UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2013

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

For the transition period from ______________ to ______________

Commission file number: 0-53944

VIRTUAL PIGGY, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**35-2327649**
(State or Other Jurisdiction of Incorporation or Organization)	(IRS Employer Identification No.)

1221 Hermosa Avenue, Suite 210
Hermosa Beach, CA 90254
(Address of principal executive offices) (Zip Code)

(310) 853-1949
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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

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

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

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer (Do not check if a smaller reporting company)	☐	Smaller reporting company	☐

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 111,396,768 shares of common stock outstanding at November 8, 2013.

TABLE OF CONTENTS

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

Virtual Piggy, Inc.
(A Development Stage Enterprise)

CONTENTS

Virtual Piggy, Inc.
(A Development Stage Enterprise)
Balance Sheets

	September 30, 2013 (Unaudited)	December 31, 2012 (Audited)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 4,583,551	$ 7,371,036
Accounts Receivable	955	53
Insurance receivable	-	75,000
Prepaid expenses	200,771	20,500
TOTAL CURRENT ASSETS	4,785,277	7,466,589
PROPERTY AND EQUIPMENT		
Computer equipment	99,156	70,149
Furniture and fixtures	53,714	46,130
	152,870	116,279
Less: accumulated depreciation	(40,054)	(19,580)
	112,816	96,699
OTHER ASSETS		
Deposit	63,510	65,000
Patents and trademarks, net of accumulated amoritization of $33,295 and $13,678	604,572	362,496
	668,082	427,496
TOTAL ASSETS	$ 5,566,175	$ 7,990,784
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 1,393,206	$ 704,602
Litigation settlement	-	450,000
TOTAL CURRENT LIABILITIES	1,393,206	1,154,602
CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Preferred stock, $.0001 par value; 2,000,000 shares authorized; none issued and outstanding at September 30, 2013 and December 31, 2012	-	-
Common stock, $ .0001 par value; 150,000,000 shares authorized; 111,386,768 and 101,417,508 shares issued and outstanding at September 30, 2013 and December 31, 2012	11,140	10,142
Common stock subscribed	-	50,000
Common stock subscription receivable	-	(50,000)
Additional paid in capital	35,002,330	26,300,114
Deficit accumulated during the development stage	(30,840,501)	(19,474,074)
STOCKHOLDERS' EQUITY	4,172,969	6,836,182
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 5,566,175	$ 7,990,784

See accompanying notes to these financial statements.

Virtual Piggy, Inc.
(A Development Stage Enterprise)
Statements of Operations
For the Three and Nine Months Ended September 30, 2013 and 2012 and
For the period February 11, 2008 (Date of Inception) to September 30, 2013
(Unaudited)

	Three Months Ended September 30, 2013	Three Months Ended September 30, 2012	Nine Months Ended September 30, 2013	Nine Months Ended September 30, 2012	Cumulative Since Inception
SALES	$ 1,382	$ 8	1,528	$ 1,195	$ 6,667
OPERATING EXPENSES					
Payroll	1,515,701	886,215	3,912,056	1,740,952	7,072,125
Consulting	1,034,270	242,116	1,931,801	4,422,241	10,235,480
Marketing	1,462,861	143,484	2,037,589	463,109	2,903,912
Research and development	179,476	188,717	612,958	356,096	2,024,710
Travel	274,088	121,344	717,931	365,481	2,158,412
Professional fees	256,296	118,724	652,303	361,036	2,255,260
General and administrative	587,343	320,052	1,512,798	871,823	3,683,571
Total operating expenses	5,310,035	2,020,652	11,377,436	8,580,738	30,333,470
OTHER INCOME (EXPENSE)					
Interest income	3,167	1,910	9,481	3,448	18,136
Interest expense	-	-	-	(90,560)	(531,834)
	3,167	1,910	9,481	(87,112)	(513,698)
NET LOSS	$ (5,305,486)	$ (2,018,734)	$ (11,366,427)	$ (8,666,655)	$ (30,840,501)
BASIC AND DILUTED NET LOSS PER COMMON SHARE	$ (0.05)	$ (0.02)	$ (0.11)	$ (0.11)	
BASIC AND DILUTED WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	111,372,435	91,599,649	106,477,739	82,087,967	

See accompanying notes to these financial statements.

Virtual Piggy, Inc.
(A Development Stage Enterprise)
Statement of Changes in Stockholders' Equity (Deficit)
For the Period February 11, 2008 (Date of Inception) to September 30, 2013

	Common Stock Number of Shares	Common Stock Amount	Common Stock Subscribed	Common Stock Subscription Receivable	Additional Paid-In Capital	Deficit Accumulated During the Development Stage	Total
Issuance of initial 19,000,000 shares of common stock on February 11, 2008 at $.001 per share	19,000,000	$ 1,900	$ -	$ -	$ 17,100	$ -	$ 19,000
Issuance of shares of common stock and 14,285,716 warrants in February 2008 through private placement at $.035 per unit	7,142,858	714	-	-	249,286	-	250,000
Employee options issued for services on March 3, 2008, vested immediately and valued at $.02 per share	-	-	-	-	8,825	-	8,825
Nonemployee options issued for services on March 3,2008, vested immediately and valued at $.02 per share	-	-	-	-	107,859	-	107,859
Exercise of options on May 8, 2008 at $.04 per share	500,000	50	-	-	19,950	-	20,000
Issuance of shares of common stock and 614,286 warrants in May and September 2008 through private placement at $.75 per unit	6,642,858	665	-	-	231,835	-	232,500
Options issued for services in June 2008, vested immediately and valued at $.07 per share	-	-	-	-	395,467	-	395,467
Nonemployee options issued for services in June 19, 2008, vested immediately and valued at $.01 per share	-	-	-	-	918	-	918
Issuance of shares of common stock to investors in August 2008 at $1.00 per share	2,560	-	-	-	2,560	-	2,560
Exercise of options in September 2008 at $.04 per share	1,750,000	175	-	-	69,825	-	70,000
Exercise of warrants in September 2008 at $.04 per share	250,000	25	-	-	9,975	-	10,000
Net loss	-	-	-	-	-	(983,886)	(983,886)
Balance, December 31, 2008	35,288,276	3,529	-	-	1,113,600	(983,886)	133,243
Exercise of options on January 26, 2009 at $.04 per share	1,000,000	100	-	-	39,900	-	40,000
Issuance of shares of common stock on April 7, 2009 at $1.00 per share	400,000	40	-	-	399,960	-	400,000
Issuance of shares of common stock on June 29, 2009 at $2.00 per share	100,000	10	-	-	199,990	-	200,000
Exercise of options on July 30, 2009 at $.04 per share	1,000,000	100	-	-	39,900	-	40,000
Nonemployee options issued for services on August 18, 2009, vested immediately and valued at $.31 per share	-	-	-	-	10,462	-	10,462
Exercise of warrants on August 21, 2009 at $.04 per share	1,000,000	100	-	-	39,900	-	40,000
Exercise of options on September 2, 2009 at $.04 per share	500,000	50	-	-	19,950	-	20,000
Issuance of shares of common stock on September 17, 2009 at $1.00 per share	100,000	10	-	-	99,990	-	100,000
Issuance of shares of common stock for future services on October 9, 2009 valued at $1.00 per share	1,080,427	108	-	-	1,080,319	-	1,080,427
Issuance of shares of common stock on October 16, 2009 at $1.00 per share	100,000	10	-	-	99,990	-	100,000
Exercise of warrants on October 22, 2009 at $.04 per share	1,000,000	100	-	-	39,900	-	40,000
Exercise of warrants on December 2, 2009 at $.04 per share	1,000,000	100	-	-	39,900	-	40,000
Exercise of options on December 10, 2009 at $.04 per share	250,000	25	-	-	9,975	-	10,000
Exercise of warrants on December 31, 2009 at $.04 per share	1,000,000	100	-	-	39,900	-	40,000
Stock issuance costs	-	-	-	-	(65,000)	-	(65,000)
Nonemployee options issued for services on March 3,2008, vested immediately and valued at $.02 per share	-	-	-	-	37,506	-	37,506
Nonemployee options issued for services in June 19, 2008, vested immediately and valued at $.01 per share	-	-	-	-	636	-	636
Net loss	-	-	-	-	-	(2,236,476)	(2,236,476)
Balance, December 31, 2009	43,818,703	4,382	-	-	3,246,778	(3,220,362)	30,798

See accompanying notes to these financial statements.

Virtual Piggy, Inc.
(A Development Stage Enterprise)
Statement of Changes in Stockholders' Equity (Deficit) (Continued)
For the Period February 11, 2008 (Date of Inception) to September 30, 2013

	Common Stock Number of Shares	Common Stock Amount	Common Stock Subscribed	Common Stock Subscription Receivable	Additional Paid-In Capital	Deficit Accumulated During the Development Stage	Total
Exercise of options on January 5, 2010 at $.04 per share	1,000,000	100	-	-	39,900	-	40,000
Exercise of warrant on February 22, 2010 at $.04 per share	892,858	89	-	-	35,624	-	35,713
Exercise of warrants in March 2010 at $.04 per share	1,000,000	100	-	-	39,900	-	40,000
Exercise of warrants in April 2010 at $.04 per share	2,500,000	250	-	-	99,750	-	100,000
Issuance of shares of common stock in conjunction with notes payable in May through August 2010	483,750	48	-	-	400,694	-	400,742
Issuance of shares of common stock for retirement of 400,000 options at $.25 per share	65,000	6	-	-	(6)	-	-
Issuance of shares of common stock from August through December 2010 through private placement at $.20 per share	9,625,000	963	-	-	1,924,037	-	1,925,000
Issuance of shares of common stock on November 1, 2010 for the conversion of notes payable at $.20 per share	375,000	38	-	-	74,962	-	75,000
Issuance of shares of common stock on November 19, 2010 for future services valued at $.90 per share	111,111	11	-	-	99,989	-	100,000
Exercise of options on December 2, 2010 at $.04 per share	3,000,000	300	-	-	119,700	-	120,000
Exercise of warrants in December 2010 at $.04 per share	2,500,000	250	-	-	99,750	-	100,000
Nonemployee options issued for services from August through November 2010, vested immediately and valued at $.01 per share	-	-	-	-	13,816	-	13,816
Nonemployee options issued for services on August 18, 2009, vested immediately and valued at $.31 per share	-	-	-	-	27,899	-	27,899
Net loss	-	-	-	-	-	(1,489,190)	(1,489,190)
Balance, December 31, 2010	65,371,422	6,537	-	-	6,222,793	(4,709,552)	1,519,778
Issuance of shares of common stock for future services on June 1, 2011 valued at $.49 per share	100,000	10	-	-	48,990	-	49,000
Issuance of shares of common stock in conjunction with notes payable from September through December 2011	150,000	15	-	-	82,650	-	82,665
Issuance of shares of common stock and 625,000 warrants on December 20, 2011 through private placement at $.80 per unit	1,250,000	125	-	-	499,875	-	500,000
Issuance of warrants in conjunction with notes payable from September through December 2011	-	-	-	-	20,930	-	20,930
Fair value of revalued warrants at $.09 to $.76 per share	-	-	-	-	88,601	-	88,601
Nonemployee options issued for services from August through November 2010, vested immediately and valued at $.01 per share	-	-	-	-	3,146	-	3,146
Nonemployee options issued for services on January 24, 2011, and valued at $.20 per share	-	-	-	-	46,019	-	46,019
Nonemployee options issued for services from July through August 2011, vested immediately and valued from $.10 to $.19 per share	-	-	-	-	52,243	-	52,243
Net loss	-	-	-	-	-	(2,724,796)	(2,724,796)
Balance December 31, 2011	66,871,422	6,687	-	-	7,065,247	(7,434,348)	(362,414)

See accompanying notes to these financial statements.

