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

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**FORM 10-Q**

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

**For the quarterly period ended June 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**

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**VIRTUAL PIGGY, INC.**

**(Exact Name of Registrant as Specified in Its Charter)**

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**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)**

**(917) 216-3740  
(Registrant's Telephone Number, Including Area Code)**

**(Former Name, Former Address and Former Fiscal year, if Changed Since Last Report)**

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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 August 12, 2016.

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## PART I - FINANCIAL INFORMATION

<a href="#">Cautionary Note Regarding Forward-Looking Statements</a>	3
<a href="#">ITEM 1. Financial Statements</a>	4
<a href="#">Condensed Consolidated Balance Sheets (Unaudited)</a>	5
<a href="#">Condensed Consolidated Statements of Operations (Unaudited)</a>	6
<a href="#">Condensed Consolidated Statements of Comprehensive Loss (Unaudited)</a>	7
<a href="#">Condensed Consolidated Statements of Changes in Stockholders' Deficit (Unaudited)</a>	8
<a href="#">Condensed Consolidated Statements of Cash Flows (Unaudited)</a>	9
<a href="#">Notes to Condensed Consolidated Financial Statements (Unaudited)</a>	10
<a href="#">ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</a>	19
<a href="#">ITEM 3. Quantitative and Qualitative Disclosures about Market Risk</a>	24
<a href="#">ITEM 4. Controls and Procedures</a>	24

## PART II - OTHER INFORMATION

<a href="#">ITEM 1. Legal Proceedings</a>	25
<a href="#">ITEM 1A. Risk Factors</a>	25
<a href="#">ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds</a>	25
<a href="#">ITEM 3. Defaults Upon Senior Securities</a>	25
<a href="#">ITEM 4. Mine Safety Disclosures</a>	25
<a href="#">ITEM 5. Other Information</a>	25
<a href="#">ITEM 6. Exhibits</a>	25
<a href="#">SIGNATURES</a>	26

## 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, 2014, 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.

CONTENTS

	<u>PAGE</u>
<a href="#">CONDENSED CONSOLIDATED BALANCE SHEETS</a>	5
<a href="#">CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS</a>	6
<a href="#">CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS</a>	7
<a href="#">CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' DEFICIT</a>	8
<a href="#">CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS</a>	9
<a href="#">NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS</a>	10-17

Virtual Piggy, Inc.  
Condensed Consolidated Balance Sheets  
June 30, 2016 and December 31, 2015

	<u>June 30, 2016</u>	<u>December 31, 2015</u>
	(Unaudited)	(Audited)
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 3,735	\$ 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	-	72,918
<b>TOTAL CURRENT ASSETS</b>	<u>3,735</u>	<u>123,995</u>
<b>PROPERTY AND EQUIPMENT</b>		
Computer equipment	20,366	73,645
Furniture and fixtures	15,722	15,722
	<u>36,088</u>	<u>89,367</u>
Less: accumulated depreciation	(22,220)	(57,823)
	<u>13,868</u>	<u>31,544</u>
<b>OTHER ASSETS</b>		
Deposit	-	31,800
Patents and trademarks, net of accumulated amortization of \$114,706 and \$96,282	570,997	589,420
	<u>570,997</u>	<u>621,220</u>
<b>TOTAL ASSETS</b>	<u>\$ 588,600</u>	<u>\$ 776,759</u>
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 1,889,100	\$ 1,702,527
Accounts payable and accrued expenses - related parties	198,568	-
Loans payable	9,000	-
Preferred stock dividend liability	2,340,863	1,804,302
Convertible notes payable - stockholders	3,040,000	2,940,000
Notes payable, net of discount of \$10,959 and \$37,482	1,674,041	988,918
<b>TOTAL CURRENT LIABILITIES</b>	<u>9,151,572</u>	<u>7,435,747</u>
<b>CONTINGENCIES</b>		
<b>STOCKHOLDERS' DEFICIT</b>		
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 June 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 June 30, 2016 and December 31, 2015	3	3
Common stock, \$.0001 par value; 230,000,000 shares authorized;		

118,017,626 and 117,517,626 shares issued and outstanding at June 30, 2016 and December 31, 2015	11,802	11,752
Additional paid in capital	55,652,622	54,203,451
Deferred compensation	(22,917)	(72,188)
Accumulated deficit	<u>(64,204,493)</u>	<u>(60,802,017)</u>
STOCKHOLDERS' DEFICIT	<u>(8,562,972)</u>	<u>(6,658,988)</u>
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	<u>\$ 588,600</u>	<u>\$ 776,759</u>

See the accompanying notes to the condensed consolidated financial statements.

