

**Transcript of
Blue Calypso
Fourth Quarter 2015 Earnings Conference Call
March 22, 2016**

Participants

Andrew Levi – CEO
Chris Fameree – CFO

Analysts

Andrew D'Silva – Merriman Capital
Tony Low-Beer – Private Investor
Bryan Luter – WFG Investments

Presentation

Operator

Greetings, and welcome to the Blue Calypso Fourth Quarter Fiscal Year-End 2015 Financial Results Conference Call. At this time, all participants are in listen-only mode. (Operator instructions.) As a reminder, this conference is being recorded.

On this call are Andrew Levi, CEO, and Chris Fameree, CFO of Blue Calypso, 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'd like to introduce Blue Calypso's CFO, Chris Fameree. Please go ahead.

Chris Fameree – CFO

Thank you, and thanks, everybody, for joining our 2015 fiscal year-end financial and operational review. I will start with some intro overview and I'll then turn it over to you, Andrew Levi, CEO, to talk about where we sit with our current litigation and also to discuss operations.

Revenue for the 12 months ended December 31, 2015 approximately \$1 million compared to approximately \$760,000 for the same period in 2014, represents a 32% increase year-over-year. A substantial portion of that increase contributed to the royalty revenues associated with our litigation settlement. In conjunction with the increase revenue, we were actually able to significantly narrow our loss as compared to the prior year.

For the 12 months ended December 31, 2015, we had a net loss of approximately \$3.3 million as compared to a net loss of \$7.7 million for the year ended December 31, 2014. This constitutes a 57% improvement year-over-year. For the year ended December 31, 2015, general and administrative expenses were reduced to \$2.3 million compared to \$6.1 million for the same 12 months ending December 31, 2014. This equates to an approximate [indiscernible] % reduction.

The decrease is primarily attributed to a reduction of stock-based compensation and reduced headcount and executive compensation. As of December 31, 2015, the company had approximately \$730,000 in cash on hand. As we had previously disclosed in our filings and previous calls, in order to bridge our short-term working capital needs, and in conjunction with our attempted uplift to a major exchange, in July of 2015, we had issued a senior

convertible note with a principle amount of \$550,000. More detail on this note can be found in our 10-K and related 8-K filing.

I would like to reiterate this instrument was entered into in order to allow the company to meet our short-term working capital needs in anticipation of a larger raise. Once we completed a funding round in October of 2015, given the short-term nature of the note, we began to work [audio disruption] settle that note. In December of 2015, we paid down \$250,000 of that principle and renegotiated some terms of the conversion to make them more favorable to the company. Subsequent to year-end during February of 2016, we were able to successfully negotiate and pay in full the balance owed to the note holder, both the principle and accrued interest, reestablishing the company's debt-free status from a debt-free instrument perspective.

In order to pay off the note while maintaining current operations, we did conduct a minimal capital raise earlier this month, so at the beginning of March 2016 [audio disruption] proceeds of approximately \$390,000. The investment round was intentionally minimized given the market valuation of the company at that point in time; however, we felt it was in best interest of the company and shareholders to eliminate the previously mentioned short-term debt facility.

Our current cash on hand suggests the company is funded into May of 2016. We are currently assessing the capital needs of the business and exploring various options to ensure the company has an appropriate working capital into the foreseeable future. As in any decision, we are mindful of the impact any pathway may have on our shareholders.

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

Andrew Levi – CEO

Thanks, Chris. Hi, shareholders. Currently we remain in litigation with Groupon and Foursquare and have settled our complaints with Yelp, IZEA, Living Social, and MyLikes. On December 7th, a panel of three judges: Reyna, Schall, and Chen of the Federal Circuit Court of Appeals heard oral arguments from our legal team at Fish & Richardson, as well as the defendants and representatives from the Patent Trial and Appeals Board regarding our appeal of certain negative rulings delivered by the PTAB in December of 2014.

We appealed the decision of the PTAB to institute the CBMR in the first place. The ruling that certain claims of the patents were invalid and that the written description of the '516 patent was insufficient. Groupon cross-appealed the board's decision that the Ratsimor reference was not publicly available as prior art. On March 1st, the Federal Circuit overturned the PTAB decision as to insufficient written description, but upheld the decisions of invalidity based on anticipation of several claims of the patents by the prior art Paul reference.

