Stockholders' equity (deficit)				
Series A convertible preferred stock, par value $.0001 per share (Authorized 5,000,000 shares; issued and outstanding 1,700,000 shares)		170		
Common stock, par value $.0001 per share (Authorized 680,000,000 shares; issued and outstanding 125,135,113 shares as of 12/31/12 and 126,845,641 shares at 12/31/11 respectively)		12,514		
Additional paid in capital		10,251,657		
Deferred compensation		(2,980,218)		(

Accumulated deficit during development stage	(7,362,536)	(
Total stockholders' equity (deficit)	(78,413)	
Total liabilities and stockholders' equity (deficit)	**1,205,795**	

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BLUE CALYPSO, INC. AND SUBSIDIARY

(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011	FROM INCEPT SEP 11, 2009 DEC 31, 201
REVENUE	$ 74,584	$ 51,590	$
COST OF REVENUE	155,022	111,511	
GROSS LOSS	(80,438)	(59,921)	
OPERATING EXPENSES			
Sales and marketing	420,692	731,483	
General and administrative	1,557,193	807,179	
Other operating expenses (includes deferred compensation expense related to stock options)	2,211,173	55,276	
Depreciation and amortization	797,512	123,624	
	4,986,512	1,717,562	
LOSS FROM OPERATIONS	(5,066,950)	(1,777,483)	(
OTHER INCOME (EXPENSE)			
Interest income	0	0	
Interest expense	(47,998)	(57,417)	
	(47,998)	(57,417)	
LOSS BEFORE INCOME TAX PROVISION	(5,114,948)	(1,834,900)	(
INCOME TAX PROVISION	-	-	
NET LOSS	(5,114,948)	(1,834,900)	(
Loss per share:			
Basic and Diluted	$ (0.04)	$ (0.02)	
Weighted Average Shares Outstanding Basic and Diluted	133,060,503	90,751,588	

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BLUE CALYPSO, INC. AND SUBSIDIARY

(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEF
PERIOD FROM SEPTEMBER 11, 2009 (DATE OF INCEPTION) TO DECEMBER 31, 2

(UNAUDITED)

	Preferred Stock		Common Stock		Additional	Deferred
	Shares	Amount	Shares	Amount	Paid-In Capital	Compensation
Beginning Balance, September 11, 2009		$ -	-	$ -	$ -	$ -
Net loss	-	-	-	-	-	-
Ending Balance, December 31, 2009			-	-	-	-
Shares issued at $.0001 per share-3/10/2010			65,448,269	6,545	(5,525)	-
Affiliate payable converted to equity-3/31/10			-	-	21,958	-
Net loss	-	-	-	-	-	-
Ending Balance, March 31, 2010			65,448,269	6,545	16,433	-
Restricted shares issued- 6/10/2010			5,133,198	513	(433)	(80)
Net loss	-	-	-	-	-	-
Ending Balance, June 30, 2010			70,581,467	7,058	16,000	(80)
Restricted shares issued- 9/20/2010			1,604,124	160	(135)	(25)
Net loss	-	-	-	-	-	-
Ending Balance, September 30, 2010			72,185,591	7,219	15,864	(105)

Restricted shares vested as of 12/31/10			-	-	-	22
Net loss	-	-	-	-	-	-
Ending Balance, December 31, 2010			72,185,591	7,219	15,864	(83)
Restricted shares issued- 1/10/11			1,283,299	128	(108)	(20)
Additional paid-in capital			-	-	10	-
Restricted shares vested as of 03/31/11			-	-	-	12
Net loss	-	-	-	-	-	-
Ending Balance, March 31, 2011			73,468,891	7,347	15,766	(91)
Restricted shares issued- 4/29/11			1,283,299	128	(108)	(20)
Restricted shares vested as of 06/30/11			-	-	-	15
Net loss	-	-	-	-	-	-
Ending Balance, June 30, 2011			74,752,190	7,475	15,658	(96)
Restricted shares cancelled 7/25/11			(2,887,423)	(288)	192	96
Restricted shares vested as of 09/30/11			-	-	-	-
Conversion of debt 9/1/11			28,135,234	2,814	1,562,274	-
Reverse merger shares issued 9/1/11			24,974,700	2,497	(2,497)	-
Restricted shares issued- 9/8/11			320,825	32	21,752	(21,784)
Net loss	-	-	-	-	-	-
			125,295,526	12,530	1,597,379	(21,784)