Virtual Piggy, Inc.
(A Development Stage Enterprise)
Statement of Changes in Stockholders' Equity (Deficit) (Continued)
For the Period February 11, 2008 (Date of Inception) to September 30, 2013

	Common Stock					Deficit Accumulated During the	
	Number of Shares	Amount	Common Stock Subscribed	Common Stock Subscription Receivable	Additional Paid-In Capital	Development Stage	Total
Issuance of shares of common stock and 10,213,474 warrants through June 30, 2012 through private placement at $.70 per unit	20,426,948	2,044	-	-	7,084,888	-	7,086,932
Issuance of shares of common stock and 1,500,000 warrants through December 31, 2012 through private placement at $.80 per unit	2,625,000	262	-	-	1,049,738	-	1,050,000
Issuance of shares of common stock for future services on May 21, 2012 valued at $2.43 per share	1,363,185	136	-	-	3,312,401	-	3,312,537
Issuance of shares of common stock and 285,714 warrants to discharge notes payable and accrued interest valued at $.70 per unit	571,428	57	-	-	199,943	-	200,000
Issuance of shares of common stock with respect to a settlement agreement valued at $.85 per share	350,000	35	-	-	297,465	-	297,500
Issuance of shares of common stock through December 31, 2012 through private placement at $.70 per share	7,942,858	794			5,559,206	-	5,560,000
Issuance of shares of common stock through December 31, 2012 through private placement at $.75 per share	666,667	67			499,933	-	500,000
Exercise of options on April 10, 2012 at $.04 per share	250,000	25	-	-	9,975	-	10,000
Exercise of options on May 25, 2012 at $.04 per share	350,000	35	-	-	13,965	-	14,000
Nonemployee options issued for services from July through August 2011, vested immediately and valued from $.10 to $.19 per share	-	-	-	-	2,219	-	2,219
Nonemployee options issued for services from January through December 2012, vested immediately and valued from $.11 to $.95 per share	-	-	-	-	759,292	-	759,292
Nonemployee options issued for services on January 2012 through December 2012, vesting over three years and valued at $.17 to $.40 per share	-	-	-	-	39,751	-	39,751
Employee options issued for services on January 2012 through December 2012, vesting over three years and valued at $.11 to $.53 per share	-	-	-	-	283,460	-	283,460
Employee options issued for services from January 2012 through December 2012, vesting immediately and valued at $.14 to $.42 per share	-	-	-	-	150,631	-	150,631
Stock issuance costs	-	-	-	-	(28,000)	-	(28,000)
Common stock subscription for 62,500 units through private placement at $.80 per unit	-	-	50,000	(50,000)	-	-	-
Net loss	-	-	-	-	-	(12,039,726)	(12,039,726)
Balance December 31, 2012	101,417,508	10,142	50,000	(50,000)	26,300,114	(19,474,074)	6,836,182
Issuance of shares of common stock and 93,750 warrants through March 31, 2013 through private placement at $.80 per unit	125,000	13	-	-	49,987	-	50,000
Issuance of shares of common stock through March 31, 2013, through a private placement at $0.75 per share	1,133,334	113	-	-	849,887	-	850,000
Issuance of shares on April 15, 2013 common stock for services	26,521	3	-	-	49,068	-	49,071
Issuance of shares of common stock and 1,436,277 warrants in May 2013, through a private placement at $1.80 per share	2,872,553	287	-	-	5,170,308	-	5,170,595
Fair value of revalued options $1.07 per share	-	-	-	-	780	-	780
Exercise of options at $0.04 per share in May 2013	750,000	75	-	-	29,925	-	30,000
Exercise of options at $0.35 per share on May 14, 2013	300,000	30	-	-	104,970	-	105,000
Exercise of options at $0.75 per share in May 2013	66,667	7			49,993		50,000
Exercise of warrants at $0.04 per share on May 26, 2013	2,000,000	200	-	-	79,800	-	80,000
Exercise of warrants at $0.50 per share in May through August 2013	2,695,185	270	-	-	1,347,323	-	1,347,593
Nonemployee options issued for services from January 2012 through December 2012, vested immediately and valued from $0.11 to $0.95 per share	-	-	-	-	34,372	-	34,372
Nonemployee options/warrants issued for services from January 2013 through September 2013, vested immediately to 3 years and valued from $0.09 to $1.66 per share	-	-	-	-	784,247	-	784,247
Employee options issued for services on January 2012 through December 2012, vesting over three years and valued at $0.11 to $0.53 per share	-	-	-	-	340,173	-	340,173
Employee options issued for services on January 2013 through September 30, 2013, vesting over three years and valued at $0.22 to $0.68 per share	-	-	-	-	206,604	-	206,604
Common stock subscription for 62,500 units through private placement at $.80 per unit	-	-	(50,000)	50,000	-	-	-
Stock issuance costs	-	-	-	-	(395,221)	-	(395,221)
Net loss	-	-	-	-	-	(11,366,427)	(11,366,427)
Balance September 30, 2013 (Unaudited)	111,386,768	$ 11,140	$ -	$ -	$ 35,002,330	$ (30,840,501)	$ 4,172,969

See accompanying notes to these financial statements.

Virtual Piggy, Inc.
(A Development Stage Enterprise)
Statements of Cash Flows
For the Nine Months Ended September 30, 2013 and 2012 and
For the period February 11, 2008 (Date of Inception) to September 30, 2013
(Unaudited)

	Nine Months Ended September 30, 2013	Nine Months Ended September 30, 2012	Cumulative Since Inception
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss	$ (11,366,427)	$ (8,666,655)	$ (30,840,501)
Adjustments to reconcile net loss to net cash			
used in operating activities			
Fair value of warrants issued in exchange for services	549,915	-	638,516
Fair value of options issued in exchange for services	816,261	478,350	2,756,411
Fair value of stock issued in exchange for services	49,071	3,312,537	4,791,035
Amortization of deferred costs	-	-	78,243
Accretion of discount on notes payable	-	65,560	426,095
Depreciation and amortization	40,091	15,818	73,349
Provision for bad debt	-	-	42,768
Loss on disposal of fixed assets	-	-	2,726
(Increase) decrease in assets			
Accounts receivable	(902)	1,125	(955)
Insurance receivable	75,000	-	-
Other receivable	-	-	(42,768)
Prepaid expenses	(180,271)	(23,735)	(200,771)
Deposits	1,490	(62,233)	(63,510)
Increase (decrease) in liabilities			
Accounts payable and accrued expenses	238,602	346,561	1,715,704
Net cash used in operating activities	(9,777,170)	(4,532,672)	(20,623,658)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of equipment	(36,591)	(93,975)	(155,595)
Patent and trademark costs	(261,693)	(198,388)	(637,868)
Net cash used in investing activities	(298,284)	(292,363)	(793,463)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from note payable - stockholders	-	-	747,500
Repayment of note payable - stockholders	-	(175,000)	(572,500)
Proceeds from notes payable	-	-	75,000
Proceeds from issuance of common stock	6,070,595	7,936,932	23,796,584
Proceeds from exercise of options	185,000	24,000	569,000
Proceeds from exercise of warrants	1,427,595	-	1,873,309
Stock issuance costs	(395,221)	(28,000)	(488,221)
Net cash provided by financing activities	7,287,969	7,757,932	26,000,672
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,787,485)	2,932,897	4,583,551
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	7,371,036	186,159	-
CASH AND CASH EQUIVALENTS - END OF PERIOD	$ 4,583,551	$ 3,119,056	$ 4,583,551
SUPPLEMENTAL SCHEDULE OF NON-CASH FINANCING ACTIVITIES:			
Income taxes paid	$ -	$ -	$ -
Interest paid	$ -	$ -	$ 2,498
Fair value of common stock issued as discount for notes payable	$ -	$ -	$ 483,409
Conversion of notes payable and accrued interest into common stock	$ -	$ 200,000	$ 75,000
Fair value of warrants issued as discount for notes payable	$ -	$ -	$ 20,930
Issuance of common stock for settlement of payable	$ -	$ -	$ 297,500

See accompanying notes to these financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Business

Virtual Piggy, Inc. ("the Company" or "Virtual Piggy") is a development stage enterprise incorporated in the state of Delaware on February 11, 2008. Virtual Piggy is a technology company that delivers an online e-commerce solution for the family. Its system allows parents and their children to manage and allocate funds and track the child's expenditures, savings and charitable giving online. Its system is designed to allow the child to transact online without a credit card by gaining the parent's permission ahead of time and allowing the parent to set up the rules of use and authorized spending limits.

The Virtual Piggy product enables online businesses to interact and transact with the "Under 18" market in a manner consistent with the Children's Online Privacy Protection Act ("COPPA") and other similar international children's privacy laws. Virtual Piggy was launched in the US in 2012 and was launched in the European market in 2013.

The Company has secured 143 agreements with merchants, retail and gaming e-commerce platforms and payment processors. Over 20 of the merchants are using Virtual Piggy live with their e-commerce systems and the Company is in the process of integrating the other signed merchants. The Company is continuing to add merchants. In addition, Virtual Piggy has the capability to offer and deliver digital gift cards.

Basis of Presentation

The financial statements are presented in accordance with Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") 915 for development stage entities.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Comprehensive Income

The Company follows FASB ASC 220 in reporting comprehensive income. Comprehensive income is a more inclusive financial reporting methodology that includes disclosure of certain financial information that historically has not been recognized in the calculation of net income. Since the Company has no items of other comprehensive income (loss), comprehensive income (loss) is equal to net income (loss).