Virtual Piggy, Inc.  
Condensed Consolidated Statements of Operations  
For the Three and Six Months Ended June 30, 2016 and 2015  
(Unaudited)

	For the Three Months Ended Ended June 30,		For the Six Months Ended June 30,	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
SALES	\$ 12	\$ 5,277	\$ 1,037	\$ 9,386
<b>OPERATING EXPENSES</b>				
Sales and marketing	(1,068)	509,039	34,035	1,398,276
Product development	168,566	505,924	416,139	1,096,793
Integration and customer support	36,337	58,872	70,575	120,710
General and administrative	359,885	798,833	2,078,113	2,291,085
Strategic consulting	-	203,500	-	338,500
Total operating expenses	<u>563,720</u>	<u>2,076,168</u>	<u>2,598,862</u>	<u>5,245,364</u>
NET OPERATING LOSS	<u>(563,708)</u>	<u>(2,070,891)</u>	<u>(2,597,825)</u>	<u>(5,235,978)</u>
<b>OTHER INCOME (EXPENSE)</b>				
Interest income	-	150	-	299
Interest expense	(134,347)	(62,998)	(276,578)	(77,245)
Other income	1,085	-	1,085	-
Gain on disposition of fixed assets	-	-	7,403	-
	<u>(133,262)</u>	<u>(62,848)</u>	<u>(268,090)</u>	<u>(76,946)</u>
NET LOSS	(696,970)	\$ (2,133,739)	(2,865,915)	(5,312,924)
Less: Accrued preferred dividends	<u>(268,281)</u>	<u>(267,545)</u>	<u>(536,561)</u>	<u>(532,150)</u>
NET LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS	<u>\$ (965,251)</u>	<u>\$ (2,401,284)</u>	<u>\$ (3,402,476)</u>	<u>\$ (5,845,074)</u>
<b>BASIC AND DILUTED NET LOSS PER COMMON SHARE</b>				
	<u>\$ (0.01)</u>	<u>\$ (0.02)</u>	<u>\$ (0.03)</u>	<u>\$ (0.05)</u>
<b>BASIC AND DILUTED WEIGHTED AVERAGE COMMON SHARES OUTSTANDING</b>				
	<u>117,684,293</u>	<u>119,167,626</u>	<u>117,600,959</u>	<u>119,142,626</u>

See the accompanying notes to the condensed consolidated financial statements.



Virtual Piggy, Inc.  
Condensed Consolidated Statements of Comprehensive Loss  
For the Three and Six Months Ended June 30, 2016 and 2015  
(Unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
NET LOSS	\$ (696,970)	\$ (2,133,739)	\$ (2,865,915)	\$ (5,312,924)
OTHER COMPREHENSIVE LOSS				
Foreign currency translation adjustments, net of tax	-	(154,840)	-	(40,365)
TOTAL OTHER COMPREHENSIVE LOSS, net of tax	-	(154,840)	-	(40,365)
COMPREHENSIVE LOSS	<u>\$ (696,970)</u>	<u>\$ (2,288,579)</u>	<u>\$ (2,865,915)</u>	<u>\$ (5,353,289)</u>

See the accompanying notes to the condensed consolidated financial statements.

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

	Preferred Stock Series A		Preferred Stock Series B		Common Stock		Additional Paid-In Capital	Deferred Compensation	Accumulated Deficit	Total
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount				
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	-	-	-	-	-	-	162,773	-	-	162,773
Amortization of deferred compensation	-	-	-	-	-	-	-	32,083	-	32,083
Forfeited restricted common stock	-	-	-	-	-	-	(82,500)	72,188	-	(10,312)
Accrued preferred dividends	-	-	-	-	-	-	-	-	(536,561)	(536,561)
Net loss	-	-	-	-	-	-	-	-	(2,865,915)	(2,865,915)
Balance, June 30, 2016 (Unaudited)	<u>108,600</u>	<u>\$ 11</u>	<u>28,378</u>	<u>\$ 3</u>	<u>118,017,626</u>	<u>\$11,802</u>	<u>\$55,652,622</u>	<u>\$ (22,917)</u>	<u>\$(64,204,493)</u>	<u>\$(8,562,972)</u>

See the accompanying notes to the condensed consolidated financial statements.