Ending Balance, September 30, 2011						
Additional paid-in capital-compensation expense					4,240	
Conversion of debt to pref stock 10/17/11	1,500,000	150			1,499,850	
Restricted shares vested as of 10/1/11						5,446
Restricted shares issued- 12/30/11			1,550,115	155	1,565,461	(1,565,616)
Net loss	-	-	-	-	-	-
Ending Balance, December 31, 2011	1,500,000-	$ 150	126,845,641	$ 12,685	$ 4,666,929	$ (1,581,954)
Additional paid-in capital-compensation expense					-	
Purchase of preferred stock	200,000				200,000	
Restricted shares issued			200,000			
Stock options - deferred income						763,480
Net loss	-	-	-	-	-	-
Ending Balance, March 31, 2012	1,700,000	$ 150	127,045,641	$ 12,685	$ 4,866,929	$ (818,474)
Restricted shares issued					5,234,337	(5,234,337)
Restricted shares cancelled			(1,700,115)	(155)	(1,565,461)	1,565,616
Restricted shares - unvested			(290,619)	(24)	(16,314)	16,338
Purchase of common stock - related to			440,000	44	186,479	

private offering						
Release of common stock from shareholder			(440,000)			
Stock options - deferred income						2,181,627
Net loss	-	-	-	-	-	-
Ending Balance, June 30, 2012	1,700,000	$ 150	125,054,907	$ 12,550	$ 8,705,970	$ (2,289,230)
Restricted shares issued						
Restricted shares - unvested			80,205			
Purchase of common stock - related to private offering			450,000	62	232,438	
Release of common stock from shareholder			(450,000)			
Stock options - deferred income						13,872
Net loss	-	-	-	-	-	-
Ending Balance September 30, 2012	1,700,000	$ 150	125,135,112	$ 12,612	$ 8,938,408	$ (2,275,358)
Purchase of common stock - via AP Settlements			1,068,105	107	354,788	
Release of common stock from Shareholder			(1,068,105)			
Correction to reflect prefered stock amount		20			(20)	

Purchase of common stock - related to private offering			10,000	(17)	(29,983)	
Release of common stock from shareholder			(10,000)			
Stock options - deferred income						(753,254)
Cumulative correction - common Stock			1	(188)	(42,760)	42,948
Beneficial conversion features - notes payable					614,696	
Value of warrants - note payable					416,528	
Restricted shares vested as of 10/1/12						5,446
Net loss	-	-	-			-
Ending Balance December 31, 2012	1,700,000	$ 170	125,135,113	$ 12,514	$ 10,251,657	$ (2,980,218)

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BLUE CALYPSO, INC. AND SUBSIDIARY

(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011	FROM INCEPT SEP 11, 2009 DEC 31, 201
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss	$ (5,114,948)	$ (1,834,900)	$ (7
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization expense	797,454	118,179	
Amortization of vested restricted stock and options	2,211,171	5,446	
(Increase) decrease in assets:			
Accounts receivable	8,032	(51,901)	
Prepaid expenses and other current assets	31,754	(23,987)	
Increase (decrease) in liabilities:			
Accounts payable	16,785	52,499	
Accounts payable-affiliate	(254,838)	149,423	
Accrued expenses	93,133	41,182	
Deferred revenue	(14,174)	17,211	
Cash used in operating activities	(2,225,631)	(1,526,848)	(
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash paid for software development	(331,689)	(490,218)	(
Cash paid for purchases of fixed assets	-	(19,416)	
Cash used in investing activities	(331,689)	(509,634)	(
CASH FLOWS FROM FINANCING ACTIVITIES			
Contributed capital received	-	150	
Notes Payable	1,460,958		
Purchase of Common Stock	388,873		

Purchase of Preferred Stock		200,000			
Conversion of NP Affiliate to equity		-		100,000	
Conversion of AP to equity		354,894		2,194,214	
Cash provided by financing activities		2,404,725		2,294,364	
Net increase (decrease) in cash		(152,595)		257,882	
Cash at beginning of year		371,393		113,511	
Cash at end of year		218,798	$	371,393	$
SUPPLEMENTAL INFORMATION:					
Cash paid for interest	$	-	$	-	$
Cash paid for taxes	$	-	$	-	$
Non-cash investing and financing activities:					
Affiliate payable converted to equity	$	-	$	200,000	$
Affiliate payable converted to note payable	$	545,958	$	(100,000)	$