It's important to note that Judge Schall dissented from the anticipation ruling. Instead, he agreed with Blue Calypso's position that the Paul reference was disclosed two separate systems that call for sending emails to all members without performing a key step in the Blue Calypso invention of matching and targeting. Additionally, the Federal Circuit upheld the board's decision that the Ratsimor reference was not publicly available prior art and confirmed the board's decision to institute the CBMR process on the basis that Blue Calypso's patent portfolio qualified as a business method patent, which was financial in nature.

We're currently contemplating our available options to pursue an en banc review of the holding with respect to anticipation by the Paul reference. An en banc review would occur before a panel of eight judges of the Federal Circuit instead of just three in our recent hearing. We also have the option of requesting the Supreme Court review for the Federal Circuit's decision. These options for appeal must be filed within 30 and 90 days, respectively, from the date of March 1st decision.

The reversal of a written description matter is a significant win for us as it reestablishes the '516 parent patent issue date of February 2010 as the date that the images begin to accrue. Prior to this reversal, the first date of infringement was relegated to the later issue date of the '679 patent in April of 2012. If we pursue and are successful in reversing the ruling of invalidity based on the Paul reference, as we believe Judge Schall correctly held, then we will reinstate all of our invalidated claims as a result of the PTAB's negative decision, which would further galvanize our portfolio.

While we're having success in this long and complicated process, there's still battles to be fought prior to any final conclusion being rendered. We've got a great legal team being very thoughtful as to the best course of action and considering all possibilities to set us up for the highest probability of success and protecting and enforcing our IP assets in the current circumstance, as well as in the future.

Now I'm going to move into an operational discussion of the business. Our space, specifically brick-and-mortar retail, including product manufacturers who offer their goods at physical locations, is right for dramatic evolution. Physical retailers continue to lose ground to online merchants such as Amazon, Peapod, and Netflix every day. The online shopping experience is easy, and it provides shoppers what they need, when they need it including product details, comparative pricing, product reviews, complementary and alternative products, as well as expedited shipping, sometimes same day.

The retail sector, as we see it, is comprised of any physical real estate location where people go to spend money on product services or experiences including, but not limited to, big-box and specialty retail, grocery, entertainment, auto, and restaurant industries to name a few. Physical retail must evolve to satisfy the needs of shoppers that have developed a need for data to help make them make their buying decisions. And these retailers and product manufacturers are actively seeking a path to evolve and compete with the market share that's eroding to online e-commerce.

The evolution of global retail is a massive market opportunity, which we believe can only be solved through a highly integrated and scalable, mobile driven technology platform, such as our KIOSentrix platform. We believe that we're the only company attacking the problem from a true platform perspective. In other words, our system solved the problem for all retailers, all product manufacturers, and all consumers globally. While we manufacture beacons, we don't see ourselves as just a beacon company; rather our platform supports all relevant methods of activation including short codes, NFC, QR, Wi-Fi, mobile apps, social media, and yes, beacons. We also support both native content, as well as retailer managed content stored elsewhere. In short, we're scalable, extensible, and broaden our ability to drive evolution for the entire retail and consumer products industry.

On the technology front, our KIOSentrix portal continues to grow with highly compelling features for product manufacturers and brick-and-mortar retailers. The system is driven by rich lifecycle based mobile marketing, analytics, and innovation in location-based capture of activation, engagement, conversion, and influence or data. The portal enables customers to get real-time business intelligence on how campaigns are targeted, targeted content, and convert shoppers into buyers through in-store intercept, engagement, loyalty, and advocacy.

Our recently released outbound integration opt-in system allows marketers to communicate with shoppers once they leave the store via text, email, and in-app messaging. We're hard at work on the next generation of in-store intercept technology, which takes beacons to a new level in the industry. Our KIOSentrix smart devices should be ready for deployment in the coming months and include in-store traffic fingerprinting, Wi-Fi gating, as well as real-time remote management of both iBeacon and Google's Eddystone beacon protocols.

We're currently rebranding and launching our own universal shopping app for both Apple and Android devices, which we now call Often [ph]. Often includes a comprehensive list of retailer favorites including loyalty locations,

reviews, deals and offers, and additional retailer driven content. Also included are price comparisons and UPC and QR code scanning abilities, as well as a robust shopping list management tool. Often will re-skin itself as the shopper enters the beacon enabled retailer presenting geographically and circumstantially relevant shopping content powered by hyper-local in-store activation. The combination of our KIOSentrix platform, KIOSentrix smart beacons, and our Often app brings the retail industry the only platform which truly embraces product manufacturers, retailers, and customers in a way that improves the shopping experience for all.

