

**Transcript of  
Blue Calypso  
Second Quarter 2015 Earnings Conference Call  
August 3, 2015**

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**Participants**

Todd Kehrli – Investor Relations – MKR Group  
Chris Fameree – CFO – Blue Calypso  
Andrew Levi – CEO – Blue Calypso

**Analysts**

Andrew D’Silva – Merriman Capital  
Vikas Tandon – Bastogne Capital

**Presentation**

**Operator**

Greetings, and welcome to the Blue Calypso Second Quarter 2015 conference call. At this time, all participants are in a listen-only mode. (Operator instructions.) As a reminder, this conference is being recorded. On this call is Andrew Levi, CEO, and Chris Fameree, CFO of Blue Calypso, who will provide updates on the company’s progress and results for the quarter with a question-and-answer session to follow.

At this time, I would like to introduce Blue Calypso’s investor relations contact, Todd Kehrli of MKR Group. Please go ahead, Todd.

**Todd Kehrli – Investor Relations – MKR Group**

Thank you, operator. Good afternoon and thank you for joining us today to discuss Blue Calypso’s financial results for the second quarter of 2015. By now you should have received a copy of the press release with the financial results. If you do not have a copy and would like one, please visit [www.bluecalypso.com](http://www.bluecalypso.com) for a copy.

Please note that some of the information you’ll hear during our discussion today will consist of forward-looking statements. Statements that are not of historical or current fact constitute forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties, and other unknown factors that could cause actual results of the company to be materially different from historical results or from any future results, express or implied, by such forward-looking statements.

In addition to statements which explicitly describe such risks and uncertainties, readers are urged to consider statements labeled with terms believes, beliefs, expects, contends, anticipates, will, or plans to be uncertain and forward-looking. The forward-looking statements contained herein are also subject to general and other risks and uncertainties that are described from time-to-time in the company’s reports filed with the Securities and Exchange Commission.

Blue Calypso assumes no obligation to update any forward-looking statements or information which speak only of the respective dates.

With that, I'll turn the call over to Chris. Please go ahead.

**Chris Fameree – CFO – Blue Calypso**

Thanks, Todd, and thanks, everyone, for joining our 2015 second quarter financial and operational review. Just some highlights of our results. The company was able to continue to narrow its loss during the second quarter as compared to the prior year. For the three months ended June 30, 2015, we have a net loss of approximately \$696,000 as compared to a net loss of \$1.45 million for the three months ended June 30, 2014.

For the three months ended June 30, 2015, general and administrative expenses were reduced to \$566,000 as compared to \$1.18 million for the comparative period in 2014. The reduction is primarily a result of reduced stock-based compensation, reduced headcount, and lower executive compensation.

Revenue for the three months ended June 30, 2015, was approximately \$109,000 as compared to \$122,000 for the same period in 2014. The majority of the revenue in the current and prior year was derived from our Blue Calypso Lab services. The decrease in revenue is primarily a result of timing and development of projects and a shift in focus from our BC Labs group to our core products.

As a step towards completing our S-1 and uplift, on July 20<sup>th</sup>, we closed the bridge financing round and issued a senior convertible note with a principal amount of \$550,000 in exchange for a purchase price of \$500,000. The July 2015 note is due one year from the issuance date. More detail on this can be found in the 10-Q to be filed shortly after this call and our related 8-K filing.

Andrew Levi, our CEO, will now provide an update on the general business technology and the status of patent-related matters. Andrew?

**Andrew Levi – CEO – Blue Calypso**

Thanks, Chris. I am very pleased to report that we've seen accelerated rate of exploration and commitment by multi-location brick and mortar retailers to a next generation mobile shopping experience. This is a massive global opportunity as online retailers continue to take mind and market share from traditional retailers. We're adding new strategic partners that deliver products, services, and solutions to our target market of manufacturers and/or brick and mortar retailers.

The strategic partners are providing access to thousands of retailers with a combined footprint of tens of thousands of retail locations. We're also approaching brands directly. We recently deployed our Mobile ADvantage solution to Minyard Sun Fresh, a regional grocery chain located here in Texas. The early results were so compelling that Minyard has agreed to expand to all other Sun Fresh locations under extended commitments. We're in the process of rolling out traditional pilot programs and expanding existing programs to move from QR to short code activation and eventually into beacons using our KIOSentrix solution.

As a reminder, our KIOSentrix solution is just a couple of months old, so our outreach with this exciting technology is very new in the marketplace. Our PR initiatives are starting to bear fruit as we're getting news and seeing interest pick up at an increasing rate in local, regional, and national publications, bringing new awareness to our story.

