UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 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, 2016

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

For the transition period from __________ to __________

Commission file number 0-53944

VIRTUAL PIGGY, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware **(State or Other Jurisdiction of Incorporation or Organization)**	**35-2327649** **(I.R.S. Employer Identification No.)**
265 Sunrise Boulevard, Palm Beach, Florida **(Address of Principal Executive Offices)**	**33480** **(Zip Code)**

(561) 220-0408
(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: 118,017,626 shares of common stock outstanding at November 14, 2016.

PART I - FINANCIAL INFORMATION

PART II - OTHER INFORMATION

PART I - FINANCIAL INFORMATION

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q 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," "believes," "contemplates," "targets," "could," "would" or "should" or the negative thereof or any variation thereon or similar terminology or expressions. Management cautions readers not to place undue reliance on any of the Company's forward-looking statements, which speak only as of the date made.

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 ability to develop and introduce new services and products to the market in a timely manner, market acceptance of our services and products, our limited experience in the 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, and other risks discussed in this filing, the Company's Annual Report on Form 10-K for the year ended December 31, 2015, as filed with the Securities and Exchange Commission (the "SEC"), and the Company's other subsequent filings with the SEC.

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. The Company has no obligation to and does not undertake to update, revise, or correct any of these forward-looking statements after the date of this report.

ITEM 1. FINANCIAL STATEMENTS

Virtual Piggy, Inc.
Condensed Consolidated Balance Sheets

	September 30, 2016 (Unaudited)	December 31, 2015 (Audited)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 286,736	$ 16,646
Accounts receivable, net of allowance of $0 and $6,293	-	360
Assets held for sale, net of accumulated depreciation of $0 and $23,174	-	34,071
Prepaid expenses	54,000	72,918
TOTAL CURRENT ASSETS	340,736	123,995
PROPERTY AND EQUIPMENT		
Computer equipment	10,748	73,645
Furniture and fixtures	15,722	15,722
	26,470	89,367
Less: accumulated depreciation	(17,015)	(57,823)
	9,455	31,544
OTHER ASSETS		
Deposit	-	31,800
Patents and trademarks, net of accumulated amortization of $123,918 and $96,282	561,785	589,420
	561,785	621,220
TOTAL ASSETS	$ 911,976	$ 776,759
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 1,756,715	$ 1,702,527
Accounts payable and accrued expenses - related parties	79,297	-
Preferred stock dividend liability	2,609,143	1,804,302
10% Secured convertible notes payable - stockholders	4,459,264	2,940,000
Notes payable, net of discount of $0 and $37,482	-	988,918
TOTAL CURRENT LIABILITIES	8,904,419	7,435,747
LONG-TERM LIABILITIES		
3.5% Secured convertible notes payable - stockholders	1,420,200	-
CONTINGENCIES		
STOCKHOLDERS' DEFICIT		
Preferred stock, $.0001 par value; 2,000,000 preferred shares authorized; 195,000 preferred shares Series A authorized; 108,600 shares issued and outstanding at September 30, 2016 and December 31, 2015	11	11
Preferred stock, $.0001 par value; 2,000,000 preferred shares authorized; 222,222 preferred shares Series B authorized; 28,378 shares issued and outstanding at September 30, 2016 and December 31, 2015	3	3

Common stock, $ .0001 par value; 230,000,000 shares authorized; 118,017,626 shares issued and outstanding at September 30, 2016 and 117,517,626 issued and outstanding at December 31, 2015	11,802	11,752
Additional paid in capital	55,747,124	54,203,451
Deferred compensation	(16,042)	(72,188)
Accumulated deficit	(65,155,541)	(60,802,017)
STOCKHOLDERS' DEFICIT	(9,412,643)	(6,658,988)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$ 911,976	$ 776,759

See the accompanying notes to the condensed consolidated financial statements.

Virtual Piggy, Inc.
Condensed Consolidated Statements of Operations
(Unaudited)

	For the Three Months Ended Ended September 30, 2016	2015	For the Nine Months Ended September 30, 2016	2015
SALES	$ 13	$ 4,856	$ 1,050	$ 14,242
OPERATING EXPENSES				
Sales and marketing	4,200	131,987	38,235	1,530,263
Product development	136,395	283,310	552,534	1,380,102
Integration and customer support	4,680	46,110	75,255	166,820
General and administrative	401,565	385,968	2,479,678	2,677,053
Strategic consulting	-	1,667	-	340,167
Total operating expenses	546,840	849,042	3,145,702	6,094,405
NET OPERATING LOSS	(546,827)	(844,186)	(3,144,652)	(6,080,163)
OTHER INCOME (EXPENSE)				
Interest income	-	40	-	339
Interest expense	(132,985)	(88,739)	(409,563)	(165,984)
Cumulative translation adjustment upon closing of England office	-	206,933	-	206,933
Other income	-	-	1,085	-
Gain (loss) on disposition of fixed assets	(2,956)	-	4,447	-
	(135,941)	118,234	(404,031)	41,288
NET LOSS	(682,768)	$ (725,952)	(3,548,683)	(6,038,875)
Less: Accrued preferred dividends	(268,280)	(280,223)	(804,841)	(812,373)
NET LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS	$ (951,048)	$ (1,006,175)	$ (4,353,524)	$ (6,851,248)
BASIC AND DILUTED NET LOSS PER COMMON SHARE	$ (0.01)	$ (0.01)	$ (0.04)	$ (0.06)
BASIC AND DILUTED WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	117,767,626	117,267,626	117,656,515	118,517,626

See the accompanying notes to the condensed consolidated financial statements.

Virtual Piggy, Inc.
Condensed Consolidated Statements of Comprehensive Loss
(Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2016	2015	2016	2015
NET LOSS	$ (682,768)	$ (725,952)	$ (3,548,683)	$ (6,038,875)
OTHER COMPREHENSIVE INCOME				
Foreign currency translation adjustments, net of tax	-	98,893	-	58,528
TOTAL OTHER COMPREHENSIVE INCOME, net of tax	-	98,893	-	58,528
COMPREHENSIVE LOSS	$ (682,768)	$ (627,059)	$ (3,548,683)	$ (5,980,347)

See the accompanying notes to the condensed consolidated financial statements.