Fair Value of Financial Instruments

The Company's financial instruments consist of cash, accounts receivable and accounts payable and accrued expenses. The carrying value of cash, accounts receivable and accounts payable and accrued expenses approximate fair value, because of their short maturity.

Concentration of Credit Risk Involving Cash

The Company may have deposits with a financial institution which at times exceed Federal Depository Insurance coverage of $250,000.

Cash and Cash Equivalents

For purposes of reporting cash flows, the Company considers all cash accounts, which are not subject to withdrawal restrictions or penalties, and certificates of deposit and commercial paper with original maturities of 90 days or less to be cash or cash equivalents.

Property and Equipment
Property and equipment are stated at cost less accumulated depreciation and any impairment losses. Expenditures for new equipment and major expenditures for existing equipment are capitalized and depreciated using the straight line method at rates sufficient to depreciate such costs over the estimated productive lives. All other ordinary repair and maintenance costs are expensed as incurred.

The Company's depreciation and amortization policies on property and equipment are as follows:

	Useful life (in years)
Computer equipment	3 - 5
Furniture and fixtures	7

Recoverability of Long-Lived Assets
In accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 360-10-35 *"Impairment or Disposal of Long-lived Assets"*, long-lived assets to be held and used are analyzed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable or that the useful lives of those assets are no longer appropriate. The Company evaluates at each balance sheet date whether events and circumstances have occurred that indicate possible impairment.

The Company determines the existence of such impairment by measuring the expected future cash flows (undiscounted and without interest charges) and comparing such amount to the carrying amount of the assets. An impairment loss, if one exists, is then measured as the amount by which the carrying amount of the asset exceeds the discounted estimated future cash flows. Assets to be disposed of are reported at the lower of the carrying amount or fair value of such assets less costs to sell. Asset impairment charges are recorded to reduce the carrying amount of the long-lived asset that will be sold or disposed of to their estimated fair values. Charges for the asset impairment reduce the carrying amount of the long-lived assets to their estimated salvage value in connection with the decision to dispose of such assets.

For the nine month period ended September 30, 2013 and 2012, the Company determined that no impairment was required after going through the impairment testing related to the operating long-lived assets (property and equipment and patents and trademarks).

Revenue Recognition
In accordance with Securities and Exchange Commission ("SEC") Staff Accounting Bulletin ("SAB") No. 104, *Revenue Recognition* (Codified in FASB ASC 605), the Company will recognize revenue when (i) persuasive evidence of a customer or distributor arrangement exists or acceptance occurs, (ii) a retailer, distributor or wholesaler receives the goods, (iii) the price is fixed or determinable, and (iv) collectability of the sales revenues is reasonably assured. Subject to these criteria, the Company will generally recognize revenue at the time of the sale utilizing Virtual Piggy payment method at checkout.

Income Taxes
The Company follows FASB ASC 740 when accounting for income taxes, which requires an asset and liability approach to financial accounting and reporting for income taxes. Deferred income tax assets and liabilities are computed annually for temporary differences between the financial statements and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities. Tax years from 2008 through 2012 remain subject to examination by major tax jurisdictions.

Loss Per Share
The Company follows FASB ASC 260 when reporting earnings per share resulting in the presentation of basic and diluted earnings per share. Because the Company reported a net loss for the three and nine months ended September 30, 2013 and 2012, common stock equivalents, including stock options and warrants were anti-dilutive; therefore, the amounts reported for basic and diluted loss per share were the same.

Start-up Costs
In accordance with FASB ASC 720, start-up costs are expensed as incurred.

Research and Development Costs
In accordance with FASB ASC 730, research and development costs are expensed when incurred.

Recently Adopted Accounting Pronouncements
As of September 30, 2013 and for the period then ended, there were no recently adopted accounting pronouncements that had a material effect on the Company's financial statements.

Recently Issued Accounting Pronouncements Not Yet Adopted
As of September 30, 2013, there are no recently issued accounting standards not yet adopted which would have a material effect on the Company's financial statements.

Reclassifications
Certain amounts in the 2012 financial statements have been reclassified in order for them to be in conformity with the 2013 presentation.

NOTE 2 – GOING CONCERN

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company has incurred significant losses and experienced negative cash flow from operations during the development stage. These conditions raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Since inception, the Company has focused on developing and implementing its business plan. The Company is paying salaries to management and has utilized offshore programmers on a work for hire basis to assist in developing the demonstration model. The Company believes that its existing cash resources will not be sufficient to sustain operations during the next twelve months. The Company currently needs to generate revenue in order to sustain its operations. In the event that the Company cannot generate sufficient revenue to sustain its operations, the Company will need to reduce expenses or obtain financing through the sale of debt and/or equity securities. The issuance of additional equity would result in dilution to existing shareholders. If the Company is unable to obtain additional funds when they are needed or if such funds cannot be obtained on terms acceptable to the Company, the Company would be unable to execute upon the business plan or pay costs and expenses as they are incurred, which would have a material, adverse effect on the business, financial condition and results of operations.

The Company's current monetization model is to derive a percentage of all revenues generated by online merchants using the Virtual Piggy service. Merchants are billed at the end of each month for all transactions that have been processed by the Company on their behalf in the prior month. As the merchant base and consumer base grows, and as the trend to higher online spending levels continues, the Company expects to generate additional revenue to support operations.

If sufficient revenues are not generated to sustain operations or additional funding cannot be obtained in the short term, the Company will need to reduce monthly expenditures to a level that will enable the Company to continue until such funds can be obtained. The Company raised $6,070,595, net of stock issuance costs of $395,221 through a private placements of its equity securities from January 1, 2013 through September 30, 2013.

The Company also raised $185,000 from the exercise of options and $1,427,595 from the exercise of warrants during the nine months ended September 30, 2013.

The Company is in the development stage at September 30, 2013. Successful completion of the Company's development program, and the attainment of profitable operations are dependent upon future events, including obtaining adequate financing to fulfill its development activities and achieving a level of sales adequate to support the Company's cost structure. However, there can be no assurances that the Company will be able to secure additional equity investment or achieve an adequate sales level. The Company's current cash is expected to sustain the Company through December 2013.

NOTE 3 – PATENTS

The Company continues to apply for patents. Accordingly, costs associated with the registration of these patents have been capitalized and are amortized on a straight-line basis over the estimated lives of the patents (20 years). At September 30, 2013 and 2012, unamortized capitalized patent costs were $604,572 and $268,856. Amortization expense for patents was $7,718 and $19,617 for the three and nine months ended September 30, 2013 and $3,374 and $7,546 for the three and nine months ended September 30, 2012.

NOTE 4 – NOTES PAYABLE

In September 2011, the Company commenced a private placement of up to 10 units at a price of $50,000 per unit to accredited investors. One unit consisted of a demand note payable in the amount of $50,000 due November 12, 2012, warrants to purchase 15,000 shares of common stock at an exercise price of $.50 per share with a term expiring November 12, 2012, and 15,000 shares of common stock. In December 2011, the Company completed the private placement and raised $500,000. The warrants were valued at $20,930, fair value, using the Black-Scholes option pricing model to calculate the grant-date fair value of the warrants, with the following assumptions: no dividend yield, expected volatility of 39.8% to 62.8%, risk free interest rate of .1% and expected option life of 1.2 years. The shares of common stock were valued at $82,655 or $.45 to $.70 per share, fair value. Both the warrant value and the shares of common stock were treated as a discount to the value of the note payable in accordance with FASB ASC 835-30-25, *Recognition* and were being accreted over the term of the note payable for financial statement purposes. During the years ended December 31, 2012 and 2011, $65,560 and $38,035 of interest was accreted on the notes payable. As of December 31, 2011, $150,000 of the $500,000 was repaid.

On February 8, 2012, February 27, 2012, and April 10, 2012, $100,000, $50,000, and $25,000 respectively, of the notes payable were repaid. On April 26, 2012, the remaining balance of the notes payable and accrued interest of $25,000 was converted into 571,428 shares of the Company's common stock and warrants to purchase 285,714 shares of the Company's common stock.

NOTE 5 - INCOME TAXES

Income tax expense was $0 for the three and nine months ended September 30, 2013 and 2012.

As of January 1, 2013, the Company had no unrecognized tax benefits, and accordingly, the Company did not recognize interest or penalties during 2013 related to unrecognized tax benefits. There has been no change in unrecognized tax benefits during the nine months ended September 30, 2013, and there was no accrual for uncertain tax positions as of September 30, 2013. Tax years from 2008 through 2012 remain subject to examination by major tax jurisdictions.

There is no income tax benefit for the losses for the three and nine months ended September 30, 2013 and 2012, since management has determined that the realization of the net tax deferred asset is not assured and has created a valuation allowance for the entire amount of such benefits.

NOTE 6 – LITIGATION SETTLEMENT

In December 2012, the Company entered into a settlement agreement with an investor, whereby the Company would pay the investor $450,000 in return for the investor returning warrants issued to the investor. The Company received $75,000 from its insurance carrier with respect to this litigation and the $450,000 settlement was paid in January 2013.

NOTE 7 – STOCKHOLDERS' EQUITY

In December 2011, the Company commenced a private placement of up to $5,000,000 consisting of up to 12,500,000 shares of the Company's common stock and warrants to purchase up to 6,250,000 shares of the Company's common stock. The shares and warrants were sold in units with each unit comprised of two shares and one warrant at a purchase price of $.80 per unit. The warrants were for a term of two years at an exercise price of $0.50 per share. During December 2011, the Company sold 625,000 units and raised $500,000. On January 11, 2012, the Company amended the Securities Purchase Agreement dated December 1, 2011, by reducing the price of one unit from $.80 to $.70. This increased the number of units to be sold from 6,250,000 units to 7,142,858 units. It also required the Company to issue to one investor an additional 89,286 units, consisting of 178,572 shares common stock and warrants to purchase an additional 89,286 shares of common stock. During the three months ended March 31, 2012, the Company issued an additional 3,922,356 units and raised $2,717,650, net of stock issuance costs of $28,000.

On April 5, 2012, the Company commenced a private placement of up to $3,500,000 consisting of up to 10,000,000 shares of the Company's common stock and warrants to purchase up to 5,000,000 shares of the Company's common stock at an exercise price of $.50 per share. The shares and warrants were sold in units with each unit comprised of two shares and one warrant at a purchase price of $.70 per unit. The warrants were for a term of two years. In accordance with the terms of the offering documents, the offering amount was increased to $4 million. From April 5, 2012 to June 30, 2012, the Company sold 6,201,831 units and raised $4,341,282.