On the sales and marketing front, our KIOSentrix technology is now available in over 4,000 retail locations across 20,000 product SKUs. This is due in part to two marquee engagements with a Fortune 500 big-box retailer, as well as one of the largest growers of plants in the country called Monrovia. Our technology powers the information available on all of the 2006 plant tags for the big-box retailer on their branded plans, as well as for Monrovia plants, which are also available in the same big-box retail stores, as well as smaller retail garden centers across the country.

Our platform helps customers choose and learn how to care for purchased plants, both in-store and at home. We work very closely with Monrovia and their team on their mobile plan experience and also took on the development and maintenance of their e-commerce web store, leveraging supply chain and e-commerce talents of our Blue Calypso Labs team. We expect the work we're doing in the horticulture tag space to become an industry standard. The horticulture space has been slow to embrace technology. We've already received industry recognition in several horticulture magazines and periodicals, which will further propel awareness across the industry, which should quickly translate to other industries.

We're also currently working with Park Place Motors on our second engagement, which is helping us to establish our platform in the automotive sector. We have a very large and growing pipeline of product manufacturers and retailers of all sizes and industries. We continue to be very aggressive with outbound marketing efforts with the goal of driving prospects into one of our weekly live-demos that we host. I encourage you all to sign up for one of our demos to see the power of the platform yourself.

We've been very aggressive in our creation of industry content, positioning the company as a thought leader in retail and ad tech space. We will be exhibiting alongside our partner [audio disruption] the GlobalShop Show in Las Vegas later this week, which hosts approximately 12,000 attendees. We'll also exhibit at a horticulture show in June, several other retail industry focus conferences throughout the year.

In conclusion, we've got a lot of good things to talk about and I'm as excited as I've ever been about the progress we're making in the space and about the opportunity in both brick-and-mortar retail, as well as with product manufacturers. At this point, I'd like to thank you for your support, confidence, and trust as a Blue Calypso shareholder.

At this time, I'd like to turn the call back over to the operator to begin the Q&A session.

Operator

Thank you. We'll now be conducting a question and answer session. (Operator instructions.)

Our first question is from Andrew D'Silva of Merriman Capital. Please go ahead.

Q: Hi, good afternoon. Thanks for taking my call. Just a couple quick questions here. First off, as far as your recent customer wins with Monrovia and the big-box retailer go, have you been able to utilize them as a critical reference customer with companies currently in your pipeline? And if that is the case, has that resulted in any progress or at least anything expedited in the sales cycle, perhaps quicker time to pilot launches or things of that nature?

Andrew Levi – CEO

Absolutely. Hi, Andy. Thanks for the question. There is no doubt that having a Fortune 500 big-box retailer in our portfolio of customers that we're doing big things for causes people to take notice. This is a very innovative opportunity that we're bringing to the retail sector at whole. The challenge is, nobody wants to be first and nobody wants to be last. So the more reference ability we've got, the more velocity we create, and frankly, the less risk somebody that considers becoming a client of ours feels like their taking on.

There's no doubt that every single time that we add a reference account including the big-box retailer, including Monrovia, some of the others I've mentioned Park Place Motors, we've done work with Minyard's. We're accumulating quite a list of folks in the subsectors that we're very focused on that make the buying process and the sales process, the sales lifecycle, shorter and shorter.

Q: Yes, great. Thanks for that. And then, staying with your sales pipeline, last quarter, I think on your call you said you had around 40 potential customers in your pipeline. Have there been any gains or attrition to that number and are the types of companies and brands that are in the pipeline still quite diverse with some being big brands and retailers in the mix currently?

Andrew Levi – CEO

Yes, the mix of opportunities that we're in pursuit of is very diverse. We're having great success in product manufacturers, people that create products that are sold in retail, and some of those opportunities are massive. They're with a national footprint, if not a global footprint, that puts our technology in front of consumers both in-store, as well as when they buy products and take them home.