Virtual Piggy, Inc.
Condensed Consolidated Statement of Changes in Stockholders' Deficit
For the Nine Months Ended September 30, 2016

	Preferred Stock Series A		Preferred Stock Series B		Common Stock					
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Additional Paid-In Capital	Deferred Compensation	Accumulated Deficit	Total
Balance, December 31, 2015 (Audited)	108,600	$ 11	28,378	$ 3	117,517,626	$11,752	$54,203,451	$ (72,188)	$(60,802,017)	$(6,658,988)
Issuance of restricted common stock for services	-	-	-	-	500,000	50	54,950	(55,000)	-	-
Issuance of warrants with notes payable	-	-	-	-	-	-	8,537	-	-	8,537
Revaluation of warrants	-	-	-	-	-	-	1,305,411	-	-	1,305,411
Fair value of options for services	-	-	-	-	-	-	257,275		-	257,275
Amortization of deferred compensation	-	-	-	-	-	-	-	38,958	-	38,958
Forfeited restricted common stock	-	-	-	-	-	-	(82,500)	72,188	-	(10,312)
Accrued preferred dividends	-	-	-	-	-	-	-	-	(804,841)	(804,841)
Net loss	-	-	-	-	-	-	-	-	(3,548,683)	(3,548,683)
Balance, September 30, 2016 (Unaudited)	108,600	$ 11	28,378	$ 3	118,017,626	$11,802	$55,747,124	$ (16,042)	$(65,155,541)	$(9,412,643)

See the accompanying notes to the condensed consolidated financial statements.

Virtual Piggy, Inc.
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (3,548,683)	$ (6,038,875)
Adjustments to reconcile net loss to net cash used in operating activities		
Provision for bad debts	360	6,433
Fair value of options issued in exchange for services	257,275	316,676
Forfeiture of restricted stock	(10,312)	(280,000)
Fair value of common stock issued in exchange for services	-	279,915
Revaluation of options and warrants	1,305,411	169,110
Amortization of deferred compensation	38,958	-
Accretion of discount on notes payable	68,527	7,945
Depreciation and amortization	33,242	87,799
(Gain) Loss on abandonment of patents and disposal of fixed assets	(4,447)	13,750
Foreign currency translation adjustment from closing England office	-	(206,933)
Decrease in assets		
Accounts receivable	-	648
Prepaid expenses	18,918	285,627
Deposits	31,800	11,803
Increase in liabilities		
Accounts payable and accrued expenses	510,341	475,274
Deferred revenue	-	5,200
Net cash used in operating activities	(1,298,610)	(4,865,628)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	-	(7,693)
Patent and trademark costs	-	(28,042)
Net cash used in investing activities	-	(35,735)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans payable	9,000	-
Repayment of loans payable	(9,000)	-
Proceeds from convertible notes payable - stockholders	910,100	2,940,000
Proceeds from notes payable - stockholders	658,600	475,300
Net cash provided by financing activities	1,568,700	3,415,300
EFFECT OF EXCHANGE RATE ON CASH	-	58,528
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	270,090	(1,427,535)
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	16,646	1,652,392
CASH AND CASH EQUIVALENTS - END OF PERIOD	$ 286,736	$ 224,857
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during year for:		
Interest	$ -	$ -

Income taxes	$ -	$ -
SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING ACTIVITIES:		
Disposal of equipment in satisfaction of accounts payable	$ 55,000	$ -
	-	
Accrued preferred dividend	$ 804,841	$ 812,373
Fair value of warrants issued as discount for note payable	$ 8,537	$ 8,342
Accrued commitment fees as discount on notes payable	$ 22,508	$ 31,898
Issuance of restricted common stock	$ 55,000	$ -
Accounts payable converted to convertible notes - stockholders	$ 143,793	$ -
Accrued interest and commitment fees converted to 10% secured convertible notes payable - stockholders	$ 200,571	$ -
Exchange of unsecured notes payable into 10% secured convertible notes payable and 3.5% secured convertible notes payable	$ 1,685,000	$ -

See the accompanying notes to the condensed consolidated financial statements.

Virtual Piggy, Inc.
Notes to the Condensed Consolidated Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Business

Virtual Piggy, Inc. (the "Company") was incorporated in the state of Delaware on February 11, 2008.

The Company is a technology company that seeks to deliver an online ecommerce solution for the family. The Company's system allows parents and their children to manage, allocate funds and track their expenditures, savings and charitable giving online. The system is designed to allow a minor to transact online without a credit card by gaining the parents' permission ahead of time and allowing the parent to set up the rules of use. The Company's Oink product offering was discontinued in March 2016.

The Company believes that a future alternative for Virtual Piggy's technology will revolve around the FinTech industry with a partner-first go to market model in which established payments market leaders and vertical market participants can incorporate and integrate the Company's platform into co-branded payments solutions targeting youth and family. The Company also believes this approach will enable the Company to reduce expenses while broadening its reach.

Within this affinity partner model, the Company will seek to incorporate licensing fees and customization services. This would enable the company to begin creating shareholder value above and beyond consumer transaction fees.

The Company is also analyzing specific components of our technology for individual monetization as well as exploring opportunities in the Business to Business ("B2B") realm.

In addition, the Company is currently adding enhancements to the platform, to enable the platform to update itself with any new regulations that are passed, in order to reduce costs associated with manually updating the platform. This will also enable the Company to market the platform to other companies in need of a solution to comply with the Children's Online Privacy Protection Act ("COPPA") or other regulatory requirements.

The Company's primary strategic objective over the next 12 -18 months is to increase the value of the underlying technical assets of the Company by incorporating new essential functionality that will act as a key differentiator in the financial services market. In addition, the Company is redirecting its marketing efforts to increase its user base by entering into affinity marketing agreements with companies targeting specific user communities. This approach should greatly reduce the expense associated with direct marketing efforts.

The Company's principal office is located in Palm Beach, Florida.

