UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended June 30, 2012

or

☐ **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: 333-150332

MACROSOLVE, INC.
(Exact name of registrant as specified in its charter)

Oklahoma	**73-1518725**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1717 South Boulder Ave., Suite 700
Tulsa, Oklahoma 74119
(Address of principal executive offices) (zip code)

(918) 280-8693
(Registrant's telephone number, including area code)

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 ☐	Smaller reporting company ☒
(Do not check if a 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 ☒.

As of August 2, 2012 there were 174,952,780 shares of the registrant's common stock outstanding.

MACROSOLVE, INC.

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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

MACROSOLVE, INC.

Interim Unaudited Financial Statements

For the Period Ended June 30, 2012

MACROSOLVE, INC.

BALANCE SHEETS

	6/30/2012	12/31/2011
ASSETS		
CURRENT ASSETS:		
Cash	$ 99,196	$ 273,132
Accounts receivable - trade	367,266	288,201
Prepaid expenses and other	135,355	240,388
Total current assets	601,817	801,721
PROPERTY AND EQUIPMENT, at cost:	263,836	285,976
Less - accumulated depreciation	(171,906)	(188,016)
Total cost of revenues		
Net property and equipment	91,930	97,960
OTHER ASSETS:		
Note receivable	135,577	135,577
Software development costs, net of accumulated amortization of $169,564 and $36,316 as of June 30, 2012 and December 31, 2011, respectively	1,315,044	1,280,903
Other assets	61,066	83,329
Total other assets	1,511,687	1,499,809
TOTAL ASSETS	$ 2,205,434	$ 2,399,490
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current maturities of long-term debt	$ -	$ -
Revolving Line of Credit	100,000	100,000
Note Payable - Shareholder	459,842	169,306
Accounts payable - trade and accrued liabilities	370,554	631,419
Unearned income	53,614	31,400
Total current liabilities	984,010	932,125
LONG-TERM DEBT, less current maturities		
Oklahoma Technology Commercialization Center	237,500	237,500
Convertible debentures	150,000	2,621,161
Total long-term debt, less current maturities	387,500	2,858,661
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Common stock, $.01 par value; authorized 500,000,000 shares; issued and outstanding 174,952,780 and 122,386,894 shares, at June 30, 2012 and December 31, 2011, respectively	1,749,527	1,223,869
Additional paid-in capital	13,242,622	10,059,029
Accumulated deficit	(14,158,225)	(12,674,194)
Total stockholders' (deficit) equity	833,924	(1,391,296)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 2,205,434	$ 2,399,490

The accompanying notes are an integral part of these statements.

MACROSOLVE, INC.

STATEMENTS OF OPERATIONS

	For the Quarters Ended		Year to Date	
For the Periods Ended June 30,	6/30/2012	6/30/2011	2012	2011
REVENUES:				
Software products and licensing	$ 237,309	$ 52,244	$ 1,009,435	$ 72,560
Solution services	335,127	167,187	416,082	262,871
Net revenues	572,436	219,431	1,425,517	335,431
COST OF REVENUES:				
Software products and licensing	74,512	-	367,948	-
Solution services	169,096	98,629	230,295	145,413
Total cost of revenues	243,608	98,629	598,243	145,413
Gross profit	328,828	120,802	827,274	190,018
OPERATING EXPENSES:				
Solution services	156,069	49,339	322,804	174,797
Depreciation and amortization	94,550	62,047	196,619	123,727
Marketing and sales	357,981	132,668	750,698	162,586
General and administrative	445,868	540,134	868,301	869,421
Total operating expenses	1,054,468	784,188	2,138,422	1,330,531
Loss from operations	(725,640)	(663,386)	(1,311,148)	(1,140,513)
OTHER INCOME (EXPENSE):				
Interest income	20	61	28	86
Interest expense	(32,012)	(30,607)	(116,156)	(36,919)
Loss on sale of asset	-	(235)	(761)	(235)
Stock based compensation	(21,802)	(28,550)	(56,427)	(52,538)
Total other expense	(53,794)	(59,331)	(173,316)	(89,606)
LOSS BEFORE INCOME TAXES	(779,434)	(722,717)	(1,484,464)	(1,230,119)
INCOME TAXES	-	-	-	-
NET LOSS	$ (779,434)	$ (722,717)	$ (1,484,464)	$ (1,230,119)
LOSS ALLOCABLE TO COMMON STOCKHOLDERS:				
Net loss	$ (779,434)	$ (722,717)	$ (1,484,464)	$ (1,230,119)
Loss allocable to common stockholders	$ (779,434)	$ (722,717)	$ (1,484,464)	$ (1,230,119)
Basic and diluted loss per share	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.01)

The accompanying notes are an integral part of these statements.