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BLUE CALYPSO, INC. AND SUBSIDIARY
(A DEVELOPMENT STAGE COMPANY)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

1. Organization and Nature of Business

Blue Calypso Holdings, Inc. (a development stage company) a Texas corporation ("BCHI"), was formed in February 2010 investment entity to hold a 100% single-member ownership interest in Blue Calypso, LLC, a Texas Limited Liability Comp formed on September 11, 2009. The companies are under common control and in February 2010 were merged for strategic purposes.

On September 1, 2011, BCHI executed a share exchange agreement and merged with a public shell company Blue Calypso Acquisition, Corp., a wholly-owned subsidiary of Blue Calypso, Inc. (formerly known as "JJ&R Ventures, Inc."). The Mer accounted for as a reverse-merger and recapitalization in accordance with the generally accepted accounting principles in th States. BCHI is the acquirer for financial reporting purposes and Blue Calypso, Inc. is the acquired company. Consequentl assets and liabilities and the operations that will be reflected in the historical financial statements prior to the Merger will be BCHI and will be recorded at its historical cost basis. The operations after completion of the Merger include those of BCHI Calypso Inc. Common stock and corresponding capital amounts of BCHI pre-merger have been retroactively restated as ca shares reflecting the exchange ratio in the Merger. On December 16, 2011 Blue Calypso Holdings, Inc. was merged into its sole-owner, Blue Calypso, Inc.

The Company is a mobile and social media marketing company that activates and measures branded word of mouth campai through consumers' personal texts, posts and tweets between friends. The Company activates a friend to friend distribution marketing campaigns by motivating brand loyalists to personally endorse and share these campaigns with their digital socia The Company compensates them for their reach with cash, prizes and VIP perks. Marketers enjoy the power of measured pe endorsements that generate buzz, ignite conversation, drive purchase intent, increase loyalty and attract new customers by l the power of social influence.

2. Summary of Significant Accounting Policies

Development Stage Company

The Company is a development stage company as defined by ASC 915 Development Stage Entities and is still devoting sub efforts on establishing the business. Its principal operations have commenced but there has been no significant revenue thus losses accumulated since inception, have been considered as part of the Company's development stage activities.

Basis of Presentation

The financial statements are stated in U.S. dollars and include the accounts of Blue Calypso, Inc. and BCHI which were me
effective December 16, 2011. The financial statements have been prepared in accordance with accounting principles genera
accepted in the United States of America.

Segments

The Company operates in a single segment.

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BLUE CALYPSO, INC. AND SUBSIDIARY
(A DEVELOPMENT STAGE COMPANY)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

2. Summary of Significant Accounting Policies, continued

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosur contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses du reporting period. Significant estimates include the realization of capitalized software and the realization of deferred tax asse results may differ from these estimates.

Revenue Recognition

The Company recognizes revenue in accordance with Accounting Standards Codification ("ASC") 605 "Revenue Recognit persuasive evidence of an arrangement exists, the fee is fixed or determinable, delivery of the product has occurred or servi been rendered and collectability is reasonably assured. Revenue includes fees received from customers for advertising and services provided by the Company and is recognized as earned when brand loyalists personally endorse and share the adver campaigns with others in their digital social stream.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in bank demand deposits. The Company considers all highly liquid debt inst with original maturities of three months or less to be cash equivalents.

Property and Equipment and Long-Lived Assets

Property and equipment consists of office equipment and is recorded at cost, less accumulated depreciation and amortizatio Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which for offic equipment is three to five years. Expenditures for major renewals and betterments that extend the useful lives of the propert equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Intangible Assets