On December 3, 2015, Finity, Inc. was incorporated as a wholly owned subsidiary of the Company. On December 11, 2015, Finity, Inc. changed its name to Finitii, Inc. Finitii, Inc. was established as a not for profit entity for the purpose of teaching children financial literacy. Finitii, Inc. has had no operations since it was formed.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") for interim financial information and with the instructions for Form 10-Q and Rule 8-03 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. The accompanying unaudited financial statements should be read in conjunction with the financial statements and notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2015 as filed with the SEC. Operating results for the three and nine months ended September 30, 2016 are not necessarily indicative of the results that may be expected for the year ending December 31, 2016.

The accompanying condensed consolidated financial statements of Virtual Piggy, Inc. and its wholly owned subsidiary, Finitii, Inc. (collectively the "Company"), have been prepared in accordance with accounting principles generally accepted in the United States of America. All intercompany transactions have been eliminated in consolidation.

The Company's activities are subject to significant risks and uncertainties, including failing to secure additional financing to operationalize the Company's current technology before another company develops similar technology to compete with the Company.

Recently Adopted Accounting Pronouncements

As of September 30, 2016 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, 2016, there are no recently issued accounting standards not yet adopted which would have a material effect on the Company's financial statements through 2017.

NOTE 2 – MANAGEMENT PLANS

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 since inception. 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 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 likely 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 license its platform to merchants, financial institutions and others to enable them to provide COPPA compliant services for themselves and their customers.

As of November 14, 2016, the Company has a cash position of approximately $340,000. Based upon the current cash position and the Company's planned expense run rate, management believes the Company has funds currently to finance its operations through November 2016.

NOTE 3 – ACCOUNTS PAYABLE AND ACCRUED EXPENSES – RELATED PARTIES

The Company owes the Chief Executive Officer a total of $39,603 as of September 30, 2016, including unpaid salary of $31,769 and expenses of $7,834.

The Company also owes the Chief Financial Officer a total of $37,694 as of September 30, 2016, including unpaid salary of $23,256, health insurance of $4,725 and unpaid accounting services, to the Chief Financial Officer's accounting firm for services provided prior to his becoming the Chief Financial Officer of the Company, in the amount of $6,513 as well as services to prepare corporate income tax returns in the amount of $3,200.

The Company owes the Chief Executive Officer's brother $2,000 for development work that he is providing under a consulting agreement.

NOTE 4 – 10% SECURED CONVERTIBLE PROMISSORY NOTES PAYABLE

On March 6, 2015, the Company, pursuant to a Securities Purchase Agreement (the "Purchase Agreement"), issued $2,000,000 aggregate principal amount of its 10% Secured Convertible Promissory Notes due March 5, 2016 (the "Notes") to certain stockholders. On May 11, 2015, the Company issued an additional $940,000 of Notes to stockholders. The maturity dates of the Notes were extended to March 5, 2017 with the consent of the Note holders.

On May 5, 2016, the Company issued an additional $100,000 of Notes to stockholders.

Of the $3,040,000 of Notes, $150,000 were exchanged for 3.5% Secured Convertible Promissory Notes on August 26, 2016 (See Note 5).

The Notes are convertible by the holders, at any time, into shares of the Company's Series B Preferred Stock at a conversion price of $90.00 per share, subject to adjustment for stock splits, stock dividends and similar transactions with respect to the Series B Preferred Stock only. Each share of Series B Preferred Stock is currently convertible into 100 shares of the Company's common stock at a current conversion price of $0.90 per share, subject to anti-dilution adjustment as described in the Certificate of Designation of the Series B Preferred Stock. In addition, pursuant to the terms of a Security Agreement entered into on May 11, 2015 by and among the Company, the Investors and a collateral agent acting on behalf of the Investors (the "Security Agreement"), the Notes are secured by a lien against substantially all of the Company's business assets. Pursuant to the Purchase Agreement, the Company also granted piggyback registration rights to the holders of the Series B Preferred Stock upon a conversion of the Notes.

On August 26, 2016, the Company exchanged in total $2,029,364 principal amount of previously unsecured notes payable of $1,685,000, accounts payable of $143,793, accrued interest of $123,658 and commitment fees of $76,913, for 10% Secured Convertible Prmissory Notes, which are now due March 5, 2017. Of these notes, $460,100 were subsequently exchanged for 3.5% Secured Convertible Notes.

The Notes are recorded as a current liability as of September 30, 2016, in a total amount of $4,459,264. Interest accrued on the notes was $465,489 and $225,452 as of September 30, 2016 and December 31, 2015. Interest expense related to these notes payable was $117,260 and $193,052 for the three and nine months ended September 30, 2016 and $74,104 and $151,348 for the three and nine months ended September 30, 2015.

NOTE 5 – 3.5% SECURED CONVERTIBLE PROMISSORY NOTES PAYABLE

On August 26, 2016, Virtual Piggy, Inc. (the "Company"), pursuant to a Securities Purchase Agreement (the "Purchase Agreement"), issued $600,000 aggregate principal amount of its 3.5% Secured Convertible Promissory Notes due June 30, 2018 (the "New Secured Notes") to certain accredited investors (the "Investors"), The aggregate consideration provided in the New Secured Note Offering consisted of $300,000 in cash and the exchange of $300,000 outstanding principal amount of 10% Secured Convertible Promissory Notes due March 6, 2017 (the "Prior Secured Notes") for New Secured Notes.

In addition, in September 2016, the Company issued $820,200 aggregate principal amount of its 3.5% Secured Convertible Promissory Notes to certain accredited investors. The aggregate consideration provided consisted of $510,100 in cash and the exchange of $310,100 outstanding principal amount of 10% Secured Convertible Promissory Notes.

The New Secured Notes are convertible by the holders, at any time, into shares of the Company's newly authorized Series C Cumulative Convertible Preferred Stock ("Series C Preferred Stock") at a conversion price of $90.00 per share, subject to adjustment for stock splits, stock dividends and similar transactions with respect to the Series C Preferred Stock only. Each share of Series C Preferred Stock is currently convertible into 100 shares of the Company's common stock at a current conversion price of $0.90 per share, subject to full ratchet anti-dilution adjustment for one year and weighted average anti-dilution adjustment thereafter, as described in the Certificate of Designation of the Series C Preferred Stock. Upon a liquidation event, the Company shall first pay to the holders of the Series C Preferred Stock, on a pari passu basis with the holders of the Company's outstanding Series A Preferred Stock and Series B Preferred Stock, an amount per share equal to 700% of the conversion price (i.e., $630.00 per share of Series C Preferred Stock), plus all accrued and unpaid dividends on each share of Series C Preferred Stock (the "Series C Preference Amount"). The Series C Preference Amount shall be paid prior and in preference to payment of any amounts to the Common Stock. After the payment of all preferential amounts required to be paid to the holders of shares of Series C Preferred Stock, Series A Preferred Stock, Series B Preferred Stock and any additional senior preferred stock, the Series C Preferred Stock participates in further distributions subject to an aggregate cap of seven and one-half times (7.5x) the original issue price thereof, plus all accrued and unpaid dividends.