But your question about how is the pipeline looking, I can't get into granular detail about it, but I can say in summary that our pipeline is twice the size it was the last time we had a call. And it's very diverse, some of the opportunities are small and some of the opportunities are very, very big across, like I said before, across the sectors that we're focused on, which would be big-box retail, specialty retail, grocery, automotive, entertainment, and CPG.

Q: Okay, got it. Thank you for that. And then last question, as it relates to litigation side. As it relates to how things are moving along in the Eastern District of Texas and then also concurrently at the Federal Circuit, obviously a big win in that claims to parent patent, but since there isn't really any downside in the en banc review of Paul for your case, are there any advantages right now to waiting and seeing the decision from the en banc review process before initiatives are resumed in Eastern District of Texas? Any thoughts or anything you can provide on that would be very useful.

Andrew Levi – CEO

Yes, so, the legal team of Fish & Richardson are really kind of looking at this from a lot of different angles. There are advantages and disadvantages to going all the way through the process of the en banc review prior to getting back to work in the Eastern District and at this juncture, we haven't made a decision as to what our preference is. There's enough complexity to the decision. I feel strongly that we will likely file for the en banc review.

There's a big question of whether the Federal Circuit will even take it up. That is not a guaranteed track. But as you mentioned, the critical thing is just reestablishing the earliest date being the issue date of the '516 patent in February 2010 is a big deal to us. So if we could reestablish the entire '516 patent because there are some claims due to the Paul reference that are still currently held invalid, it just makes the argument that much stronger.

Q: Yes, alright. Well thank you very much for that and good luck going forward this year.

Andrew Levi – CEO

Thank you.

Operator

Thank you. The next question is from Tony Low-Ber [ph], a private investor. Please go ahead.

Q: Thanks for a good job you've done so far this year. I've got two questions. First of all do you have any rough estimate of what you would expect your revenues to be this year versus last year? And also, when the appeals court handed down the decision, there was a discussion that they would set up some new court dates to either hear the two cases separately or combine the case, the two cases into one, and hear it in one case. Now has this been postponed because you decided to possibly to have the appeals court hear it en banc or how does this all fit together?

Andrew Levi – CEO

So regarding financial guidance for 2016, we've not released anything. I can kind of talk in kind of in abstract terms. I really believe that 2016 is a breakout year for us. And with us booking just over \$1 million in revenue in 2015 and the way that the pipeline is really accelerating, we really found our space with the brick-and-mortar retailers and the technology is really kind of commercialized and people are deploying it and every day it's more and more proven. I'm very optimistic that we're going to have a banner year in 2016.

We're internally working through some financial forecast and models and started doing that last year. I can tell you that we did a month-over-month model and so far, we are tracking on course with that model. And it's kind of back-end loaded. So we're working hard to drag some of the opportunities out of the pipeline, which I think we will be successful in doing. And there are a few deals that we're working in the pipeline that are very large; they are six and potentially seven figure deals.

The nice thing about our model is it's built to scale and because it's easily deployable, it doesn't take a whole ton of customers for the business to get to the point that it's cash flow positive. We've talked in the past about where is that point of cash flow positive and we've got models, and again, it has everything to do with what revenue we sell and what cash we collect, but we're still working off a model that shows that being cash flow neutral, cash flow positive is not that far away from us. And we obviously have to execute, but I feel very good about our sales progress.

Tony, on your second question, the court mandated that the parties, us and the defendants, file a joint report in the Eastern District of Texas that reports how the results of the Federal Court of Appeals event affects the case that is currently stayed. We don't necessarily see eye-to-eye, obviously, which is why we're in dispute with the defendants, but we don't see eye-to-eye on how we think the Federal Circuit's ruling affects the go-forward initiatives, but the court right now is taking that up.

It's not certain that we're not going forward in the Eastern District even if we do an en banc. But right now the court's evaluating the brief that was filed post Federal Circuit's ruling and I expect that we're going to hear something from them very shortly. If I was to guess, I think that because we're so far at odds in the report that we submitted that it could become an in-person hearing with the judge in the Eastern District to try and figure out where we go from here and what the timeline looks like.

Q: Those guys have been trying to stonewall from day one, so what else is new.

Andrew Levi – CEO

Yes, yes, I hear you. And Judge Gilstrap had this case on his docket in one form or another now for three years and my sense is eventually he's going to need to get it cleared off and we want to bring this thing to closure as

well. I would love nothing more than to spend my 100% of my cycles growing the revenue stream, but the IP litigation requires attention and it's a valuable asset of the company. And we'll do what we need to do to maximize that asset value for everybody.