Software development costs are accounted for in accordance with FASB ASC 350-40, Intangibles – Goodwill and Other: In
Software. According to ASC 350-40 capitalization of costs shall begin when both of the following occur: a) preliminary pro
is completed, b) management, with the relevant authority, implicitly or explicitly authorizes and commits to funding a com
software project and it is probable that the project will be completed and the software will be used to perform the function i
The costs capitalized include fees paid to third parties for services provided to develop the software during the application
development stage, payroll and payroll-related costs such as costs of employee benefits for employees who are directly asso
with and who devote time to the internal-use computer software project on activities that include coding and testing during t
applicationdevelopment stage and interest costs incurred while developing internal-use computer software (in accordance w
835-20). Once the software is ready for its intended use, the costs are amortized using straight-line method over the estimat
life of up to five years. The unamortized capitalized cost of the software is compared annually to the net realizable value. Th
by which the unamortized capitalized costs of the internal use software exceed the net realizable value of that asset is writte

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BLUE CALYPSO, INC. AND SUBSIDIARY
(A DEVELOPMENT STAGE COMPANY)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

2. Summary of Significant Accounting Policies, continued

Impairment of Long-lived Tangible Assets and Definite-Lived Intangible Assets

Long-lived tangible assets and definite lived intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets might not be recoverable. Recoverability of assets held and us generally measured by a comparison of the carrying amount of an asset to undiscounted future net cash flows expected to be generated by that asset. If it is determined that the carrying amount of an asset may not be recoverable, an impairment loss recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset.

Fair Value Measurements

The company has adopted ASC Topic 820, Fair Value Measurements and Disclosures, which defines fair value, establishes framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. The carrying amounts of accounts receivable and accounts payable of the Company approximate fair value of the short maturity of these instruments. ASC 820 establishes a hierarchy for inputs used in measuring fair value that max the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be u available.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has 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 or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability.

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BLUE CALYPSO, INC. AND SUBSIDIARY
(A DEVELOPMENT STAGE COMPANY)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

2. Summary of Significant Accounting Policies, continued

Income Taxes

Income taxes are accounted for using the asset and liability method pursuant to the authoritative guidance on Accounting fo Taxes. Deferred taxes are recognized for the tax consequences of "temporary differences" by applying enacted statutory ta applicable to future years to differences between the financial statement and carrying amounts and the tax bases of existing liabilities. The effect on deferred taxes for a change in tax rates is recognized in income in the period that includes the enac date. The Company recognizes future tax benefits to the extent that realization of such benefits is more likely than not.

The Company follows the authoritative guidance prescribing comprehensive model for how a company should recognize, present, and disclose in its financial statements uncertain tax positions that it has taken or expects to take on a tax return. T guidance requires that a company recognize in its financial statements the impact of tax positions that meet a "more likely t threshold, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a should be measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultim settlement.

Loss per Share

We have presented basic loss per share, computed on the basis of the weighted average number of common shares outstand the year, and diluted loss per share, computed on the basis of the weighted average number of common shares and all poten dilutive common shares outstanding during the year. Potential common shares result from stock options, vesting of restricte grants and convertible notes. However, for the years presented, all outstanding stock options, restricted stock grants and co notes are anti-dilutive due to the losses incurred. Anti-dilutive common stock equivalents of 3,852,323 and 2,420,000 share excluded from the loss per share computation for 2012 and 2011, respectively.

Stock-Based Compensation

The Company granted stock options and restricted stock as compensation to employees and directors. Compensation expe measured in accordance with FASB ASC 718 (formerly SFAS No. 123R), Compensation - Stock Compensation. Compens expense is recognized over the requisite service period for awards of equity instruments to employees based on the grant da value of those awards expected to ultimately vest. Forfeitures are estimated on the date of grant and revised if actual or exp forfeiture activity differs materially from original estimates.

Concentrations of Credit Risk

Significant concentrations of credit risk may arise from the Company's cash maintained in the bank. The Company mainta
quality financial institution, however, at times, cash balance may exceed the federal deposit insurance limits (FDIC limits).
December 31, 2012 the cash balance with the bank did not exceed the $250,000 FDIC limit.

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BLUE CALYPSO, INC. AND SUBSIDIARY
(A DEVELOPMENT STAGE COMPANY)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

2. Summary of Significant Accounting Policies, continued

Advertising and Marketing

The Company's advertising and marketing costs, which consist primarily of marketing and trade show costs, business devel
and printed promotional and sales presentation materials, are charged to expense when incurred. The advertising and mark
expense was $128,007 and $237,249 for the years ended December 31, 2012 and 2011, respectively.