On April 2, 2012, the Company entered into a settlement agreement with a former consultant of the Company. In connection with the settlement, the Company made a settlement payment to the consultant of $30,000 and issued the consultant 350,000 shares of the Company's common stock, which were valued at $297,500, fair value, or $.85 per share.

On April 10, 2012, a company owned by the Secretary of the Company and his wife exercised options to purchase 250,000 shares of common stock which raised proceeds of $10,000.

On May 2, 2012, the Company entered into a securities purchase agreement with a non-U.S. person, pursuant to which the Company issued and sold 187,500 units at a purchase price of $0.80 per unit, in consideration of gross proceeds of $150,000. Each unit consisted of: (i) two shares of the Company's common stock, (ii) a warrant to purchase one share of the Company's common stock at an exercise price of $0.50 per share for a term of two years, and (iii) a warrant to purchase one half share of the Company's common stock at an exercise price of $1.00 per share for a term of three years. Pursuant to the securities purchase agreement, the purchaser also agreed to purchase an additional $850,000 of units by November 1, 2012. The Company has received $1,000,000 as of March 31, 2013 under this agreement.

On May 21, 2012, the Company issued five consultants an aggregate of 1,363,185 shares of the Company's common stock for services, which were valued in the aggregate at $3,312,537, fair value or $2.43 per share, which was the stock price on the day of issuance.

On May 25, 2012, an investor exercised options to purchase 350,000 shares of common stock which raised proceeds of $14,000.

On July 5, 2012, the Company commenced a private placement of up to $100,000 consisting of up to 125,000 units of the Company's common stock and warrants to purchase up to 125,000 shares of the Company's common stock at an exercise price of $.50 per share with a term of two years ("Series A Warrants") and warrants to purchase up to 62,500 at an exercise price of $1.00 per share with a term of three years ("Series B Warrants"). The shares and warrants were sold in units with each unit comprised of two shares and one Series A warrant and one Series B warrant at a purchase price of $.80 per unit. As of August 8, 2012, the Company has received gross proceeds of $100,000 under this private placement.

During November and December 2012, the Company entered into a private placement for shares of the Company's common stock. The shares were sold at a purchase price of $.70 per share. Through December 31, 2012, 7,942,858 shares were sold raising $5,560,000.

In December 2012, the Company entered into a private placement for shares of the Company's common stock. The shares were sold at a purchase price of $.75 per share. Through December 31, 2012, 666,667 shares were sold raising $500,000.

During the first quarter of 2013, the Company entered into a private placement for shares of the Company's common stock. The shares were sold at a purchase price of $.75 per share. Through March 31, 2013, 1,133,334 shares were sold raising $850,000. Issuance costs related to this private placement were $60,783.

On April 15, 2013, the Company issued 26,521 restricted shares of the Company's common stock to five members of the Board of Directors that were valued at $49,071. In conjunction with this the five members of the Board also received in aggregate options to purchase 1,050,000 shares of the Company's common stock. These options were valued at $519,080, fair value. The Company uses the Black-Scholes option pricing model to calculate the grant-date fair value of the options, with the following assumptions: no dividend yield, expected volatility of 29.0%, risk free interest rate of .69% and expected option life of five years. The options expire five years from the date of issuance. Options granted will be expensed over the three year vesting term.

On May 28, 2013, we entered into a Securities Purchase Agreement with accredited investors, pursuant to which we issued and sold an aggregate of 2,572,553 units at a purchase price of $1.80 per unit (the "Offering"), with each unit being comprised of one (1) share of the Company's common stock and a warrant to purchase one-half (0.5) of a share of common stock at an exercise price of $3.00 per share for a period of three years. On May 29, 2013, we issued and sold an additional 300,000 units pursuant to the Offering. The Company retained a placement agent in connection with the Offering. The Company paid the placement agent aggregate placement agent fees in the amount of $151,408 plus $155,118 as an expense allowance. In addition, the placement agent received three year warrants to purchase an aggregate of 287,255 shares of the Company's common stock at an exercise price of $1.80 per share (See Note 8-Stock Options and Warrants). Net proceeds of the Offering to the Company, after the expense allowance and other expenses, were approximately $4,836,157.

During May 2013, options to purchase 750,000 shares of common stock were exercised at $0.04 per share, options to purchase 300,000 shares of common stock were exercised at $0.35 per share, and options to purchase 66,667 shares of common stock were exercised at $0.75, resulting in proceeds of $185,000.

During May and June 2013, warrants to purchase 2,000,000 shares of common stock were exercised at $.04 per share and warrants to purchase 2,660,685 shares of common stock were exercised at $0.50 per share, resulting in proceeds of $1,330,342.

During July and August 2013, warrants to purchase 34,500 shares of common stock were exercised at $.50 per share, resulting in proceeds of $17,250.

NOTE 8 – STOCK OPTIONS AND WARRANTS

During 2008, the Board of Directors ("Board") of the Company adopted the 2008 Equity Incentive Plan ("2008 Plan") that was approved by the shareholders. Under the 2008 Plan, the Company is authorized to grant options to purchase up to 25,000,000 shares of common stock to any officer, other employee or director of, or any consultant or other independent contractor who provides services to the Company. The 2008 Plan is intended to permit stock options granted to employees under the 2008 Plan to qualify as incentive stock options under Section 422 of the Internal Revenue Code of 1986, as amended ("Incentive Stock Options"). All options granted under the 2008 Plan, which are not intended to qualify as Incentive Stock Options are deemed to be non-qualified options ("Non-Statutory Stock Options"). As of September 30, 2013, options to purchase 14,053,000 shares of common stock have been issued and are unexercised, and 61,667 shares of common stock are available to be issued under the 2008 Plan.

During 2013, Board adopted the 2013 Equity Incentive Plan ("2013 Plan"). Under the 2013 Plan, the Company is authorized to grant awards of stock options, restricted stock, restricted stock units and other stock-based awards of up to an aggregate of 5,000,000 shares of common stock to any officer, employee, director or consultant. The 2013 Plan is intended to permit, upon stockholder approval, stock options granted to employees under the 2013 Plan to qualify as Incentive Stock Options. All options granted under the 2013 Plan, which are not intended to qualify as Incentive Stock Options are deemed to be Non-Statutory Stock Options. As of September 30, 2013, under the 2013 Plan options to purchase 3,702,500 shares of common stock have been issued and are unexercised, and 1,297,500 shares of common stock remain available for grants under the 2013 Plan.

The plans are administered by the Board, or a designated committee thereof, which determines the persons to whom awards will be granted, the number of awards to be granted, and the specific terms of each grant, including the vesting thereof, subject to the terms of the plans.

In connection with Incentive Stock Options, the exercise price of each option may not be less than 100% of the fair market value of the common stock on the date of the grant (or 110% of the fair market value in the case of a grantee holding more than 10% of the outstanding stock of the Company).

Volatility in all instances presented is the Company's estimate of volatility that is based on the volatility of other public companies that are in closely related industries to the Company.

Employee and Non-Employee Director Grants

On January 27, 2012, the Company issued an employee an option to purchase 30,000 shares of the Company's common stock at $.52 per share. These options have been valued at $3,718, fair value. The Company uses the Black-Scholes option pricing model to calculate the grant-date fair value of the options, with the following assumptions: no dividend yield, expected volatility of 25.4%, risk free interest rate of 0.8% and expected option life of five years. The options expire five years from the date of issuance. Options granted are expensed over the three year vesting term.

On February 28, 2012, the Company issued an employee an option to purchase 25,000 shares of the Company's common stock at $.58 per share. These options have been valued at $3,120, fair value. The Company uses the Black-Scholes option pricing model to calculate the grant-date fair value of the options, with the following assumptions: no dividend yield, expected volatility of 25.0%, risk free interest rate of .8% and expected option life of five years. The options expire five years from the date of issuance. Options granted are expensed over the three year vesting term.

On March 2, 2012, the Company issued a Board member an option to purchase 250,000 shares of the Company's common stock at $.58 per share. These options have been valued at $33,975, fair value. The Company uses the Black-Scholes option pricing model to calculate the grant-date fair value of the options, with the following assumptions: no dividend yield, expected volatility of 25.9%, risk free interest rate of .9% and expected option life of five years. The options expire five years from the date of issuance. This option was expensed immediately.

On March 5, 2012, the Company issued an employee an option to purchase 25,000 shares of the Company's common stock at $.58 per share. These options have been valued at $2,680, fair value. The Company uses the Black-Scholes option pricing model to calculate the grant-date fair value of the options, with the following assumptions: no dividend yield, expected volatility of 25.0%, risk free interest rate of .9% and expected option life of five years. The options expire five years from the date of issuance. Options granted are expensed over the three year vesting term.

On March 31, 2012, the Company issued five employees, options to purchase 4,010,000 shares in the aggregate of the Company's common stock at $.65 per share. These options have been valued at $759,810, fair value. The Company uses the Black-Scholes option pricing model to calculate the grant-date fair value of the options, with the following assumptions: no dividend yield, expected volatility of 31.2%, risk free interest rate of 1.04% and expected option life of five years. The options expire five years from the date of issuance. Options granted are expensed over the three year vesting term.

In April 2012, the Company issued six employees options to purchase an aggregate of 80,000 shares of the Company's common stock at exercise prices ranging from $.65 to $.97 per share. These options were valued at $17,310 fair value. The Company uses the Black-Scholes option pricing model to calculate the grant-date fair value of the options, with the following assumptions: no dividend yield, expected volatility of 30.2% to 33.4%, risk free interest rate of .82% to 1.04% and expected option life of five years. The options expire five years from the date of issuance. Options granted are expensed over the three year vesting term.

In June 2012, the Company issued three employees and one Board member options to purchase an aggregate of 470,000 shares of the Company's common stock at exercise prices ranging from $1.53 to $1.82 per share. These options were valued at $217,293, fair value. The Company uses the Black-Scholes option pricing model to calculate the grant-date fair value of the options, with the following assumptions: no dividend yield, expected volatility of 30.3% to 35.5%, risk free interest rate of .68% to .72% and expected option life of five years. The options expire five years from the date of issuance. Options granted are expensed over the three year vesting term or immediately if there is no vesting term.

In July 2012, the Company issued one employee options to purchase an aggregate of 15,000 shares of the Company's common stock at an exercise price of $1.23 per share. These options were valued at $5,493 fair value. The Company uses the Black-Scholes option pricing model to calculate the grant-date fair value of the options, with the following assumptions: no dividend yield, expected volatility of 32.9%, risk free interest rate of .61% and expected option life of five years. The options expire five years from the date of issuance. Options granted are expensed over the three year vesting term.