The Notes are recorded as a long-term liability as of September 30, 2016. Interest accrued on the notes was $4,766 and $0 as of September 30, 2016 and December 31, 2015. Interest expense related to these notes payable was $4,766 for the three and nine months ended September 30, 2016 and $0 for the three and nine months ended September 30, 2015.

NOTE 6 – NOTES PAYABLE - STOCKHOLDERS

On January 15 and 19, 2016, the Company entered into agreements with two stockholders that includes notes payable in the aggregate amount of $62,500, and two-year warrants to purchase 12,500 shares of the Company's common stock at $0.90. The notes bear interest at 10% per annum, and mature on the six month anniversary of the issuance date, or on such earlier date that (i) the Company completes the closing of a specified joint venture agreement or (ii) the Company completes the sale of at least an additional $1 million of the 10% Secured Convertible Promissory Notes.

On January 29 and February 3, 2016, the Company entered into agreements with two stockholders that includes notes payable in the aggregate amount of $90,000, and two-year warrants to purchase 18,000 shares of the Company's common stock at $0.90. The notes bear interest at 10% per annum, and mature on the six month anniversary of the issuance date, or on such earlier date that (i) the Company completes the closing of a specified joint venture agreement or (ii) the Company completes the sale of at least an additional $1 million of the 10% Secured Convertible Promissory Notes.

On February 23, 2016, the Company entered into agreements with three stockholders that includes notes payable in the aggregate amount of $26,000, and two-year warrants to purchase 5,200 shares of the Company's common stock at $0.90 per share. The notes bear interest at 10% per annum, and mature on the six month anniversary of the issuance date, or on such earlier date that (i) the Company completes the closing of a specified joint venture agreement or (ii) the Company completes the sale of at least an additional $1 million of the 10% Secured Convertible Promissory Notes.

On March 2, 2016, the Company entered into an agreement with a stockholder that includes a note payable in the amount of $5,000, and two-year warrants to purchase 1,000 shares of the Company's common stock at $0.90. The note bears interest at 10% per annum, and matures on the six month anniversary of the issuance date, or on such earlier date that (i) the Company completes the closing of a specified joint venture agreement or (ii) the Company completes the sale of at least an additional $1 million of the 10% Secured Convertible Promissory Notes.

On March 4, 2016, the Company entered into an agreement with a stockholder that includes a note payable in the amount of $100,100, and two-year warrants to purchase 20,020 shares of the Company's common stock at $0.90. The note bears interest at 10% per annum, and matures on the six month anniversary of the issuance date, or on such earlier date that (i) the Company completes the closing of a specified joint venture agreement or (ii) the Company completes the sale of at least an additional $1 million of the 10% Secured Convertible Promissory Notes. This note contains a 7.5% commitment fee, which is payable upon maturity of the note.

On March 15, 2016, the Company entered into an agreement with a stockholder that includes notes payable in the amount of $200,000, and two-year warrants to purchase 40,000 shares of the Company's common stock at $0.90 per share. The note bears interest at 10% per annum, and matures on the six month anniversary of the issuance date, or on such earlier date that (i) the Company completes the closing of a specified joint venture agreement or (ii) the Company completes the sale of at least an additional $1 million of the 10% Secured Convertible Promissory Notes. This note contains a 7.5% commitment fee, which is payable upon maturity of the note.

On April 18, 2016, the Company issued $20,000 in aggregate principal amount of unsecured Promissory Notes to two accredited investors pursuant to Promissory Note Agreements. The Investors also received two-year Warrants to purchase an aggregate of 4,000 shares of Company common stock at an exercise price of $0.90 per share. The Notes bear interest at a rate of ten percent (10%) per annum and mature on the six (6) month anniversary of the issuance date, or on such earlier date that (i) the Company completes the closing of a specified joint venture agreement or (ii) the Company completes the sale of at least an additional $1 million of 10% Secured Convertible Promissory Notes.

On April 20, 2016, the Company issued $5,000 in aggregate principal amount of unsecured Promissory Notes to an accredited investor pursuant to Promissory Note Agreements. The Investors also received two-year Warrants to purchase an aggregate of 1,000 shares of Company common stock at an exercise price of $0.90 per share. The notes bear interest at a rate of ten percent (10%) per annum and mature on the six (6) month anniversary of the issuance date, or on such earlier date that (i) the Company completes the closing of a specified joint venture agreement or (ii) the Company completes the sale of at least an additional $1 million of 10% Secured Convertible Promissory Notes.

On April 25, 2016, the Company issued a $50,000 principal amount unsecured Promissory Note to an accredited investor pursuant to a Promissory Note Agreement. The Investor also received two-year Warrants to purchase an aggregate of 10,000 shares of Company common stock at an exercise price of $0.90 per share. The note bears interest at a rate of ten percent (10%) per annum and matures on the six (6) month anniversary of the issuance date, or on such earlier date that (i) the Company completes the closing of a specified joint venture agreement or (ii) the Company completes the sale of at least an additional $1 million of 10% Secured Convertible Promissory Notes.

On June 1, 2016, the Company issued a $50,000 principal amount unsecured Promissory Note to an accredited investor pursuant to a Promissory Note Agreement. The Investor also received two-year Warrants to purchase an aggregate of 10,000 shares of Company common stock at an exercise price of $0.90 per share. The note bears interest at a rate of ten percent (10%) per annum and matures on the six (6) month anniversary of the issuance date, or on such earlier date that (i) the Company completes the closing of a specified joint venture agreement or (ii) the Company completes the sale of at least an additional $1 million of 10% Secured Convertible Promissory Notes.