On the litigation front, we had what we see as a great success on our Markman hearing in front of Judge Gilstrap in Marshall, Texas, on July 8<sup>th</sup>. The objective of a Markman hearing is to define terms in the patent claims and suit that the parties are unable to agree to their definition. Now, Markman, there were 11 terms to define, and the court agreed with seven of our definitions, defined three terms themselves, and agreed with the defendants on only one term definition. Needless to say, we're quite pleased with these results.

We participated in court-ordered mediation with all the defendants. In the case of IZEA, we reached an agreement in principle to settle the case, and we're working with them to finalize the details in a formal settlement agreement. If we're successful in finalizing this agreement, we'll notify the market; however, we anticipate that the details of the settlement will be confidential. The remaining parties are still in the discovery phase of preparing for a trial which is currently scheduled for mid-December.

As we've noted prior, we've also filed an appeal regarding the PTAB decision, which is scheduled to be heard by the federal circuit in January. While we emerged from a CDR process with 28 claims intact, we feel strongly that there were errors made by the PTAB in some of their rulings, which caused us to surrender claims. Therefore, we plan to work vigorously to recoup these claims. We currently have an S-1 on file with the SEC, and we've applied to the NASDAQ market to uplist. While we feel things are on track to effect its public offering and be approved for the uplist, there are no assurances that we'll be successful with either of these initiatives.

We are positioning the company to be a leader in the growing field of mobile retail. We'll continue to innovate and expand the reach of our technology and IP portfolio, which we believe will in turn drive our revenue and profit.

Thank you for your support, confidence, and trust in Blue Calypso as a shareholder. I'd like to now turn the call back over to the operator to begin the Q&A session.

**Operator**

Thank you. We will now conduct a question-and-answer session. (Operator instructions.) One moment, please, while we pool for our first question. Our first question comes from Andrew D'Silva with Merriman Capital. Please proceed with your question.

<Q>: Andrew, Chris, hello. Good afternoon. I just have a couple quick questions. I'll start on the operational side of the business. I don't know if you have enough information on this yet, but do you have any insight or at least do you expect that now that you've brought on your first Mobile ADvantage client that that will help you expedite other customers in your pipeline? I know we've discussed the pipeline being quite substantial in the past, and I'm assuming brick and mortar retailers are fairly risk adverse when it comes to trying new initiatives.

**Andrew Levi – CEO – Blue Calypso**

Andy, that's a great question. As you know, and I think all of you guys know because we've talked about this before, Mobile ADvantage is a fairly new product offering for the company. We've done some pilot projects. There's actually one that's in production that is at a big box retailer that we really haven't solidified, so we haven't been able to disclose any further details, but this Minyard Sun Fresh Mobile ADvantage solution that we're deploying and expanding is very exciting. The neat thing about this regional grocer is that they're really hungry for the technology that we bring to market. We're helping those guys with their go-to-market strategy and their story and positioning them as an innovator.

So, there is no doubt that Minyard—and we've got several more that [audio disruption] pilot with—are going to create the right validation in the marketplace. They'll become a reference case study and so on that we absolutely believe will help us further accelerate those in our pipeline in our future.

<Q>: Great. Then as far as app development for retailers, are you seeing your funnel being largely enthusiastic about the app-less product offering, or are they as a whole gravitating towards an app platform? If it is an app platform, are they going for a ubiquitous app, or are you seeing individualized apps likely dominating at this point?

**Andrew Levi – CEO – Blue Calypso**

So, we see a lot of retailers that are exploring building their own app. That is really the predominant competition we see in the marketplace. What we also see in the marketplace and overwhelmingly, the statistics will back this

up, is that consumers do not want to have a mobile app on their mobile device for every retailer they shop at. Therefore, the adoption rates are proving to be far below expectations for these retailers—most of them, not all of them. There are a few retailers that due to frequency of visits like Starbuck's and so on that will be successful, but for infrequent visiting shoppers to retail, the adoption rate is going to way underperform their expectations. Worse than that, the reuse rate for the few people that they get to download their app is really dismal. It's not good.

So, the good thing for this space—it's fairly early stage in the adoption of mobile shopper experience technologies in brick and mortar. We see that the next generation and the opportunity we've got to dominate in the market is to bring more of an online e-tail type experience to a physical brick and mortar shopping experience.

So, as retailers are exploring anything that puts mobile in play and really invites their shopping community to explore a next generation mobile shopping experience is a good thing for the space, but we believe what's going to happen for those that even are building their own app is that as they don't get the adoption they expect, the next generation is going to be moving to an app-less or a universal shopping app like we deliver through Mobile ADvantage as well as KIOSentrix.