Q: So there's going to be a hearing with the judge and the judge will either set the court date or push the thing en banc, or what is he going to do or you don't—?

Andrew Levi – CEO

Yes, those are all the options and I have no idea what Judge Gilstrap is going to decide to do. I don't know, but I do believe that we will know that definitively in the not too distant future. I would say maybe a couple of weeks. He's got a big case load over there in the Eastern District. So I think whenever our number gets called, he'll figure it out.

Q: Thank you.

Andrew Levi – CEO

Thank you, Tony.

Operator

Thank you. Our next question is from Bryan Luter of WFG Investments. Please go ahead.

Q: Hi, Andrew. Congratulations on the win in the Federal Circuit. I guess, is it safe to assume somewhat that Judge Gilstrap, subsequent to the positive Markman hearing last year, set the court date six months later, and was, I guess, eager to call the Markman given Groupon's and Foley's antics prior to the Markman being held that getting this claim back only strengthens the case and it doesn't do anything to, I guess, weaken, I guess, your having a day in court?

Andrew Levi – CEO

Yes, that's true. Hi, Bryan. We're definitely in a stronger position today than we were when we had the Markman hearing. We're definitely not in a worse position, that's for certain. I don't personally know enough about how much the en banc could affect our case on a positive basis. If we go through the en banc process, we won't be in any worse position than we are right now, it could only improve.

So it's really a decision of our legal partner Fish & Richardson, who has a lot more experiences and insight as to what our preference is. But at the end of the day, we filed our brief and Judge Gilstrap is going to decide. We could go forward and parallel with both, both the en banc and Gilstrap might say, let's get after it, let's go. He may on the other hand say this en banc could have a materially effect and in the event that there's a positive outcome in the en banc review, I don't want to see this case again. So let's sit and see what happens. I don't know which way it could fall. I really don't.

Q: Just for the sake of history, how many claims did you win the first go-around for the PTAB review and how many additional claims were added with the win recently in the Federal Circuit? And then how many other claims are there at large that could come back if Paul is ruled out as prior art?

Andrew Levi – CEO

So, we had 28 claims survive the PTAB process. I believe that the effect of the Federal Circuit of Appeals ruling caused us to get back only a handful, maybe four or five claims. There's a dispute on some of the parent claims versus dependent claims because the odd thing about it is there are dependent claims that are invalidated, but there's a valid parent claim. And so it's kind of a separate complicated legal issue that the guys at Fish are working through with both the PTAB and the PTO to try and resolve. If we've got parent claims then the

dependent claims should survive as well, but something weird has happened in the process and they're trying to get that cleaned up. But the most important one is that we got claim one back on the '516 patent and that is the parent patent and the original claim. So that's a—

Q: So that's a big deal, so there's not a lot of loose hanging terminology to be construed—

Andrew Levi – CEO

But I think what you're asking is, is would it cause us to have to go back through another Markman. I don't think so. The terminology in the Markman and claim construction I'm told is solid and should be valid in the event that even with a few new claim sets and the parent patent back alive should be enough to go forward. But again, I'm not an attorney and Judge Gilstrap may have a different opinion.

Q: And Fish is taking the approach that because the parent patent claims came back into play without going through an en banc, they should be entitled to other claims that were previously ruled invalid, is that correct? So does this [indiscernible] ending up with a PTAB that could give that [indiscernible]?

Andrew Levi – CEO

Yes. It's something like that. They believe there was an administrative error that was made in the process that should cause us to get a handful of dependent claims reactivated.

Q: Got you. Well that's good stuff. I appreciate it. I'm looking forward to the day in court here.

Andrew Levi – CEO

Yes, me, too.

Q: Thanks.

Andrew Levi – CEO

Thanks, Bryan.

Operator

Thank you. We have no further questions at this time. I would like to turn the conference back over to management for any closing comments.

Andrew Levi – CEO

So I simply would like to say thanks to all of you on the call, to all the shareholders at Blue Calypso; it's been an interesting ride. I think that the company is very well positioned operationally to capture market share in a massive, massive evolution in retail that we believe we're well positioned to be a market leader in. So we are going to continue to work very hard and on behalf of all the shareholders and behalf of the management team, thanks for your support.