On June 9, 2016, the Company issued a $50,000 principal amount unsecured Promissory Note to an accredited investor pursuant to a Promissory Note Agreement. The Investor also received two-year Warrants to purchase an aggregate of 10,000 shares of Company common stock at an exercise price of $0.90 per share. The note bears interest at a rate of ten percent (10%) per annum and matures on the six (6) month anniversary of the issuance date, or on such earlier date that (i) the Company completes the closing of a specified joint venture agreement or (ii) the Company completes the sale of at least an additional $1 million of 10% Secured Convertible Promissory Notes.

All of these notes payable, accrued interest and commitment fees were exchanged for 10% Secured Promissory Notes on August 26, 2016 (See Note 4).

NOTE 7 – LOANS PAYABLE

During the three months ended June 30, 2016, the Company received loans in the aggregate amount of $9,000. These loans hade no formal repayment terms and were not accruing interest and were repaid in full during the three months ended September 30, 2016.

NOTE 8 – INCOME TAXES

Income tax expense was $0 for the three and nine months ended September 30, 2016 and 2015.

As of January 1, 2016, the Company had no unrecognized tax benefits, and accordingly, the Company did not recognize interest or penalties during 2016 related to unrecognized tax benefits. There has been no change in unrecognized tax benefits during the nine months ended September 30, 2016, and there was no accrual for uncertain tax positions as of September 30, 2016. Tax years from 2012 through 2015 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, 2016 and 2015, 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 9 – CONVERTIBLE PREFERRED STOCK

As of September 30, 2016, the value of the cumulative 8% dividends for all preferred stock was $2,609,143. Such dividends will be paid when and if declared payable by the Company's board of directors or upon the occurrence of certain liquidation events. In accordance with FASB ASC 260-10-45-11, the Company has recorded these accrued dividends as a current liability.

NOTE 10 – STOCKHOLDERS' EQUITY

In February 2015, the Board of Directors of the Company approved amendments extending the term of outstanding warrants to purchase in the aggregate 3,877,970 shares of common stock of the Company at exercise prices ranging from $0.01 per share to $1.00 per share. These warrants were scheduled to expire at various dates during 2015 and were each extended for an additional one year period from the applicable current expiration date, with the new expiration dates ranging from February 23, 2016 to December 28, 2016. The increase in fair value of this term extension was $219,051, which was expensed in 2015. The Company used the Black-Scholes option pricing model to calculate the increase in fair value, with the following assumptions for the extended warrants: no dividend yield, expected volatility of 95.1%, risk free interest rate of 0.22%, and expected warrant life of 1.28 years.

In February 2015, the Company extended options previously granted to two of its executive officers, which included 3,500,000 options exercisable at $0.04 per share. The increase in fair value of this term extension was $9,692 which was expensed during the period. The Company used the Black-Scholes option pricing model to calculate the increase in fair value after the extension, with the following assumptions: no dividend yield, expected volatility of 96.4%, risk free interest rate of 0.64%, and expected option life of 2 years.

On January 25, 2016, the Board of Directors approved amendments extending the term of outstanding warrants to purchase in the aggregate 24,372,838 shares of common stock of the Company at exercise prices ranging from $0.01 per share to $3.00 per share (the "Warrants"). These Warrants were scheduled to expire at various dates during 2016 and were each extended for an additional one year period from the applicable current expiration date, with the new expiration dates ranging from January 26, 2017 to December 28, 2017. The increase in fair value of this term extension was $1,305,411 which was expensed during the three months ended March 31, 2016. The Company used the Black-Scholes option pricing model to calculate the increase in fair value, with the following assumptions for the extended warrants: no dividend yield, expected volatility of 161.3%, risk free interest rate of 0.47%, and expected warrant life of 1.27 years.

On April 14, 2016, the Company appointed a new Chief Executive Officer and Chairman of the Board, with such appointments taking effect on April 18, 2016. In connection with his appointment, the Company also simultaneously entered into an Employment Agreement with the Chief Executive Officer and Chairman of the Board, pursuant to which he will be employed on an at will basis at an annual salary of $240,000 during the first year of employment. He also received options to purchase 3,000,000 shares of the Company's common stock at an exercise price of $0.90 per share, vesting over three years and 500,000 shares of restricted stock, 250,000 of which vest immediately and the remainder vest on the one year anniversary of his employment. The options were valued at $196,505 fair value using the Black-Scholes option pricing model to calculate the fair value, with the following assumptions: no dividend yield, expected volatility of 121.7%, risk free interest rate of 1.24%, and expected option life of 5 years.

A restricted stock award ("RSA") is an award of common shares that is subject to certain restrictions during a specified period. Restricted stock awards are independent of option grants and are generally subject to forfeiture if employment terminates prior to the release of the restrictions. The grantee cannot transfer the shares before the restricted shares vest. Shares of nonvested restricted stock have the same voting rights as common stock, are entitled to receive dividends and other distributions thereon and are considered to be currently issued and outstanding. The Company's restricted stock awards generally vest over a period of one year. The Company expenses the cost of the restricted stock awards, which is determined to be the fair market value of the shares at the date of grant, straight-line over the period during which the restrictions lapse. For these purposes, the fair market value of the restricted stock is determined based on the closing price of the Company's common stock on the grant date. The RSAs were valued at $55,000 based on the market price of the shares on the issuance date, which was $0.11. The value of the 250,000 RSAs that vested immediately, or $27,500, was expensed immediately and the remainder was recorded as deferred compensation and is being amortized. For the three and nine months ended September 30, 2016 $6,875 and $38,958 was expensed and for the three and nine months ended September 30, 2015 $0 was expensed.

The remaining value of the previous CEO's RSAs included in deferred compensation in the amount of $48,125 was reclassified to additional paid in capital upon her resignation and the Company reversed expense of $10,312 relative to her departure.

NOTE 11 – 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 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 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, 2016, options to purchase 9,343,333 shares of common stock have been issued and are unexercised, and 3,806,667 shares are available for grants under the 2008 Plan.