<Q>: Okay, got it. That makes sense. The last question I had is just on the litigation front. I caught the tail end of your comments. Just to clarify, I saw the mediation report. It was filed after the market hearing as showing IVEA was settling. I think you said that that's in progress right now. It's likely going to be confidential. Do you have any insight into that more so? Also, if it's going to be confidential, how can it be utilized with other infringers? Can it be utilized with other infringers throughout the discovery process to entice them to settle, or is that just something that's not even on the table once it's confidential?

**Andrew Levi – CEO – Blue Calypso**

So, we're still in the process of finalizing details where both sides are working closely to actually formalize the structure that was agreed to in principle during our mediation process. As everybody knows, there's always a possibility that we can't work out the details, but as of right now I feel confident that we will get to a mutual understanding and a true binding settlement agreement.

What of all that becomes disclosable is still under discussion, but we will undoubtedly have the ability to disclose that we did formalize something. There's no doubt that having an agreement to settle with one of the defendants does create some precedent and some validation for the validity of really our entire IP portfolio. We will definitely get some sort of a release out to the investor community once we do finalize that. Like I said, I don't know what, if anything, of the details, we'll be able to talk about.

<Q>: Okay. Got it. Thanks a lot for the time, and good luck, guys, going forward.

**Andrew Levi – CEO – Blue Calypso**

Thanks, Andy.

**Operator**

Thank you. Our next question comes from Vikas Tandon with Bastogne Capital. Please proceed with your question.

<Q>: Hello, guys. Thanks for taking the questions. Just two quick ones. First of all, on the timing for the trial there in Texas, do you have any sense as to—I see in the press release that jury selection begins December 14<sup>th</sup>. I think in the past you've indicated that the expectation was that this would be wrapped up with hopefully some sort of decision out of the jury by year end. I don't know if that's still your expectation. I was just wondering how long you think it'll actually take to go from jury selection to presenting evidence and getting a decision.

**Andrew Levi – CEO – Blue Calypso**

So, what I'm told by our legal counsel is that the entire process will take one week. Jury selection will happen on Monday, we'll be in full swing on Tuesday through Thursday, and they expect to deliberate and have a verdict by Friday.

<Q>: Got you. Okay, perfect. Yes, I was just wondering if we were going to run in to Christmas or how that was going to go, but okay, perfect.

Then secondly, I just wanted to ask about the uplist to the NYSE. Can you just talk a little bit more about the rationale behind that? The reason I ask is are there a lot of guys you talk to who would be investors in the stock but are blocked because it's on the pink sheets? I mean, obviously there are a lot of other guys like you with much higher valuations that are on exchanges, so I get that, but I'm just wondering if it was sort of specific feedback from guys who couldn't invest because of the pink sheet listing or what the thought was.

**Andrew Levi – CEO – Blue Calypso**

That's exactly right. We have been presented to quite a few institutional investors whose thesis does not support an OTC market company or a penny stock company. So, we believe that—well, we are committed to a very long-term strategy here to bring game-changing technology to the market, and we're really not just interested in a short-term strategy here at the company. What we want to do is make sure that we are as well positioned corporately as we can to attract buy and hold investors longer term that have more of the horizon and vision for a long hold versus the OTC folks—I'm not saying all of them, but we have seen enough people that are event-driven. We've got some very interesting events that have occurred in our past and are expected to occur in our future, so I understand the investor rationale of event-driven investing.

It's our hope that we can certainly continue to appeal to the event-driven investors but also have a compelling story that attracts longer buy and hold institutional folks.

<Q>: Okay. That makes sense. Obviously, I'm not the biggest fan in the world of selling equity. I own your stock, obviously. I think it's cheap. That rationale makes sense. Thanks for the update, and good luck as you move forward on things.

**Andrew Levi – CEO – Blue Calypso**

Thanks for the questions.

**Operator**

There are no further questions in queue at this time. I would like to turn the call back over to management for closing comments.

**Andrew Levi – CEO – Blue Calypso**

So, I'd like to thank all of you on the call today and all the investors that weren't able to attend the call for continuing to believe in our mission and support us. I think we've got great things in our future. We're working on some great opportunities in the marketplace and evolving our technology and innovating every single day. I expect that we've got great things in the quarters to come to announce to you guys. As things happen, as we have, we'll continue to be absolutely as transparent as possible in keeping you apprised of our progress. Thank you very much.