Virtual Piggy, Inc.  
Condensed Consolidated Statements of Cash Flows  
For the Six Months Ended June 30, 2016 and 2015  
(Unaudited)

	Six Months Ended June 30,	
	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss	\$ (2,865,915)	\$ (5,312,924)
Adjustments to reconcile net loss to net cash used in operating activities		
Provision for bad debts	360	-
Fair value of options issued in exchange for services	162,773	279,976
Fair value of common stock issued in exchange for services	-	279,915
Revaluation of options and warrants	1,305,411	195,463
Reversal of expense from forfeiture of restricted common stock	(10,312)	-
Amortization of deferred compensation	32,083	-
Accretion of discount on notes payable	57,568	-
Depreciation and amortization	22,573	59,250
(Gain) Loss on abandonment of patents and disposal of fixed assets	(7,403)	895
Decrease in assets		
Accounts receivable	-	1,063
Prepaid expenses	72,918	179,609
Deposits	31,800	7,253
Increase in liabilities		
Accounts payable and accrued expenses	417,633	195,244
Deferred revenue	-	7,676
Net cash used in operating activities	<u>(780,511)</u>	<u>(4,106,580)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of equipment	-	(7,693)
Patent and trademark costs	-	(28,042)
Net cash used in investing activities	<u>-</u>	<u>(35,735)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from loans payable	9,000	-
Proceeds from convertible notes payable - stockholders	100,000	2,940,000
Proceeds from notes payable - stockholders	658,600	-
Net cash provided by financing activities	<u>767,600</u>	<u>2,940,000</u>
EFFECT OF EXCHANGE RATE ON CASH	<u>-</u>	<u>(40,365)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(12,911)	(1,242,680)
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	16,646	1,652,392
CASH AND CASH EQUIVALENTS - END OF PERIOD	<u>\$ 3,735</u>	<u>\$ 409,712</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Cash paid during year for:		
Interest	<u>\$ -</u>	<u>\$ -</u>
Income taxes	<u>\$ -</u>	<u>\$ -</u>

SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING ACTIVITIES:

Disposal of equipment in satisfaction of accounts payable	\$ 55,000	\$ -
Accrued preferred dividend	\$ 536,561	\$ 532,150
Fair value of warrants issued as discount for note payable	\$ 8,537	\$ -
Accrued interest as discount on notes payable	\$ 22,508	\$ -
Issuance of restricted common stock	\$ 55,000	\$ -
Forfeited restricted stock	\$ 82,500	\$ -

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 believes that a future alternative for Virtual Piggy, Inc. 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 six months ended June 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 June 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 June 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 to enable them to provide COPPA compliant services for themselves and their customers.

As of August 12, 2016, the Company has a cash position of approximately \$40,000. 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 August 2016.

**NOTE 3 – ACCOUNTS PAYABLE AND ACCRUED EXPENSES – RELATED PARTIES**

As of June 30, 2016, the former Chairman of the Board had paid expenses on behalf of the Company in the amount of \$114,126.

The Company owes the Chief Executive Officer unpaid salary of \$26,154.

The Company also owes the Chief Financial Officer a total of \$32,721 as of June 30, 2016, including unpaid salary of \$11,538, health insurance of \$14,670 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.

Additionally, the Company owes a company owned by a beneficial owner of more than 5% of the Company \$20,567 and the son of this beneficial owner \$5,000 as of June 30, 2016.

#### **NOTE 4 – CONVERTIBLE 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.

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.

The Notes are recorded as a current liability as of June 30, 2016. Interest accrued on the notes was \$374,542 and \$225,452 as of June 30, 2016 and December 31, 2015. Interest expense related to these notes payable was \$75,792 and \$149,091 for the three and six months ended June 30, 2016 and \$62,998 and \$77,245 for the three and six months ended June 30, 2015.

#### **NOTE 5 – 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 February 23, 2016, the Company entered into Amendments to Promissory Note Agreements (the “Amendments”) with five holders of the Company’s outstanding unsecured Promissory Notes in the aggregate principal amount of \$475,300 (the “Outstanding Notes”), pursuant to which the maturity date of such Outstanding Notes was extended to the twelve (12) month anniversary of the original issuance date (formerly the six (6) month anniversary of the original issuance date) or such earlier date that (i) the Company completes the closing of specified joint venture agreement or (ii) the Company completes the sale of at least an additional \$1 million of 10% Secured Convertible Promissory Notes. The Outstanding Notes were previously to mature between January 20, 2016 and March 18, 2016 and will now mature not later than dates between July 20, 2016 and September 18, 2016. The Amendments took effect retroactive to the prior applicable maturity date.

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.