Recent Accounting Pronouncements

In July 2011, the Financial Accounting Standards Board (FASB) issued ASU 2012-06-Other Expenses (Topic 720): Fees P
Federal Government by Health Insurers (a consensus of the FASB Emerging Issues Task Force) . This ASU is effective for
ending after December 31, 2013. We do not expect this ASU 2012-06 to apply to the Company or to have a material effect
financial position, results of operations or cash flows.

In December 2011, the Financial Accounting Standards Board (FASB) issued ASU 2012-10-Property, Plant, and Equipmen
360): De-recognition of in Substance Real Estate—a Scope Clarification (a consensus of the FASB Emerging Issues Task F
ASU is effective for periods after June 15, 2012. We do not expect this ASU 2012-10 to apply to the Company or to have a
effect on the financial position, results of operations or cash flows.

3. Property and Equipment

Property and equipment consist of the following at December 31, 2012 and 2011:

		12/31/2012		**12/31/20**
Office Equipment	$	23,781	$	
Less: Accumulated depreciation		(7,153)		
Net property and euipment	$	16,628	$	

Depreciation expense was $4,756 and $2,256 for the years ended December 31, 2012 and 2011, respectively.

4. Intangibles

Intangible assets consist of the following at December 31, 2012 and 2011:

	12/31/2012	**12/31/20**

Capitalized Software Development Costs	$	1,276,406	$
Less: Accumulated amortization		(352,957)	
Net capitalized development costs	$	923,449	$

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BLUE CALYPSO, INC. AND SUBSIDIARY
(A DEVELOPMENT STAGE COMPANY)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

4. Intangibles, continued

The capitalized software development costs include $-0- and $8,890 interest capitalized for the years ended December 31, 2
2011, respectively. The amortization expense relating to the capitalized development costs was $226,503 and $121,342 for
ended December 31, 2012 and 2011, respectively. Amortization expense for the next five years is estimated to be as follow

2013	$	256,230
2014		256,230
2015		233,230
2016		141,394
2017		36,551
Total	$	923,446

5. Income Tax Provision

The company's income taxes are recorded in accordance with ASC 740 "Income Taxes". The tax effects of the Company's
differences that give rise to significant portions of the deferred tax assets. Deferred tax assets totaling $815,765 and $625,0
years ended December 31, 2012 and 2011were fully reserved and were attributed to net operating losses for those periods.
tax assets and liabilities are computed by applying the effective U.S. federal and state income tax rate to the gross amounts
temporary differences and other tax attributes.

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In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some porti
of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generatio
future taxable income during the periods in which those temporary differences become deductible. Management considers t
scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this ass
At December 31, 2012 and 2011, the Company believed it was more likely than not that future tax benefits from net operati
carry-forwards and other deferred tax assets would not be realizable through generation of future taxable income and accor
deferred tax assets are fully reserved.

6. Long Term Debt - Notes Payable

On November 9, 2012, the Company entered into the exchange agreement with Aztec, pursuant to which the Company and
agreed to exchange the Note and the Company's existing accounts payable to Aztec for an 8% Convertible Note in the orig
principal amount of $545,958. The 8% Convertible Note is due on March 31, 2013. Pursuant to the exchange agreement, th
Company agreed to register the shares of Common Stock issuable upon conversion of the 8% Convertible Note and an aggr
3,733,428 shares of Common Stock currently held by Aztec on or before December 31, 2012. The 8% Convertible Note is
convertible into shares of the Company's Common Stock at a conversion price equal to the greater of: (i) $0.15 per share or
price per share at which Common Stock is sold in a subsequent financing. Upon effectiveness of the registration statement
the resale of such shares, the 8% Convertible Note will automatically convert into shares of the Company's Common Stock
applicable conversion price. The note was determined to have an embedded beneficial conversion feature (“BCF”) under th
of FAS ASC 470-20, “Debt with Conversion and Other Options” based on the issue date market value of $0.40 per share ar
exercise price of $0.15 per share. In accordance with ASC 470-20, an embedded beneficial conversion feature shall be reco
separately at issuance by allocating a portion of the proceeds equal to the intrinsic value of that feature to additional paid ca
discount of $341,224 was recorded at issuance and amortization expense of $96,519 was recognized for the year ended Dec
2012. The note balance was $301,253 net of discount of $244,705 at December 31, 2012.