In August 2012, the Company issued seven employees options to purchase an aggregate of 380,000 shares of the Company's common stock at exercise prices ranging from $1.26 to $1.43 per share. These options were valued at $123,381, fair value. The Company uses the Black-Scholes option pricing model to calculate the grant-date fair value of the options, with the following assumptions: no dividend yield, expected volatility of 23.5% to 29.1%, risk free interest rate of .63% to .69% and expected option life of five years. The options expire five years from the date of issuance. Options granted are expensed over the three year vesting term.

In September 2012, the Company issued one employee options to purchase 75,000 shares of the Company's common stock at an exercise price of $1.54 per share. These options were valued at $26,303, fair value. The Company uses the Black-Scholes option pricing model to calculate the grant-date fair value of the options, with the following assumptions: no dividend yield, expected volatility of 24.5%, risk free interest rate of .62% and expected option life of five years. The options expire five years from the date of issuance. Options granted are expensed over the three year vesting term.

In October 2012, the Company issued one employee options to purchase 75,000 shares of the Company's common stock at an exercise price of $1.35 per share. These options were valued at $23,263 fair value. The Company uses the Black-Scholes option pricing model to calculate the grant-date fair value of the options, with the following assumptions: no dividend yield, expected volatility of 24.5%, risk free interest rate of .70% and expected option life of five years. The options expire five years from the date of issuance. Options granted are expensed over the three year vesting term.

In November 2012, the Company issued fourteen employees options to purchase an aggregate of 1,295,000 shares of the Company's common stock at exercise prices between $1.01 and $1.35 per share. These options were valued at $371,313, fair value. The Company uses the Black-Scholes option pricing model to calculate the grant-date fair value of the options, with the following assumptions: no dividend yield, expected volatility between 26.1% and 29.3%, risk free interest rate between .76% and .83% and expected option life of five years. The options expire five years from the date of issuance. Options granted are expensed over the three year vesting term.

In March 2008, the Company issued options to purchase 4,500,000 shares of common stock to three directors. On January 24, 2013, the expiration date for unexpired and unexercised options of 4,250,000 was extended from March 3, 2013 to March 3, 2015. The incremental increase in value was $1,253, which was expensed immediately.

In January 2013, the Company issued eighteen employees options to purchase an aggregate of 260,000 shares of the Company's common stock at exercise prices between $0.99 and $1.05 per share. These options were valued at $62,662 fair value. The Company uses the Black-Scholes option pricing model to calculate the grant-date fair value of the options, with the following assumptions: no dividend yield, expected volatility between 23.3% and 26.1%, risk free interest rate between .78% and .89% and expected option life of five years. The options expire five years from the date of issuance. Options granted are expensed over the three year vesting term.

In February 2013, the Company issued four employees options to purchase an aggregate of 760,000 shares of the Company's common stock at exercise prices between $1.07 and $1.21 per share. These options were valued at $199,843 fair value. The Company uses the Black-Scholes option pricing model to calculate the grant-date fair value of the options, with the following assumptions: no dividend yield, expected volatility between 22.5% and 25.1%, risk free interest rate between .78% and .88% and expected option life of five years. The options expire five years from the date of issuance. Options granted are expensed over the three year vesting term.

In March 2013, the Company issued an employee options to purchase 2,500 shares of the Company's common stock at an exercise price of $1.36 per share. These options were valued at $728 fair value. The Company uses the Black-Scholes option pricing model to calculate the grant-date fair value of the options, with the following assumptions: no dividend yield, expected volatility of 22.5%, risk free interest rate of .76% and expected option life of five years. The options expire five years from the date of issuance. Options granted are expensed over the three year vesting term.

In April 2013, the Company issued an employee options to purchase 200,000 shares of the Company's common stock at an exercise price of $1.56 per share. These options were valued at $74,159, fair value. The Company uses the Black-Scholes option pricing model to calculate the grant-date fair value of the options, with the following assumptions: no dividend yield, expected volatility of 25.3%, risk free interest rate of .76% and expected option life of five years. The options expire five years from the date of issuance. Options granted are expensed over the three year vesting term.

In May 2013, the Company issued two employees options to purchase an aggregate of 55,000 shares of the Company's common stock at an exercise price of $2.16 and $2.29 per share. These options were valued at $26,954, fair value. The Company uses the Black-Scholes option pricing model to calculate the grant-date fair value of the options, with the following assumptions: no dividend yield, expected volatility of 23.5% to 25.3%, risk free interest rate of .84% to .85% and expected option life of five years. The options expire five years from the date of issuance. Options granted are expensed over the three year vesting term.

In June 2013, the Company issued two employees options to purchase an aggregate of 250,000 shares of the Company's common stock at exercise prices of $2.40 and $2.92 per share. The vesting of 50,000 of these options is predicated on meeting certain milestones, therefore such options have not been valued. The remaining options were valued at $129,343, fair value. The Company uses the Black-Scholes option pricing model to calculate the grant-date fair value of the options, with the following assumptions: no dividend yield, expected volatility of 23.6% to 26.3%, risk free interest rate of 1.03% to 1.48% and expected option life of five years. The options expire five years from the date of issuance. Options granted are expensed over the three year vesting term.

In August 2013, the Company issued three employees options to purchase an aggregate of 210,000 shares of the Company's common stock at exercise prices of $2.00 and $2.35 per share. These options were valued at $124,392, fair value. The Company uses the Black-Scholes option pricing model to calculate the grant-date fair value of the options, with the following assumptions: no dividend yield, expected volatility of 24.2% to 30.3%, risk free interest rate of 1.38% to 1.61% and expected option life of five years. The options expire five years from the date of issuance. Options granted are expensed over the three year vesting term.

In September 2013, the Company issued two employees options to purchase an aggregate of 10,000 shares of the Company's common stock at an exercise price of $1.97 per share. These options were valued at $4,500, fair value. The Company uses the Black-Scholes option pricing model to calculate the grant-date fair value of the options, with the following assumptions: no dividend yield, expected volatility of 21.8%, risk free interest rate of 1.71% and expected option life of five years. The options expire five years from the date of issuance. Options granted are expensed over the three year vesting term.

Cumulatively and for the three and nine months ended September 30, 2013, the Company expensed $1,446,783, $210,380 and $546,776 and for the three and nine months ended September 30, 2012, the Company expensed $81,588 and $274,757 relative to employee options/warrants granted. As of September 30, 2013, there was $1,746,505 of unrecognized compensation expense related to employee non-vested market-based share awards.

A summary of stock option/warrant transactions for employees and independent board members from December 31, 2011 to September 30, 2013 is as follows:

	Option/Warrants Shares	Exercise Price	Weighted Average Exercise Price
Outstanding, December 31, 2011	9,467,858	$.04 to $.90	$ 0.19
Granted	6,730,000	0.50 to 1.82	0.34
Issued under Private Placements	500,786	0.50	0.01
Reclassified from non-employee	810,000	0.50 to 0.75	-
Exercised	(250,000)	0.04	-
Expired	-	-	-
Outstanding, December 31, 2012	17,258,644	.04 to 1.82	0.48
Granted	2,802,500	0.99 to 2.92	0.26
Reclassified to non-employee, net	(235,000)	0.50 to 2.30	0.02
Exercised	(2,816,667)	0.04 to 0.75	0.01
Expired/terminated	(245,000)	0.50 to 2.92	-
Outstanding, September 30, 2013	16,764,477	$.04 to $2.40	$ 0.7
Exercisable, September 30, 2013	9,315,310	$.04 to $2.30	$ 0.4
Weighted Average Remaining Life, Exercisable, September 30, 2013 (years)	1.8		

Non-Employee Grants

On January 2, 2012, the Company issued a consultant an option to purchase 250,000 shares of the Company's common stock at $.50 per share. These options have been valued at $51,692 fair value. The Company uses the Black-Scholes option pricing model to calculate the grant-date fair value of the options, with the following assumptions: no dividend yield, expected volatility of 29.2%, risk free interest rate of 0.9% and expected option life of five years. The options expire five years from the date of issuance. Options granted are expensed when the service is provided.

On January 17, 2012, the Company issued a consultant an option to purchase 200,000 shares of the Company's common stock at $.50 per share. These options have been valued at $31,437, fair value. The Company uses the Black-Scholes option pricing model to calculate the grant-date fair value of the options, with the following assumptions: no dividend yield, expected volatility of 28.0%, risk free interest rate of 0.8% and expected option life of five years. The options expire five years from the date of issuance. Options granted were expensed immediately.

On March 31, 2012, the Company issued two consultants options to purchase 100,000 shares in the aggregate of the Company's common stock at $.65 per share. These options have been valued at $18,947, fair value. The Company uses the Black-Scholes option pricing model to calculate the grant-date fair value of the options, with the following assumptions: no dividend yield, expected volatility of 31.2%, risk free interest rate of 1.04% and expected option life of five years. The options expire five years from the date of issuance. Options granted were expensed immediately.

On April 1, 2012, the Company issued a company owned by the former manager of corporate development an option to purchase 250,000 shares of the Company's common stock at $.70 per share pursuant to an agreement that also required a cash payment of $150,000. These options have been valued at $43,028, fair value. The Company uses the Black-Scholes option pricing model to calculate the grant-date fair value of the options, with the following assumptions: no dividend yield, expected volatility of 31.2%, risk free interest rate of 1.04% and expected option life of five years. The options expire five years from the date of issuance. Options granted were expensed through May 31, 2013, the term of the agreement.

In May 2012, the Company issued a consultant options to purchase an aggregate of 100,000 shares of the Company's common stock at an exercise price of $2.17 per share. These options were valued at $79,978 fair value. The Company uses the Black-Scholes option pricing model to calculate the grant-date fair value of the options, with the following assumptions: no dividend yield, expected volatility of 31.2%, risk free interest rate of .75% and expected option life of five years. The options expire five years from the date of issuance. Options granted were expensed immediately.

In July 2012, the Company issued a consultant options to purchase an aggregate of 100,000 shares of the Company's common stock at an exercise price of $1.55 per share. These options were valued at $40,373 fair value. The Company uses the Black-Scholes option pricing model to calculate the grant-date fair value of the options, with the following assumptions: no dividend yield, expected volatility of 29.3%, risk free interest rate of .64% and expected option life of five years. The options expire five years from the date of issuance. Options granted are expensed when the services are provided.