As of June 30, 2016, \$551,100 in aggregate principal of the Promissory Notes are in default.

The 7.5% commitment fees, amounting to \$76,913 and \$54,405 as of June 30, 2016 and December 31, 2015, on the Notes Payable were treated as a discount to the value of the notes payable in accordance with FASB ASC 835-30-25, *Recognition* and are being accreted over the term of the note payable for financial statement purposes. The same amount is included in accrued interest until the liability is paid.

The fair value of the warrants issued in conjunction with the Promissory Notes are recorded as a discount to the value of the notes payable in accordance with FASB ASC 835-30-25, *Recognition* and are being accreted over the term of the notes payable for financial statement purposes. The warrants were valued at \$2,178 and \$8,537 fair value for the three and six months ended June 30, 2016, 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 135.4% to 183.1%, risk free interest rate of 0.71% to 0.98% and expected option life of 2 years.

The notes payable are recorded as a current liability as of June 30, 2016. Interest accrued including the 7.5% commitment fee on the notes as of June 30, 2016 and December 31, 2015 was \$174,257 and \$81,831. Interest expense, including accretion of discounts, related to these notes payable was \$58,555 and \$127,487 for the three and six months ended June 30, 2016 and \$0 for the three and six months ended June 30, 2015.

#### **NOTE 6 – LOANS PAYABLE**

During the three months ended June 30, 2016, the Company received loans in the aggregate amount of \$9,000. These loans have no formal repayment terms and are not accruing interest.

#### **NOTE 7 – INCOME TAXES**

Income tax expense was \$0 for the three and six months ended June 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 six months ended June 30, 2016, and there was no accrual for uncertain tax positions as of June 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 six months ended June 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 8 – CONVERTIBLE PREFERRED STOCK**

As of June 30, 2016, the value of the cumulative 8% dividends for all preferred stock was \$2,340,863. 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 9 – 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 increase in fair value of this term extension was \$219,051 which was expensed during the period. 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 for the extended warrants: no dividend yield, expected volatility of 121.7%, risk free interest rate of 1.24%, and expected warrant 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 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 six months ended June 30, 2016 \$0 and \$32,083 was expensed and for the three and six months ended June 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 10 – 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 June 30, 2016, options to purchase 9,590,000 shares of common stock have been issued and are unexercised, and 5,560,000 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 June 30, 2016, under the 2013 Plan grants of restricted stock and options to purchase 1,390,000 shares of common stock have been issued and are unvested or unexercised, and 3,110,000 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 summarizes the activities for the Company's stock options for the six months ended June 30, 2016:

	<b>Options Outstanding</b>			
	<b>Number of Shares</b>	<b>Weighted- Average Exercise Price</b>	<b>Weighted - Average Remaining Contractual Term in years)</b>	<b>Aggregate Intrinsic Value (in 000's) (1)</b>
Balance December 31, 2015	8,822,500	\$ 0.76	2.6	
Granted	4,225,000	\$ 0.80		
Cancelled/forfeited/expired	(1,737,500)	\$ (0.83)		
Balance June 30, 2016	<u>11,310,000</u>	<u>\$ 0.76</u>	<u>2.7</u>	<u>\$ -</u>
Exercisable at June 30, 2016	<u>6,532,496</u>	<u>\$ 0.81</u>	<u>1.6</u>	<u>\$ -</u>
Exercisable at June 30, 2016 and expected to vest thereafter	<u>11,310,000</u>	<u>\$ 0.76</u>	<u>2.7</u>	<u>\$ -</u>

(1) The aggregate intrinsic value is calculated as the difference between the exercise price of the underlying awards and the closing stock price of \$0.12 for the Company's common stock on June 30, 2016.

For the three and six months ended June 30, 2016, the Company expensed \$93,366 and \$162,773 with respect to the options. For the three and six months ended June 30, 2015, the Company expensed \$89,612 and \$279,976 with respect to the options.

As of June 30, 2016 there was \$494,841 of unrecognized compensation cost related to outstanding stock options. This amount is expected to be recognized over a weighted-average period of 2.1 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 June 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 six months ended June 30, 2016:

	<b>Number of Shares</b>	<b>Weighted- Average Exercise Price</b>	<b>Remaining Contractual Term in years)</b>	<b>Aggregate Intrinsic Value (in 000's) (1)</b>
	Balance December 31, 2015	26,365,896	\$ 1.02	0.4
Expired	(1,242,858)	(0.10)	-	
Granted	131,700	\$ 0.90	-	
Balance June 30, 2016	<u>25,254,738</u>	<u>\$ 1.07</u>	<u>0.8</u>	<u>\$ 8</u>
Exercisable at June 30, 2016	<u>25,254,738</u>	<u>\$ 1.07</u>	<u>0.8</u>	<u>\$ 8</u>

(1) The aggregate intrinsic value is calculated as the difference between the exercise price of the underlying warrants and the closing stock price of \$0.12 for the Company's common stock on June 30, 2016.