During 2013, the Board adopted the 2013 Equity Incentive Plan ("2013 Plan"), which was approved by stockholders at the 2013 annual meeting of stockholders. 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 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, 2016, under the 2013 Plan grants of restricted stock and options to purchase 1,984,166 shares of common stock have been issued and are unvested or unexercised, and 3,015,834 shares of common stock remain available for grants under the 2013 Plan.

The 2008 Plan and 2013 Plan are administered by the Board or its compensation committee, 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 applicable Plan.

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).

Prior to January 1, 2014, 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. Beginning January 1, 2014, volatility in all instances presented is the Company's estimate of volatility that is based on the historical volatility of the Company's stock.

The following table presents the weighted-average assumptions used to estimate the fair values of the stock options granted during the nine months ended September 30, 2016:

Risk-free interest rate		1.19%
Expected volatility		128.6%
Expected life (in years)		5.0
Dividend yield		0%
Weighted-average estimated fair value of options granted during the period	$	0.07

The following table summarizes the activities for the Company's stock options for the nine months ended September 30, 2016:

	Options Outstanding			
	Number of Shares	Weighted-Average Exercise Price	Weighted - Average Remaining Contractual Term in years)	Aggregate Intrinsic Value (in 000's) (1)
Balance December 31, 2015	8,822,500	$ 0.76	2.6	
Granted	4,325,000	0.79		
Cancelled/forfeited/expired	(1,990,001)	$ (0.81)		
Balance September 30, 2016	11,157,499	$ 0.76	2.5	$ 364
Exercisable at September 30, 2016	6,915,833	$ 0.77	1.5	$ 247
Exercisable at September 30, 2016 and expected to vest thereafter	11,157,499	$ 0.76	2.5	$ 364

(1) The aggregate intrinsic value is calculated as the difference between the exercise price of the underlying awards and the closing stock price of $0.40 for our common stock on September 30, 2016.

During the nine months ended September 30, 2016, the weighted average fair value of stock options granted during the period was $142,980. The fair value of stock options is expensed over the vesting or contractual term in accordance with the terms of the related stock option agreements.

For the three and nine months ended September 30, 2016, the Company expensed $94,502 and $257,275 with respect to the options. For the three and nine months ended September 30, 2015, the Company expensed $37,679 and $317,655 with respect to the options.

As of September 30, 2016 there was $374,376 of unrecognized compensation cost related to outstanding stock options. This amount is expected to be recognized over a weighted-average period of 1.7 years. To the extent the actual forfeiture rate is different from what the Company has estimated, stock-based compensation related to these awards will be different from the Company's expectations. The difference between the stock options exercisable at September 30, 2016 and the stock options exercisable and expected to vest relates to management's estimate of options expected to vest in the future.

The following table summarizes the activities for the Company warrants for the nine months ended September 30, 2016:

	Number of Shares		Weighted-Average Exercise Price	Remaining Contractual Term in years)		Aggregate Intrinsic Value (in 000's) (1)
Balance December 31, 2015	26,365,896	$	1.02	0.4		
Expired	(1,242,858)		(0.10)	-		
Granted	131,700	$	0.90	2.0		
Balance September 30, 2016	25,254,738	$	1.07	0.6	$	29
Exercisable at September 30, 2016	25,254,738	$	1.07	0.6	$	29
Exercisable at September 30, 2016 and expected to vest thereafter	25,254,738	$	1.07	0.6	$	29

(1) The aggregate intrinsic value is calculated as the difference between the exercise price of the underlying awards and the closing stock price of $0.40 for our common stock on September 30, 2016.

All warrants were vested on the date of grant.

NOTE 12 – OPERATING LEASES

For the three and nine months ended September 30, 2016, total rent expense under leases amounted to $0 and $11,415. For the three and nine months ended September 30, 2015, total rent expense under leases amounted to $42,991 and $272,252. As of September 30, 2016, the Company was not obligated under any non-cancelable operating lease arrangements.

NOTE 13 – RELATED PARTY TRANSACTIONS

On August 26, 2016, the Company issued $100,000 aggregate principal amount of its 3.5% Secured Convertible Promissory Notes due June 30, 2018 to a member of the Company's Board of Directors.

The Company has entered into a consulting agreement with a company owned by a more than 5% beneficial owner, at a cost of $12,500 per month. As of September 30, 2016, the Company has paid $62,663 to the consulting company.

The Company has entered into a consulting agreement with the son of a company owned by a more than 5% beneficial owner, at a cost of $5,000 per month. As of September 30, 2016, the Company has paid $20,000 to this consultant.

The Company has entered into a consulting agreement with the brother of the Chief Executive Officer, at a cost of $500 per week. As of September 30, 2016, the Company has paid $2,000.

NOTE 14 – SUBSEQUENT EVENTS

On November 2, 2016, the Company issued $200,000 aggregate principal amount of its 3.5% Secured Convertible Promissory Notes to an accredited investor. The aggregate consideration provided consisted of $100,000 in cash and the exchange of 100,000 outstanding principal amount of 10% Secured Convertible Promissory Notes.

On November 10, 2016, the Company issued $250,000 aggregate principal amount of its 3.5% Secured Convertible Promissory Notes to an accredited investor, for cash.

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

Overview

Virtual Piggy, Inc. (the "Company," "we", or "us") was incorporated in Delaware on February 11, 2008 under the name Chimera International Group, Inc. On April 4, 2008, we amended our certificate of incorporation and changed our name to Moggle, Inc. On August 22, 2011, we filed a Certificate of Ownership with the Secretary of State of Delaware, pursuant to which the Company's newly-formed wholly-owned subsidiary, Virtual Piggy Incorporated was merged into and with the Company (the "Merger"). In connection with the Merger and in accordance with Section 253 of the Delaware General Corporation Law, the name of the Company was changed from "Moggle, Inc." to "Virtual Piggy, Inc." Our principal offices are located at 265 Sunrise Boulevard, Palm Beach, Florida and our telephone number is (561) 220-0408.

On December 3, 2015, the Company incorporated a newly-formed wholly-owned Subsidiary, Finity, Inc. On December 11, 2015, the Company filed a Statement of Correction with the Pennsylvania Department of State, to change the name of Finity, Inc. to Finitii, Inc. The purpose of Finitii, Inc. is to teach children financial responsibility as a not for profit organization. Finitii, Inc. has had no operations since its formation.