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BLUE CALYPSO, INC. AND SUBSIDIARY

(A DEVELOPMENT STAGE COMPANY)

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

On April 19, 2012, the Company entered into a securities purchase agreement with an existing stockholder (the "Buyer"), p which the Company issued (i) a senior secured 8% convertible debenture convertible into shares of the Company at $0.10 p the original aggregate principal amount of $35,000 and (ii) a warrant to purchase 6,500,000 shares of common stock at $0.1 share, and the Buyer covenanted to purchase up to an additional $465,000 of senior secured convertible debentures in a seri closings at such times as may be designated by the Company in its sole discretion through November 30, 2012. The conve debentures matured on November 30, 2012 and bear interest at a rate of 8%. A discount of $416,528 was recorded for the fair market value and amortization expense was fully recognized in the amounts of $416,528 and $0 for the years ended De 31, 2012, and 2011, respectively. The unamortized discount balance was $0 as of December 31, 2012 and December 31, 20 respectively. The outstanding principal of the convertible debentures was $465,000 as of December 31, 2012. The debentu determined to have an embedded beneficial conversion feature ("BCF")_ under the provisions of FAS ASC 470-20, "Debt Conversion and Other Options" based on the issue date market value of $0.71 per share and the exercise price of $0.10 per accordance with ASC 470-20, an embedded beneficial conversion feature shall be recognized separately at issuance by allo portion of the proceeds equal to the intrinsic value of that feature to additional paid capital. A discount of $48,472 was reco issuance and amortization expense of $48,472 was recognized for the year ended December 31, 2012. The note balance wa $465,000 net of discount of $0 at December 31, 2012.

On November 15, 2012, the Company commenced a private offering of up to $3,000,000 of units at a purchase price of $50 unit pursuant to the Securities Purchase Agreement dated November 15, 2012 (the "Purchase Agreement"). Each Unit cons Convertible Debenture in the principal amount of $50,000 (the "Debenture") and 12,500 shares of the Company's common Debenture bears interest at a rate of 10% per annum, is due two years from the issuance date and is convertible into shares o Company's common stock at a conversion price of $0.20 per share. As of December 31, 2012, we have issued and sold an a of 9 units totaling $450,000. The debentures were determined to have an embedded beneficial conversion feature ("BCF")_ provisions of FAS ASC 470-20, "Debt with Conversion and Other Options" based on the issue date market value of $0.40 p the exercise price of $0.20 per share. In accordance with ASC 470-20, an embedded beneficial conversion feature shall be recognized separately at issuance by allocating a portion of the proceeds equal to the intrinsic value of that feature to additio capital. A discount of $225,000 was recorded at issuance and amortization expense of $11,500 was recognized for the year December 31, 2012. The note balance was $236,500 net of discount of $213,500 at December 31, 2012.

7. Stockholders' Equity (Deficit)

On June 13, 2012, the Company commenced a private placement of up to $10,000,000 of Units, at a purchase price of $1.00 Each Unit consists of: (i) two shares of Common Stock and (ii) a warrant to purchase one share of the Company's Common "Warrant"). The Warrant is exercisable for a term of two years at an exercise price of $0.75 per share. As of October 14, 20 termination date of the offering, we issued and sold an aggregate of 445,000 Units in consideration of gross proceeds of $44

As of December 31, 2012, the Company has issued and sold an aggregate of 445,000 Units in the private placement in cons of gross cash proceeds of $445,000. As a result, the Company has issued an aggregate of 890,000 shares of common stock a warrants to purchase an aggregate of 890,000 shares of Common Stock. WFG Investments, Inc. ("WFG") acted as placeme connection with the Private Placement and was entitled to receive a commission equal to 10% of any subscriptions received warrants to purchase 3% of the number of shares of common stock included in the Units sold in the Private Placement. As I 31, 2012, WFG has received a cash fee of $44,500 and warrants to purchase 26,700 shares of common stock.

In April 2012, the Company entered into a stockholder's agreement with Andrew Levi, our Chief Technology Officer, wher Levi agreed to place 25,000,000 shares of Common Stock held by him in escrow for a period of one year. In the event that t Company issues shares of Common Stock in a financing transaction, or in connection with the hiring or retention of senior management or directors during such period of time, the corresponding number of escrowed shares will be cancelled and re the Company's treasury.