In August 2012, the Company issued two consultants options to purchase an aggregate of 400,000 shares of the Company's common stock at exercise prices ranging from $.35 to $1.11 per share. These options were valued at $321,221, fair value. The Company uses the Black-Scholes option pricing model to calculate the grant-date fair value of the options, with the following assumptions: no dividend yield, expected volatility of 27.1% to 30.5%, risk free interest rate of .27% to .67% and expected option lives of from two to five years. The options expire between two and five years from the date of issuance. Options granted are expensed when the services are provided.

In September 2012, the Company issued a consultant options to purchase 100,000 shares of the Company's common stock at an exercise price of $.75 per share. These options were valued at $81,697, fair value. The Company uses the Black-Scholes option pricing model to calculate the grant-date fair value of the options, with the following assumptions: no dividend yield, expected volatility of 25.6%, risk free interest rate of .27% and expected option life of two years. The options expire two years from the date of issuance. Options granted are expensed when the service is provided.

In October 2012, the Company issued a consultant options to purchase 50,000 shares of the Company's common stock at an exercise price of $.75 per share. These options were valued at $5,381, fair value. The Company uses the Black-Scholes option pricing model to calculate the grant-date fair value of the options, with the following assumptions: no dividend yield, expected volatility of 23.5%, risk free interest rate of .19% and expected option life of one year. The options expire one year from the date of issuance. The options granted are expensed when the service was provided.

In November 2012, the Company issued four consultants options to purchase an aggregate of 765,000 shares of the Company's common stock at an exercise price of $1.01 per share. These options were valued at $188,830, fair value. The Company uses the Black-Scholes option pricing model to calculate the grant-date fair value of the options, with the following assumptions: no dividend yield, expected volatility of 26.1%, risk free interest rate of .76% and expected option life of five years. The options expire five years from the date of issuance. Options granted were expensed immediately.

In December 2012, the Company issued a merchant warrants to purchase 500,000 shares of the Company's common stock at an exercise price of $1.15 per share. The vesting of these warrants was predicated on meeting certain milestones. As of December 31, first milestone was met resulting in the vesting of 150,000 warrants. The fair value of the vested warrants was $58,595, which was expensed immediately. The Company uses the Black-Scholes option pricing model to calculate the grant-date fair value of the options, with the following assumptions: no dividend yield, expected volatility of 24.7%, risk free interest rate of .76% and expected option life of one year. As of September 30, 2013, the remaining milestones were met which provided vesting of the remaining 350,000 warrants. The fair value of these warrants was $549,915, which was expensed immediately. The warrants expire five years from the date of issuance.

In January 2013, the Company issued a consultant options to purchase 5,000 shares of the Company's common stock at an exercise price of $1.00 per share. These options were valued at $1,106 fair value. The Company uses the Black-Scholes option pricing model to calculate the grant-date fair value of the options, with the following assumptions: no dividend yield, expected volatility of 23.3%, risk free interest rate of .78% and expected option life of five years. The options expire five years from the date of issuance. Options granted are expensed over the term of the agreement.

In March 2013, the Company issued two consultants options to purchase 1,130,000 shares of the Company's common stock at exercise prices of $0.75 and $1.48 per share. 130,000 of these options vested immediately and were valued at $54,228, fair value. The vesting of the remaining 1 million options is predicated on meeting certain milestones, which were not met as of September 30, 2013. The Company uses the Black-Scholes option pricing model to calculate the grant-date fair value of the options, with the following assumptions: no dividend yield, expected volatility of 22.6% and 25.5%, risk free interest rate of .25% and .80% and expected option life of two to five years. The options expire two to five years from the date of issuance. The vested options granted, were expensed immediately. The remaining unvested options will be expensed when it is probable that the milestones will be achieved.

In April 2013, the Company issued a consultant options to purchase 100,000 shares of the Company's common stock at an exercise price of $2.04 per share. These options were valued at $44,603, fair value. The Company uses the Black-Scholes option pricing model to calculate the grant-date fair value of the options, with the following assumptions: no dividend yield, expected volatility of 26.5%, risk free interest rate of .68% and expected option life of five years. The options expire five years from the date of issuance. Options granted were expensed immediately.

In May 2013, the Company issued two consultants options to purchase 125,000 shares in the aggregate of the Company's common stock at exercise prices ranging from $3.05 to $3.28 per share. These options were valued at $51,869, fair value. The Company uses the Black-Scholes option pricing model to calculate the grant-date fair value of the options, with the following assumptions: no dividend yield, expected volatility of 23.1% to 23.2%, risk free interest rate of .29% to .31% and expected option life of two years. The options expire two years from the date of issuance. Options granted are expensed over the term of the agreement.

In May 2013, the Company, as part of the cost of the Company's Offering described in Note 7, issued the placement agent warrants to purchase 287,255 shares of the Company's common stock at an exercise price of $1.80 per share. These warrants were valued at $409,749, fair value. The Company uses the Black-Scholes option pricing model to calculate the grant-date fair value of the warrants, with the following assumptions: no dividend yield, expected volatility of 23.4% to 23.7%, risk free interest rate of .49% and expected option life of three years. The warrants expire three years from the date of issuance. The warrants granted were recorded as stock issuance costs and reduced additional paid in capital.

In July 2013, the Company issued two consultants options to purchase 100,000 shares in the aggregate of the Company's common stock at exercise prices ranging from $.75 to $2.61 per share. These options were valued at $124,338, fair value. The Company uses the Black-Scholes option pricing model to calculate the grant-date fair value of the options, with the following assumptions: no dividend yield, expected volatility of 23.8% to 26.6%, risk free interest rate of 1.35% to 1.66% and expected option life of five years. The options expire five years from the date of issuance. $124,338 was expensed immediately.

In September 2013, the Company issued a consultant options to purchase 100,000 shares of the Company's common stock at an exercise price of $1.17 per share. These options were valued at $26,208, fair value. The Company uses the Black-Scholes option pricing model to calculate the grant-date fair value of the options, with the following assumptions: no dividend yield, expected volatility of 22.1%, risk free interest rate of 1.39% and expected option life of five years. The options expire five years from the date of issuance. Options granted will be over the term of the agreement, which is three years.

Cumulatively and for the three and nine months ended September 30, 2013 and 2012, the Company expensed $1,803,849, $687,229 and $818,619 and for the three and nine months ended September 30, 2012 the Company expensed $142,086 and $203,593 relative to non-employee options/warrants granted. As of September 30, 2013, there was $90,984 of unrecognized compensation expense related to non-vested market-based share awards to non-employees.

The following table summarizes non-employee (excluding independent board members) stock options/warrants of the Company from December 31, 2011 to September 30, 2013 as follows:

	Option/Warrant Shares	Exercise Price	Weighted Average Exercise Price
Outstanding, December 31, 2011	3,184,286	$0.04 to $2.30	$ 0.76
Granted	2,915,000	0.35 to 2.17	0.12
Issued under Private Placement	11,967,152	0.50 to 1.00	0.38
Reclassified to employee	(810,000)	0.50 to 0.75	-
Exercised	(350,000)	0.04	-
Expired	(375,000)	0.91 to 1.00	-
Outstanding, December 31, 2012	16,531,438	0.35 to 2.30	0.63
Granted	1,753,750	0.50 to 3.28	0.17
Issued under Private Placement	1,723,533	1.80 to 3.00	0.30
Reclassified from employee, net	235,000	0.50 to 2.30	.02
Exercised	(2,995,185)	.35 to .50	-
Expired/Cancelled	(1,405,000)	0.50 to 1.00	-
Outstanding, September 30, 2013	15,843,536	$0.35 to $3.28	$ 0.99
Exercisable, September 30, 2013	14,388,536	$0.50 to $3.28	$ 0.93
Weighted Average Remaining Life, Exercisable, September 30, 2013 (years)	1.4		

NOTE 9 - OPERATING LEASES

For the three and nine months ended September 30, 2013, total rent expense under leases amounted to $117,447 and $244,318 and for the three and nine months ended September 30, 2012, total rent expense under leases amounted to $54,640 and $113,389. At September 30, 2013, the Company was obligated under various non-cancelable operating lease arrangements for property as follows:

2013	116,622
2014	142,570
2015	39,688
	$ 298,880

NOTE 10 – RELATED PARTY TRANSACTIONS

From inception through December 1, 2010, the Company utilized offices leased by affiliates of certain of the Company’s board members without charge.

During the three and nine months ended September 30, 2013 and 2012, a consultant and beneficial owner of the Company, owning more than five percent of the outstanding common shares of the Company, was paid for consulting and travel expenses to provide strategic advice to the Company. On January 1, 2013, the Company entered into an agreement with this consultant, whereby the Company would pay the consultant $12,500 per month beginning January 1, 2013 for a term of one year. In June 2013, this contract was terminated. Consulting fees paid during the three and nine months ended September 30, 2013 were $0 and $130,000 and $0 and $172,500 was paid for the three and nine months ended September 30, 2012. Reimbursable business expenses of $6,506 and $30,072 were paid during the three and nine months ended September 30, 2013, and $20,001 and $32,224 were paid during the three and nine months ended September 30, 2012.

During the three and nine months ended September 30, 2013 and 2012, a marketing company owned by the Company’s Secretary and his spouse was paid $0 and $14,560 respectively.

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

Cautionary Statements Regarding Forward-Looking Statements

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

We have based these forward-looking statements on our current expectations and projections about future events. These forward-looking statements are not guarantees and are subject to known and unknown risks, uncertainties and assumptions about us that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. Important factors that could cause actual results to differ materially from our expectations include, but are not limited to: our ability to raise additional capital, the absence of any operating history or revenue, our ability to attract and retain qualified personnel, our dependence on third party developers who we cannot control, our ability to develop and introduce a new service to the market in a timely manner, market acceptance of our services, our limited experience in a relatively new industry, the ability to successfully develop licensing programs and generate business, rapid technological change in relevant markets, unexpected network interruptions or security breaches, changes in demand for current and future intellectual property rights, legislative, regulatory and competitive developments, intense competition with larger companies, general economic conditions, as well as other factors set forth under the caption "Risk Factors" in this and prior quarterly reports on Form 10-Q and in our Annual Report on Form 10-K for the year ended December 31, 2012 filed with the Securities and Exchange Commission.

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

Overview

Virtual Piggy, Inc. (the "Company" or "Virtual Piggy") is a development stage enterprise incorporated in the state of Delaware on February 11, 2008. Virtual Piggy is a technology company that delivers an online ecommerce solution for the family. Its system allows parents and their children to manage and allocate funds and track the child's expenditures, savings and charitable giving online. Its system is designed to allow the child to transact online without a credit card by gaining the parent's permission ahead of time and allowing the parent to set up the rules of use. In addition to its main focus, the Company is also working on technology that will make the overall online experience safer for the "Under 18" market ("U18s").