The Company is a technology company that seeks to deliver an online ecommerce solution for the family. The Company's system allows parents and their children to manage, allocate funds and track their expenditures, savings and charitable giving online. The system is designed to allow a minor to transact online without a credit card by gaining the parents' permission ahead of time and allowing the parent to set up the rules of use. The Company's Oink product offering was discontinued in March 2016.

Management believes that a future alternative for Virtual Piggy's technology will revolve around the FinTech industry with a partner-first go to market model in which established payments market leaders and vertical market participants can incorporate and integrate the Company's platform into co-branded payments solutions targeting youth and family. Management believes this approach will enable the Company to reduce expenses while broadening its reach.

Within this affinity partner model, the Company will seek to incorporate licensing fees and customization services. This would enable the Company to begin creating shareholder value above and beyond consumer transaction fees.

In addition, we are analyzing specific components of our technology for individual monetization as well as exploring opportunities in the Business to Business ("B2B") realm.

To date we have not generated material revenues. For the first quarter of 2016, we earned revenue by charging a percentage to the merchant or gaming publisher for each transaction processed, which continued until March 2016, when the decision was made to discontinue the Oink product offering. As we proceed through 2016, we intend to seek additional revenue streams by generating licensing and customization fees from our co-branding partners.

The Company is currently adding enhancements to the platform, to enable the platform to update itself with any new regulations that are passed, in order to reduce costs associated with manually updating the platform. This will enable the Company to market the platform to other companies in need of a solution to comply with COPPA or other regulatory requirements.

Strategic Outlook

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

Sustained spending on technology, our ability to raise additional financing, the continued growth of the FinTech industry, and compliance with regulatory and reporting requirements are all external conditions that may affect our ability to execute our business plan. In addition, the FinTech industry is intensely competitive, and most participants have longer operating histories, significantly greater financial, technical, marketing, customer service and other resources, and greater name recognition. In addition, certain potential customers, particularly large organizations, may view our small size and limited financial resources as a negative even if they prefer our offering to those of our competitors.

Our primary strategic objective over the next 12 -18 months is to increase the value of the underlying technical assets of the Company by incorporating new essential functionality that will act as a key differentiator in the financial services market. These new technology advances should augment our current portfolio of patents that would give the Company a competitive advantage. In addition, the Company is redirecting its marketing efforts to increase its user base by entering into affinity marketing agreements with companies targeting specific user communities. This would increase our potential user community while bringing in development and licensing revenue for those sectors. This approach would greatly reduce the expense associated with direct marketing efforts.

Within this affinity partner model, the Company will seek to incorporate licensing fees and customization services. This would enable the Company to begin creating shareholder value above and beyond consumer transaction fees.

As our service grows, we intend to hire additional information technology 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. 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, 2016 and 2015

The following discussion analyzes our results of operations for the three months ended September 30, 2016 and 2015. The following information should be considered together with our condensed financial statements for such period and the accompanying notes thereto.

Net Revenue/Net Loss

We have not generated significant revenue since our inception. For the three months ended September 30, 2016 and 2015, we generated sales of $13 and $4,856. For the three months ended September 30, 2016 and 2015, we had a net loss of $682,768 and $725,952.

Sales and Marketing

Sales and marketing expenses for the three months ended September 30, 2016 were $4,200 as compared to $131,987 for the three months ended September 30, 2015, a decrease of $127,787. The Company closed its sales office in England in September of 2015 and reduced the sales force in 2015 that was not replenished in 2016, as the Company focuses on enhancements to the platform.

Product Development

Product development expenses were $136,395 and $283,310 for the three months ended September 30, 2016 and 2015, a decrease of $146,915. The decrease is related to cost containment initiatives, including reduction of staff, while still emphasizing enhancements to the platform, which will benefit the Company.

Integration and Customer Support

Integration and customer support expenses decreased $41,430 to $4,680 for the three months ended September 30, 2016 from $46,110 for the three months ended September 30, 2015. The decrease was a result of the Company terminating its prepaid card business, thus requiring minimal customer support in the winding down process.

General and Administrative Expenses

General and administrative expenses increased $15,597 to $401,565 for the three months ended September 30, 2016 from $385,968 for the three months ended September 30, 2015. The expenses were commensurate with the prior year operations.

Strategic Consulting

Strategic consulting expenses were $0 for the three months ended September 30, 2016, a decrease of $1,667 from the three months ended September 30, 2015. The Company did not require any strategic consulting for the three months ended September 30, 2016.

Interest Expense

During the three months ended September 30, 2016, the Company incurred interest expense of $132,985 as compared to $88,739 for the three months ended September 30, 2015, an increase of $44,246. The increase in interest expense was a result of issuing short term notes in latter part of 2015 and continuing this process in the first two quarters of 2016, in order to continue operations.

Comparison of the Nine Months Ended September 30, 2016 and 2015

The following discussion analyzes our results of operations for the nine months ended September 30, 2016 and 2015. The following information should be considered together with our condensed financial statements for such period and the accompanying notes thereto.

Net Revenue/Net Loss

We have not generated significant revenue since our inception. For the nine months ended September 30, 2016 and 2015, we generated sales of $1,050 and $14,242. For the nine months ended September 30, 2016 and 2015, we had a net loss of $3,548,683 and $6,038,875.

Sales and Marketing

Sales and marketing expenses for the nine months ended September 30, 2016 were $38,235 as compared to $1,530,263 for the nine months ended September 30, 2015, a decrease of $1,492,028. The Company closed its sales office in England in September of 2015 and reduced the sales force in 2015 that was not replenished in 2016, as the Company focuses on enhancements to the platform.

Product Development

Product development expenses were $552,534 and $1,380,102 for the nine months ended September 30, 2016 and 2015, a decrease of $827,568. The decrease is related to cost containment initiatives, including reduction of staff, while still emphasizing enhancements to the platform, which will benefit the Company.

Integration and Customer Support

Integration and customer support expenses decreased $91,565 to $75,255 for the nine months ended September 30, 2016 from $166,820 for the nine months ended September 30, 2015. The decrease was a result of the Company terminating its prepaid card business, thus requiring minimal customer support in the winding down process.