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BLUE CALYPSO, INC. AND SUBSIDIARY

(A DEVELOPMENT STAGE COMPANY)

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

On September 1, 2011 and as part of the reverse merger, the Company issued convertible promissory notes (the "Promissor two accredited investors in a private placement transaction (the "Private Placement") pursuant to a Securities Purchase Agr "Securities Purchase Agreement") in the aggregate principal amount of One Million Five Hundred Thousand Dollars ($1,50 five-year warrants (the "Warrants") to purchase up to 22,091,311 shares of the Company's common stock at an exercise pri per share. The notes are due December 1, 2012 and accrue no interest. The Promissory Notes are automatically convertible One Million Five Hundred Thousand (1,500,000) shares of the Company's Series A Convertible Preferred Stock ("Series A immediately upon the creation of the Series A Preferred by the Company. The Series A Preferred stock was approved Octo 2011 and the notes were immediately converted into 1,500,000 preferred shares. The Series A Preferred shares are converti shares of the Company's common stock at a conversion rate of $0.0679 per share or 22,091,311 common shares. The conve preferred into common stock is limited to the extent that the beneficial owners own greater that 4.99% of the Company's co stock.

During the three months ended March 31, 2012, the investor completed the purchase of the additional 200,000 shares of Se Preferred and warrants to purchase an additional 2,945,509 shares of common stock. The conversion of Series A Preferred common stock and exercise of warrants is limited to the extent that the beneficial owners own greater that 4.99% of the Co common stock.

Blue Calypso, Inc. is authorized to issue 685,000,000 shares of capital stock: 680,000,000 shares of common stock with vo at a par value of $.0001 and 5,000,000 shares of Series A Convertible Preferred Stock, also at $.0001 par value per share. T 126,845,641 shares of common stock issued and outstanding as of December 31, 2011. There were 1,700,000 shares of pre stock were issued and outstanding as of December 31, 2012. The Company did not make or declare any distributions to sha during the year ended December 31, 2012 or December 31, 2011.

Long-Term Incentive Plan

The stockholders approved the Blue Calypso, Inc. 2011Long-Term Incentive Plan (the "Plan") on September 9, 2011. The provides for the granting of incentive stock options, nonqualified stock options, stock appreciation rights, restricted stock, r stock units, performance awards, dividend equivalent rights, and other awards which may be granted singly, in combinatio tandem, and which may be paid in cash or shares of common stock. Subject to certain adjustments, the maximum number o of common stock that may be delivered pursuant to awards under the Plan is 35,000,000 shares.

Stock Options

During 2012 the Company granted options to purchase 9,873,543 shares of the Company's common stock to employees, non-employee board members and other consultants under the Plan. The options vest under a number of different vesting s The fair value for the Company's options were estimated at the date of grant using the Black-Scholes option pricing model weighted average assumptions as noted in the following table. The Black-Scholes option valuation model incorporate rang assumptions for inputs, and those ranges are disclosed below. Expected volatilities are based on similar industry-sector ind

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BLUE CALYPSO, INC. AND SUBSIDIARY

(A DEVELOPMENT STAGE COMPANY)

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

Stock Options (continued)

The expected life of options granted is derived from the output of the option valuation model and represents the period of ti
options granted are expected to be outstanding. The risk-free interest rate assumption is based on market yield on U.S. Trea
securities at 2-year constant maturity, quoted on investment basis determined at the date of grant.

Assumptions used for employee stock options:	
Risk-free interest rate	
Stock price volatility	2
Expected life	

7. Stockholders' Equity (Deficit), continued

Using the valuation assumptions noted above, the Company estimated the value of stock options granted during the year to
$3,916,606 and $33,910 for the years ended December 31, 2012 and December 31, 2011, respectively. The 9,873,543 optio
granted at various dates in 2012 when the stock price was at various prices per share. The value of these options is being ar
to stock-based compensation expense quarterly over their two year vesting period. The stock-based compensation expense r
was $2,205,727 and $4,240 during year ended December 31, 2012 and December 31, 2011, respectively.