All warrants were vested on the date of grant.

**NOTE 11 – OPERATING LEASES**

For the three and six months ended June 30, 2016, total rent expense under leases amounted to \$3,417 and \$11,415. For the three and six months ended June 30, 2015, total rent expense under leases amounted to \$72,594 and \$172,028. As of June 30, 2016, the Company was not obligated under any non-cancelable operating lease arrangements.

## **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 (917) 216-3740.

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.

Management believes that a future alternative for Virtual Piggy, Inc. 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 June 30, 2016 and 2015**

The following discussion analyzes our results of operations for the three months ended June 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 June 30, 2016 and 2015, we generated sales of \$12 and \$5,277. For the three months ended June 30, 2016 and 2015, we had a net loss of \$696,970 and \$2,133,739.

#### Sales and Marketing

Sales and marketing expenses for the three months ended June 30, 2016 were \$(1,068) as compared to \$509,039 for the three months ended June 30, 2015, a decrease of \$510,107. 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 \$168,566 and \$505,924 for the three months ended June 30, 2016 and 2015, a decrease of \$337,358. 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 \$22,535 to \$36,337 for the three months ended June 30, 2016 from \$58,872 for the three months ended June 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 \$438,948 to \$359,885 for the three months ended June 30, 2016 from \$798,833 for the three months ended June 30, 2015. The decrease resulted from the reduction of staff and expenses to a level commensurate with the Company's operations.

### Strategic Consulting

Strategic consulting expenses were \$0 for the three months ended June 30, 2016, a decrease of \$203,500 from the three months ended June 30, 2015. The Company did not require any strategic consulting for the three months ended June 30, 2016.

### Interest Expense

During the three months ended June 30, 2016, the Company incurred interest expense of \$134,347 as compared to \$62,998 for the three months ended June 30, 2015, an increase of \$71,349. 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 its operations.

### Other income

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

## **Results of Operations**

### **Comparison of the Six Months Ended June 30, 2016 and 2015**

The following discussion analyzes our results of operations for the six months ended June 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 six months ended June 30, 2016 and 2015, we generated sales of \$1,037 and \$9,386. For the six months ended June 30, 2016 and 2015, we had a net loss of \$2,865,915 and \$5,312,924.

### Sales and Marketing

Sales and marketing expenses for the six months ended June 30, 2016 were \$34,035 as compared to \$1,398,276 for the six months ended June 30, 2015, a decrease of \$1,364,241. 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 \$416,139 and \$1,096,793 for the six months ended June 30, 2016 and 2015, a decrease of \$680,654. 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 \$50,135 to \$70,575 for the six months ended June 30, 2016 from \$120,710 for the six months ended June 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 \$212,972 to \$2,078,113 for the six months ended June 30, 2016 from \$2,291,085 for the six months ended June 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 six months ended June 30, 2016, a decrease of \$338,500 from the six months ended June 30, 2015. The Company did not require any strategic consulting for the six months ended June 30, 2016.

### Interest Expense

During the six months ended June 30, 2016, the Company incurred interest expense of \$276,578 as compared to \$77,245 for the six months ended June 30, 2015, an increase of \$199,333. 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 its operations.

### Other income

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

### **Liquidity and Capital Resources**

As of August 12, 2016, we had cash on hand of approximately \$40,000.

Net cash used in operating activities decreased \$3,326,069 to \$780,511 for the six months ended June 30, 2016 as compared to \$4,106,580 for the six months ended June 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 six months ended June 30, 2016, compared to \$35,735 for the six months ended June 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 \$2,172,400 to \$767,600 for the six months ended June 30, 2016 from \$2,940,000 for the six months ended June 30, 2015. Cash provided by financing activities during the six months ended June 30, 2016, consisted of short-term notes payable to provide capital to continue operations.

As we have not realized significant revenues since our inception, we have financed our operations through public and 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 August 12, 2016, the Company has a cash position of approximately \$40,000. 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 August 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 June 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 June 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 June 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 June 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.

None.

### ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

As of June 30, 2016, \$551,000 in aggregate principal of the Promissory Notes are in default.

### 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: August 12, 2016