General and Administrative Expenses

General and administrative expenses decreased $197,375 to $2,479,678 for the nine months ended September 30, 2016 from $2,677,053 for the nine months ended September 30, 2015. The decrease resulted from the reduction of staff and expenses to a level commensurate with the Company's operations. The decrease would be more substantial, however, during the first quarter of 2016, there was a revaluation of warrants in the amount of $1,305,411, compared to revaluations in the first quarter of 2015 amounting to $228,743.

Strategic Consulting

Strategic consulting expenses were $0 for the nine months ended September 30, 2016, a decrease of $340,167 from the nine months ended September 30, 2015. The Company did not require any strategic consulting for the nine months ended September 30, 2016.

Interest Expense

During the nine months ended September 30, 2016, the Company incurred interest expense of $409,563 as compared to $165,984 for the nine months ended September 30, 2015, an increase of $243,579. The increase in interest expense was a result of issuing short term notes in latter part of 2015 and continuing this process in the first two quarters of 2016, in order to continue operations.

Other income

During the nine months ended September 30, 2016, the Company received $1,085 for the sale of one of its domain names.

Liquidity and Capital Resources

Net cash used in operating activities decreased $3,567,018 to $1,298,610 for the nine months ended September 30, 2016 as compared to $4,865,628 for the nine months ended September 30, 2015. The decrease resulted primarily from a decline in the net loss from operations as explained previously.

Net cash used in investing activities was $0 for the nine months ended September 30, 2016, compared to $35,735 for the nine months ended September 30, 2015. As a result of cost containment measures, the Company did not invest in any capital expenditures.

Net cash provided by financing activities decreased by $1,846,600 to $1,568,700 for the nine months ended September 30, 2016 from $3,415,300 for the nine months ended September 30, 2015. Cash provided by financing activities during the nine months ended September 30, 2016 consisted of notes payable to provide capital to continue operations.

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

Since our inception, we have focused on developing and implementing our business plan. We believe that our existing cash resources will not be sufficient to sustain our operations during the next twelve months. We currently 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 development of our platform, and execute the business plan. If we cannot generate sufficient revenue to fund our business plan, we intend to seek to raise such financing through the sale of debt and/or equity securities. 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 will 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 our business, financial condition and results of operations.

Even if we are successful in generating sufficient revenue or in raising sufficient capital in order to complete the platform, our ability to continue in business as a viable going concern can only be achieved when our revenues reach a level that sustains our business operations. The launch of the platform is expected now in the first quarter of 2017, as we have not been able to obtain financing as quickly as we had anticipated, however, we do not project that significant revenue will be developed until later in 2017. There can be no assurance that we will raise sufficient proceeds, or any proceeds, for us to implement fully our proposed business plan. Moreover there can be no assurance that even if platform is developed and launched, that we will generate revenues sufficient to fund our operations. In either such situation, we may not be able to continue our operations and our business might fail.

As of November 14, 2016, the Company has a cash position of approximately $340,000. Based upon the current cash position and the Company's planned expense run rate, management believes the Company will be able to finance its operations through November 2016.

The foregoing forward-looking information was prepared by us in good faith based upon assumptions that we believe to be reasonable. No assurance can be given, however, regarding the attainability of the projections or the reliability of the assumptions on which they are based. The projections are subject to the uncertainties inherent in any attempt to predict the results of our operations, especially where new products and services are involved. Certain of the assumptions used will inevitably not materialize and unanticipated events will occur. Actual results of operations are, therefore, likely to vary from the projections and such variations may be material and adverse to us. Accordingly, no assurance can be given that such results will be achieved. Moreover due to changes in technology, new product announcements, competitive pressures, system design and/or other specifications we may be required to change the current plans.

Off-Balance Sheet Arrangements

As of September 30, 2016, we do not have any off-balance sheet arrangements.

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 complete summary of these policies is included in Note 1 of the Notes to Financial Statements included in the Company's Form 10-K for the year ended December 31, 2015. 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).

All issuances of stock options or other equity instruments to non-employees as consideration for goods or services received by the Company are accounted for based on the fair value of the equity instruments issued. Non-employee equity based payments that do not vest immediately upon grant are recorded as an expense over the service period, as if the Company had paid cash for the services. At the end of each financial reporting period, prior to the completion of the services, the fair value of the equity based payments will be re-measured and the non-cash expense recognized during the period will be adjusted accordingly. Since the fair value of equity based payments granted to non-employees is subject to change in the future, the amount of the future expense will include fair value re-measurements until the equity based payments are fully vested or the service is completed.

Revenue Recognition

In accordance with Securities and Exchange Commission ("SEC") 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 have generally recognized revenue from Oink and ParentMatch at the time of the sale of the associated product.

Recently Issued Accounting Pronouncements

Recently issued accounting pronouncements are discussed in Note 1 of the Notes to Financial Statements contained elsewhere in this report.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not Applicable.

ITEM 4. CONTROLS AND PROCEDURES.

As of September 30, 2016, 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, 2016, 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 that occurred during our fiscal quarter ended September 30, 2016 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.

None.

ITEM 1A. RISK FACTORS.

Not applicable.

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

In September 2016, the Company issued $820,200 aggregate principal amount of its 3.5% Secured Convertible Promissory Notes to certain accredited investors. The aggregate consideration provided consisted of $510,100 in cash and the exchange of 310,100 outstanding principal amount of 10% Secured Convertible Promissory Notes.

On November 2, 2016, the Company issued $200,000 aggregate principal amount of its 3.5% Secured Convertible Promissory Notes to certain accredited investors. The aggregate consideration provided consisted of $100,000 in cash and the exchange of 100,000 outstanding principal amount of 10% Secured Convertible Promissory Notes.

On November 10, 2016, the Company issued $250,000 aggregate principal amount of its 3.5% Secured Convertible Promissory Notes to an accredited investor for cash.

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

SIGNATURES

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

VIRTUAL PIGGY, INC.

By: /s/ Scott McPherson

Scott McPherson
Chief Financial Officer
(Duly Authorized Officer and
Principal Financial Officer)

Date: November 14, 2016