The Virtual Piggy product enables online businesses to interact and transact with the U18s market in a manner consistent with the Children's Online Privacy Protection Act ("COPPA") and other similar international children's privacy laws. The Virtual Piggy product offering was launched in the United States in 2012 and was launched in European markets in 2013.

The Company has secured 143 agreements with merchants, game publishers, e-commerce platforms, gaming platforms and payment processors. Over 20 of the merchants and game publishers are using Virtual Piggy live with their e-commerce systems and the Company is in the process of integrating the other signed merchants and gaming publishers. The Company is continuing to add merchants and gaming publishers. In addition, Virtual Piggy has the capability to offer and deliver digital gift cards.

Strategic Outlook

We believe that the e-commerce market will continue to grow over the long-term. Within the market, we intend to provide services to the online industry to allow them to transact with children in compliance with COPPA and similar international privacy laws. We believe that this particular opportunity is relatively untapped and expect to be a leading provider of online transactions for children.

Our primary strategic objective over the next 12-24 months is to continue our merchant acquisition program and rapidly expand our consumer acquisition program which will generate revenue that we believe will ultimately cover our operating expenses and allow us to become profitable. We began our user acquisition efforts in March 2013 and currently have over 500,000 system users, which we define as a registered account that has accessed the Virtual Piggy product within the past 12 months. Our goal for 2013 is to acquire one million system users by year end. We plan to achieve this objective by advertising our product and services to consumers through public relations programs, merchant promotions and affiliate marketing programs. As our service grows, we intend to hire additional information staff to maintain our product offerings and develop new products to increase our market share.

We believe that our near-term success will depend particularly on our ability to develop customer awareness and confidence in our service, and consumer spending through our system. Since we have limited capital resources, we will need to closely manage our expenses and conserve our cash by continually monitoring any increase in expenses and reducing or eliminating unnecessary expenditures. Our prospects must be considered in light of the risks, expenses and difficulties encountered by companies at an early stage of development, particularly given that we operate in new and rapidly evolving markets, that we have limited financial resources, and face an uncertain economic environment. We may not be successful in addressing such risks and difficulties.

Results of Operations

Comparison of the Three Months Ended September 30, 2013 and 2012

The following discussion analyzes our results of operations for the three months ended September 30, 2013 and 2012. The following information should be considered together with our financial statements for such period and the accompanying notes thereto.

Revenue/Net Loss

We are a development stage company and have not generated significant revenue since our inception. For the three months ended September 30, 2013 and 2012, we generated revenues of $1,382 and $8, respectively. For the three months ended September 30, 2013, we processed $50,292 of merchant transactions and $13,764 of gift card sales compared to essentially none in the third quarter of last year. We commenced our user acquisition campaign in March 2013 and currently have over 500,000 system users. During this initial startup phase, the majority of our system users have not processed a transaction through our system to purchase an item from a merchant. However, we expect these transactions to occur and are continuing to market to these system users, and expect that many of them will become active system users over time, particularly as we continue to add merchants to our network and continually market to our user base. We earn revenue by charging a percentage to the merchant for each transaction processed through such merchants through the Virtual Piggy network. In the second and third quarter of the current year, we have added online gaming sites which have generated repeat transactions from gaming users.

Our net loss increased $3,286,752 to $5,305,486 for the three months ended September 30, 2013 compared to $2,018,734 for the three months ended September 30, 2012, which was the result of increased expenses as we have expanded our business as further described below.

Payroll Expenses

Payroll expenses were $1,515,701 for the three months ended September 30, 2013 and $886,215 for the three months ended September 30, 2012, an increase of $629,486. Payroll expenses for the three months ended September 30, 2013 included $289,714 for our marketing staff. We have increased our staff level by 14 since the third quarter of last year and have commenced operations in Europe.

Consulting Expenses

Consulting expenses for the three months ended September 30, 2013 were $1,034,270 as compared to $242,116 for the three months ended September 30, 2012, an increase of $792,154. The increase was the result of fees for investor relations activities, merchants meeting option milestones and increased use consultants in our London office for certain software and product development efforts.

Marketing Expenses

For the three months ended September 30, 2013, marketing expenses were $1,462,861, an increase of $1,319,377 from $143,484 for the three months ended September 30, 2012. During the last 12 months Virtual Piggy has developed a strong international marketing department headquartered out of Hermosa Beach office. With the introduction of class A merchants such as Claires Inc. and Habbo Hotel in the third quarter, Virtual Piggy has run and continues to run co-marketing campaigns alongside these and newly acquired merchants to promote both the Virtual Piggy service and the availability of the particular merchant on the Virtual Piggy network. These marketing efforts have directly led to the acquisition of new users and of new merchants. The campaigns have also led to greater awareness of the Virtual Piggy brand. Virtual Piggy has signed a contract with the American Media firm Universal McCann to help deliver marketing outreach campaigns. We expect to continue this spending in future quarters.

Research and Development

Research and development expenses decreased $9,241 to $179,476 for the three months ended September 30, 2013 from $188,717 for the three months ended September 30, 2012. These costs resulted from the Company's continued efforts to develop its platform, including mobile applications, and the integration of merchants into the platform.

Travel Expenses

For the three months ended September 30, 2013, travel expenses were $274,088 an increase of $152,744 from $121,344 for the three months ended September 30, 2012. The expenses incurred were primarily associated with increased sales and marketing activities in the United States and Europe, capital raising and investor relations activities.

Professional Fees

Professional fees increased $137,572 to $256,296 for the three months ended September 30, 2013 from $118,724 for the three months ended September 30, 2012. The increase related primarily to increased public company costs, including SOX compliance, fees related to our certification compliance with privacy and COPPA regulations and legal and professional fees related to our expansion into Europe.

General and Administrative Expenses

General and administrative expenses were $587,342 for the three months ended September 30, 2013 compared to $320,052 for the three months ended September 30, 2012, an increase of $267,290. The increase is primarily related to the expansion of our offices, the addition of our London office, an increase in staff to support our operations and the general expansion of our business.

Comparison of the Nine Months Ended September 30, 2013 and 2012

The following discussion analyzes our results of operations for the nine months ended September 30, 2013 and 2012. The following information should be considered together with our financial statements for such periods and the accompanying notes thereto.

Revenue/Net Loss

We are a development stage company and have not generated significant revenue since our inception. For the nine months ended September 30, 2013 and 2012, we generated revenues of $1,528 and $1,195, respectively. We commenced our user acquisition campaign in March 2013 and currently have over 500,000 system users. During this initial startup phase, the majority of our system users have not processed a transaction through our system to purchase an item from a merchant. However, we expect these transactions to occur and are continuing to market to these system users, and expect that many of them will become active system users over time, particularly as we continue to add merchants to our network and continually market to our user base. We earn revenue by charging a percentage to the merchant for each transaction processed through such merchants through the Virtual Piggy network.

Our net loss increased $2,699,772 to $11,366,427 for the nine months ended September 30, 2013 compared to $8,666,655 for the nine months ended September 30, 2012, as a result of increased expenses as further described below.

Payroll Expenses

Payroll expenses were $3,912,056 for the nine months ended September 30, 2013 and $1,740,952 for the nine months ended September 30, 2012, an increase of $2,171,104. Payroll expenses for the nine months ended September 30, 2013 included $663,884 for our marketing staff. We have increased our staff level by 14 since the third quarter of last year and have commenced operations in Europe.

Consulting Expenses

Consulting expenses for the nine months ended September 30, 2013 were $1,931,801 as compared to $4,422,241 for the nine months ended September 30, 2012, a decrease of $2,490,440. The decrease resulted primarily from the settlement of a dispute related to a marketing agreement in 2012 and stock based compensation related to consulting agreements entered into in 2012 (representing an aggregate of $3,845,386), as well as the Company hiring employees rather than using consultants to perform key functions.

Marketing Expenses

For the nine months ended September 30, 2013, marketing expenses were $2,037,589, an increase of $1,574,480 from $463,109 for the nine months ended September 30, 2012. During the last 12 months Virtual Piggy has developed a strong international marketing department headquartered out of Hermosa Beach office. With the introduction of class A merchants such as Claires Inc. and Habbo Hotel in the third quarter, Virtual Piggy has run and continues to run co-marketing campaigns alongside these and newly acquired merchants to promote both the Virtual Piggy service and the availability of the particular merchant on the Virtual Piggy network. These marketing efforts have directly led to the acquisition of new users and of new merchants. The campaigns have also led to greater awareness of the Virtual Piggy brand. Virtual Piggy has signed a contract with the American Media firm Universal McCann to help deliver marketing outreach campaigns. We expect to continue this spending in future quarters.

Research and Development

Research and development expenses increased $256,862 to $612,958 for the nine months ended September 30, 2013 from $356,096 for the nine months ended September 30, 2012. The increased costs resulted from the Company's continued efforts to develop its platform, including mobile applications, and the integration of merchants into the platform.

Travel Expenses

For the nine months ended September 30, 2013, travel expenses were $717,931 an increase of $352,450 from $365,481 for the nine months ended September 30, 2012. The expenses incurred were primarily associated with increased sales and marketing activities in the United States and Europe, capital raising and investor relations activities.

Professional Fees

Professional fees increased $291,267 to $652,303 for the nine months ended September 30, 2013 from $361,036 for the nine months ended September 30, 2012. The increase related primarily to increased public company costs, including SOX compliance, fees related to our certification compliance with privacy and COPPA regulations and legal and professional fees related to our expansion into Europe.

General and Administrative Expenses

General and administrative expenses were $1,512,797 for the nine months ended September 30, 2013 compared to $871,823 for the nine months ended September 30, 2012, an increase of $640,974. The increase is primarily the result of the expansion of our offices, the addition of our London office, an increase in staff related to support our operations and the general expansion of our business.

Interest Expense

During the nine months ended September 30, 2013, we incurred no interest expense as compared to $90,560 for the nine months ended September 30, 2012. Interest expense in 2012 related to interim debt financing prior to the completion of several private placements of securities, the proceeds of which were used to pay off debt.

Liquidity and Capital Resources

As of the filing date of this report, we had cash on hand of approximately $2.7 million.

Net cash used in operating activities for the nine months ended September 30, 2013 was $9,777,170, as compared to $4,532,672 for the nine months ended September 30, 2012, an increased use of $5,244,498. The increase resulted primarily from expanded operations including marketing the Virtual Piggy product, hiring additional staff, commencing our user acquisition campaign and opening an office in London.

Net cash used in investing activities for the nine months ended September 30, 2013 was $298,284, as compared to $292,363 for the nine months ended September 30, 2012, an increase of $5,921. These investments are principally for the purchase of equipment and costs of patents and trademarks.