The following table summarizes the stock option activity as of December 31, 2012:

	Outstanding Shares	Weighted Average Exercise Price
Balance, December 31, 2011	2,420,000	0.0679
Granted	9,873,543	0.2470
Exercised	0	0

Cancelled	(2,833,000)	0.085
Balance, December 31, 2012	9,460,543	$0.2498
Exercisable at 12/31/12	7,212,909	$0.1917
Non-Vested at 12/31/12	2,247,634	$0.4363

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BLUE CALYPSO, INC. AND SUBSIDIARY

(A DEVELOPMENT STAGE COMPANY)

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

7. Stockholders' Equity (Deficit), continued

Restricted Stock

The restricted stock granted prior to the reverse merger transaction, have been retroactively restated as capital stock shares r the exchange ratio in the Merger.

The following table summarizes the restricted stock activity for the period ended December 31, 2012:

Restricted Shares Activity:	
Restricted shares issued as of December 31, 2011	
Granted during 2012	[illegible]
Forfeited during 2012	[illegible]
Total Restricted Shares Issued at December 31, 2012	[illegible]
Vested at December 31, 2012	
Unvested restricted shares as of December 31, 2012	[illegible]

A total of 13,285,842 shares were granted in 2012 and will vest 1/3 in the first year following the grant and the balance ove following 8 calendar quarters. The share based compensation expense was $5,446 for the years ended December 31, 2012 a respectively. Deferred income related to the 13,285,842 restricted shares granted in 2012 was $5,295,729 and will be reco periods the restricted shares are vested.

8. Related Party Transactions

Aztec Systems, Inc. ("Aztec") is an affiliate of the Company that provides administrative and technical support services to t Company. The majority owner of Aztec was also the majority stockholder of the Company until the date of sale of Aztec o 2012.

On November 9, 2012, the Company entered into the exchange agreement with Aztec, pursuant to which the Company and agreed to exchange the Note and the Company's existing accounts payable to Aztec for an 8% Convertible Note in the orig principal amount of $545,958. The 8% Convertible Note is due on March 31, 2013. Pursuant to the exchange agreement, th Company agreed to register the shares of Common Stock issuable upon conversion of the 8% Convertible Note and an aggr 3,733,428 shares of Common Stock currently held by Aztec on or before December 31, 2012. The 8% Convertible Note is convertible into shares of the Company's Common Stock at a conversion price equal to the greater of: (i) $0.15 per share or price per share at which Common Stock is sold in a subsequent financing. Upon effectiveness of the registration statement the resale of such shares, the 8% Convertible Note will automatically convert into shares of the Company's Common Stock applicable conversion price.

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BLUE CALYPSO, INC. AND SUBSIDIARY

(A DEVELOPMENT STAGE COMPANY)

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

9. Liquidity-Going Concern

These financial statements have been prepared assuming that the Company will continue as a going concern which contemp Company will need additional financing to continue to operate and fully implement its business plan.

Management believes that the current cash and revenue should fund the Company's expected burn rate through the first qua 2013. The Company will require additional funds to continue operations. Management is currently attempting to secure ad equity investment funds. There are no assurances that additional financing will be available on favorable terms or at all. If a financing is not available, the Company will need to reduce, defer or cancel development programs, planned initiatives and expenditures. The failure to adequately fund its capital requirement could have a material adverse effect on the Company's financial condition and results of operations. Moreover, the sale of additional equity securities to raise financing will result additional dilution to the Company's stockholders, and additional indebtedness could involve imposition of covenants that r Company's operations. The Company has accumulated losses from September 11, 2009 (inception) through December 31 $7,362,536. The financial statements do not include any adjustments that might be necessary if the Company is unable to c a going concern.

10. Commitments and Contingencies

The Company leases office space under a month to month operating lease with no minimum future rental payments. The op lease does not involve contingent liabilities. Rental expense under the operating lease totaled $30,534 and $13,120 for the y ended December 31, 2012 and 2011, respectively.

From time to time, the Company is involved in various legal matters in the ordinary course of business. In the opinion of management the ultimate liability, if any resulting from such legal matters will not have material effect on the Company's fi position or results of operations.

11. Subsequent Events

Effective February 21, 2013, the Compensation Committee awarded stock option grants to six current employees. The aggr number of shares awarded was 4,578,530. The average exercise price of the awarded options was $0.24, which represented closing price of the stock on the date of the award.

The Company evaluated events or transactions occurring after December 31, 2012, the balance sheet date, through March 2 the date the financial statements were available to be issued, and determined any events or transactions which could impact financial statements as of and for the year ended December 31, 2012.

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