Net cash provided by financing activities was $7,287,969 for the nine months ended September 30, 2013, a decrease of $469,963 from $7,757,932 for the nine months ended September 30, 2012. During the nine months ended September 30, 2013 and 2012, the Company completed a number of private placements of its securities aimed at the continued financing of the business. The Company also received $1,612,595 through option and warrant exercises in 2013.

As we have not generated any meaningful revenues since our inception, we have financed our operations through private placement offerings of equity and debt securities. We do not currently maintain a line of credit or term loan with any commercial bank or other financial institution.

We believe that our existing cash resources will not be sufficient to sustain our operations during the next twelve months. Our current cash on hand should sustain our operations through December 2013. We have recently commenced our revenue generating activities and we need to generate sufficient revenues to support our cost structure to enable us to pay ongoing costs and expenses as they are incurred, finance the continued development of our platform, and execute our business plan. If we cannot generate sufficient revenue to fund our business plan, we intend to raise such financing through the sale of debt and/or equity securities. The sale of equity securities is dependent upon shareholders' approval of an increase in the number of the Company's authorized shares of common stock (see Part II, Item 1A, Risk Factors). The issuance of additional equity would result in dilution to existing shareholders. If we are unable to obtain additional funds when they are needed or if such funds cannot be obtained on terms acceptable to us, we would be unable to execute our business plan or pay costs and expenses as they are incurred, which would have a material, adverse effect on the business, financial condition and results of operations of the Company.

Off-Balance Sheet Arrangements

As of September 30, 2013, we did not have any relationships with unconsolidated entities or financial partners, such as entities often referred to as structured finance or special purpose entities, established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As such, we are not materially exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in such relationships.

Critical Accounting Policies

Our financial statements are impacted by the accounting policies used and the estimates and assumptions made by management during their preparation. A summary of these policies is included in Note 1 of the notes to our financial statements. We have identified below the accounting policies that are of particular importance in the presentation of our financial position, results of operations and cash flows and which require the application of significant judgment by management.

Stock-based Compensation

We have adopted the fair value recognition provisions Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") 718. In addition, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 107 "*Share-Based Payment*" ("SAB 107") in March, 2005, which provides supplemental FASB ASC 718 application guidance based on the views of the SEC. Under FASB ASC 718, compensation cost recognized includes compensation cost for all share-based payments granted beginning January 1, 2006, based on the grant date fair value estimated in accordance with the provisions of FASB ASC 718.

We have used the Black-Scholes option-pricing model to estimate the option fair values. The option-pricing model requires a number of assumptions, of which the most significant are, expected stock price volatility, the expected pre-vesting forfeiture rate and the expected option term (the amount of time from the grant date until the options are exercised or expire).

Compensation expense for unvested options granted to non-employees in previous periods is being amortized over the term of the consulting agreement.

Revenue Recognition

In accordance with Securities and Exchange Commission Staff Accounting Bulletin No. 104, Revenue Recognition (Codified in FASB ASC 605), we will recognize revenue when (i) persuasive evidence of a customer or distributor arrangement exists or acceptance occurs, (ii) a retailer, distributor or wholesaler receives the goods, (iii) the price is fixed or determinable, and (iv) collectability of the sales revenues is reasonably assured. Subject to these criteria, we will generally recognize revenue from Virtual Piggy at the time of the sale of the associated product.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

There have been no material changes in market risk from the information provided in "Item 7A. Quantitative and Qualitative Disclosures About Market Risk" of the Company's 2012 Annual Report on Form 10-K.

ITEM 4. CONTROLS AND PROCEDURES.

As of September 30, 2013, we carried out the evaluation of the effectiveness of our disclosure controls and procedures required by Rule 13a-15(e) under the Exchange Act under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of September 30, 2013, our disclosure controls and procedures were effective to ensure that information we are required to disclose in reports that we file or submit under the Exchange Act is: (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and (ii) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

There has been no change in our internal control over financial reporting identified in connection with this evaluation that occurred during our fiscal quarter ended September 30, 2013 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

We are not a party to any legal proceedings.

ITEM1A. RISK FACTORS.

Investing in our common stock involves a high degree of risk. Before you invest you should carefully consider the risks and uncertainties described below and in our 2012 Form 10-K, under the caption "Risk Factors", our Management's Discussion and Analysis of Financial Condition and Results of Operations set forth in Item 2 of Part I of this Quarterly Report on Form 10-Q, our financial statements and related notes included in Item 1 of Part I of this Quarterly Report on Form 10-Q and our consolidated financial statements and related notes, as well as our Management's Discussion and Analysis of Financial Condition and Results of Operations and the other information in our 2012 Form 10-K. Readers should carefully review those risks, as well as additional risks described in other documents we file from time to time with the Securities and Exchange Commission.

Management's judgment could impact the amount of non-cash compensation expense

To estimate the fair value of our stock option awards we currently use the Black-Scholes-Merton options pricing model. The determination of the fair value of equity-based awards on the date of grant using an options pricing model is affected by our then current stock price as well as assumptions regarding a number of complex and subjective variables. Management is required to make certain judgments for these variables which include the expected stock price volatility over the term of the awards, the expected term of options based on employee exercise behaviors, and the risk-free interest rate. One of the factors used in determining such value is stock volatility. Because of the limited trading activity of our common stock, we use the stock volatility of four peer companies. To the extent that we used different peer companies to measure volatility, a different stock volatility factor may result which would cause a different stock valuation and a related increase or decrease in non-cash compensation expense. If actual results are not consistent with our assumptions and judgments used in estimating key assumptions, in future periods, the stock option expense that we record for future grants may differ significantly from what we have recorded in the current period.

We require shareholders to authorize additional shares for us to properly finance our business

Upon the Company's formation, our shareholders authorized the issuance of up to 150,000,000 shares of common stock. Currently, only 4.6 million of such shares remain available for issuance after accounting for reserved shares. The Company also has 2 million preferred shares which are currently authorized but unused. In September, 2013, our board of directors approved an amendment to our certificate of incorporation to increase the number of authorized shares of common stock by 30,000,000 to 180,000,000. On October 8, 2013, the Company mailed a proxy to all shareholders to vote on this increase at the Company's annual shareholders meeting to be held on November 18, 2013. However, such shares cannot be used until the increase is approved by shareholders representing over 50% of the Company's outstanding shares of common stock. To finance and continue to grow our business, we will require additional capital and have historically relied upon the issuance of common stock for such financing. Should our shareholders be unwilling to approve a sufficient increase in the number of our authorized shares of common stock, we would be required to finance our business with debt or other instruments, which may be difficult or impossible to secure on terms acceptable to us. If that were to occur, we may not be able to (a) pay our costs and expenses as they are incurred, (b) execute our business plan, (c) take advantage of future opportunities, or (d) respond to competitive pressures or unanticipated requirements or in the extreme case, liquidate the Company.

We may not be able to qualify to have our common stock listed on a national stock exchange

The Company's common stock currently trades on the Over the Counter Market ("OTC QB") in the United States. To facilitate liquidity and trading in the Company's shares, the Company has stated that it is the Company's goal to be listed on a national stock exchange. Listing requirements include financial and trading requirements that, as of September 30, 2013 the Company does not meet. The listing process can be lengthy and is discretionary. There can be no assurance that the Company's application will be approved or that the Company will ever be listed on a national stock exchange. Currently, the Company does not qualify for listing based on its stock price, among other things. If the Company's listing is not approved or if the Company withdraws from the application process, the Company's shares would continue to trade on the OTC QB. In that event, certain institutional investors may not be able to purchase the Company's common stock as a result of their own ownership guidelines and liquidity in the Company's common stock would remain more limited that it would have been if such listing application had been approved. Further, the Company's ability to raise money through subsequent offerings of its common stock will be more limited if the Company is not able to up-list to a national exchange.

The Company may be subject to credit card transaction fraud

The Company's business model depends upon the processing of credit cards and includes the sale of gift cards. In cases where the Company is the merchant of record on a gift card sale, the Company could be held financially responsible for the value of gift cards which are purchased using a fraudulent or stolen credit card. While the Company uses software and safeguards to ensure that credit cards it accepts are valid, there can be no assurance that credit card fraud will not occur. In addition, in the case of transactions where the Company's merchant is in the United States and is the merchant of record, the Company is not generally responsible for credit card fraud. However, given that the Company's business is dependent on the successful processing of credit cards and payment solutions, fraudulent processing could have an adverse effect on our merchant relationships and could result in liability. Additionally, other countries have varying rules on who the responsible party would be in certain variations of credit card or other payment fraud these cases. While the Company is researching such international policies and rules and is implementing safeguards to minimize risk, there can be no assurance that the Company will not incur liability relating to credit card or other payment fraud.

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

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURES.

Not Applicable.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS

31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted 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

SIGNATURE

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

VIRTUAL PIGGY, INC.

Date:	November 8, 2013	By:	/s/ Joseph Dwyer
			Joseph Dwyer Chief Financial Officer (Duly authorized officer and principal accounting officer)

Exhibit 31.1

CERTIFICATION

I, Jo Webber, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Virtual Piggy, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2013

By: /s/ Jo Webber
Jo Webber
Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Joseph Dwyer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Virtual Piggy, Inc.

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2013	By:	/s/ Joseph Dwyer
		Joseph Dwyer
		Chief Financial Officer

Exhibit 32.1

**CERTIFICATION OF
CHIEF EXECUTIVE OFFICER
OF VIRTUAL PIGGY, INC.
PURSUANT TO 18 U.S.C. SECTION 1350**

In connection with the Quarterly Report on Form 10-Q of Virtual Piggy, Inc. (the "Company") for the period ended September 30, 2013, as filed with the Securities and Exchange Commission (the "Report"), I, Jo Webber, Chief Executive Officer of the Company, do hereby certify, pursuant to 18 U.S.C. Section 1350, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 8, 2013

/s/ Jo Webber
Jo Webber
Chief Executive Officer

Exhibit 32.2

CERTIFICATION OF
CHIEF FINANCIAL OFFICER
OF VIRTUAL PIGGY, INC.
PURSUANT TO 18 U.S.C. SECTION 1350

In connection with the Quarterly Report on Form 10-Q of Virtual Piggy, Inc. (the "Company") for the period ended September 30, 2013, as filed with the Securities and Exchange Commission (the "Report"), I, Joseph Dwyer, Chief Financial Officer of the Company, do hereby certify, pursuant to 18 U.S.C. Section 1350, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 8, 2013

/s/ Joseph Dwyer
Joseph Dwyer
Chief Financial Officer