MACROSOLVE, INC.

STATEMENTS OF CASH FLOWS

For the Periods Ended June 30,	6/30/2012	6/30/2011
OPERATING ACTIVITIES:		
Net loss	$ (1,484,464)	$ (1,230,119)
Adjustments to reconcile net loss to net cash		
(used in) provided by operating activities:		
Depreciation and amortization	196,618	123,727
Stock based compensation	60,834	51,386
Issuance of stock for services	223,500	415,000
Changes in current assets and liabilities:		
(Increase) in accounts receivable - trade	(79,065)	(41,741)
Decrease in inventory	-	11,017
Decrease (Increase) in prepaid expenses and other	110,466	(108,257)
(Decrease) Increase in accounts payable - trade and accrued liabilities	(131,349)	62,915
Increase in accrued debenture interest	102,981	-
Increase in unearned income	22,214	19,717
Net cash (used in) operating activities	(978,265)	(696,355)
INVESTING ACTIVITIES:		
Purchase of equipment	(8,580)	(12,405)
Disposal of equipment	760	237
Software development costs	(212,220)	(309,788)
Net cash (used in) provided by investing activities	(220,040)	(321,956)
FINANCING ACTIVITIES:		
Debenture financing converted to common stock	(2,971,161)	-
Common stock issued for debenture conversions	2,971,161	-
Proceeds from shareholder loan, including accrued interest	727,782	100,224
Repayment of shareholder loan, including accrued interest	(437,246)	(50,224)
Proceeds from debenture financing	500,000	1,675,000
Repayment of debenture financing	-	(725,000)
Proceeds from sale of common stock	250,000	-
Repayment of accrued debenture interest	(232,497)	-
Common stock issued for accrued debenture interest	216,330	-
Repayments of notes payable	-	(29,857)
Deferred offering costs	-	(26,175)
Proceeds from bank line of credit	-	200,000
Repayment of bank line of credit	-	(100,000)
Net cash provided by financing activities	1,024,369	1,043,968
NET INCREASE IN CASH	(173,936)	25,657
CASH, beginning of period	273,132	187,025
CASH, end of period	$ 99,196	$ 212,682

The accompanying notes are an integral part of these statements.

MacroSolve, Inc.
Notes to Interim Unaudited Financial Statements

For the Period Ended June 30, 2012

1. BASIS OF PRESENTATION

The accompanying unaudited interim financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial statements and do not include all the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. The information furnished reflects all adjustments, consisting only of normal recurring items which are, in the opinion of management, necessary in order to make the financial statements not misleading. The financial statements as of December 31, 2011 have been audited by an independent registered public accounting firm. These financial statements should be read in conjunction with the financial statements and the notes thereto included in the Company's 10K for the calendar year ended December 31, 2011.

2. DESCRIPTION OF BUSINESS

MacroSolve, Inc. is an Oklahoma corporation formed on January 17, 1997, under the laws of the State of Oklahoma and does business as Illume Mobile. The Company is engaged in the design, delivery and integration of custom solutions for the application of mobile technology in business processes.

3. NOTE RECEIVABLE

Note receivable at June 30, 2012 and December 31, 2011 Consist of the following:	June 30, 2012	Dec 31, 2011
Convertible promissory note with a customer negotiated as part of a strategic alliance. Under the Master Services Agreement, customer may borrow up to $150,000 to finance development work with interest accrued monthly at prime rate plus 5% (8.25% at September 30, 2009), due June 30, 2011. The note may be converted to common stock of the borrower prior to the due date at MacroSolve's discretion. The Company is currently evaluating the conversion option.	$ 135,577	$ 135,577

4. DEBENTURES AND NOTES PAYABLE

Notes payable at June 30, 2012 and December 31, 2011 consist of the following:	June 30, 2012	Dec 31, 2011
On February 17, 2012, the Company began offering the Putable-Callable Debenture Series 2012 and Series C Warrants to raise working capital for the expansion of its marketing of products and services. The debentures bear interest at 8% per annum. Each debenture is accompanied by a warrant to purchase, no later than December 31, 2017, common stock equal to 50% of the then unpaid principal amount of the debenture. On that date, the Company sold $500,000 of debentures to four directors who converted $320,000 of short term promissory notes and invested $180,000 in new proceeds. On April 23, 2012, the directors converted $500,000 of debentures and $7,243 in accrued interest to 5,790,452 shares of restricted common stock.	$ -	$ -
On July 17, 2011, the Company began offering its Convertible Debentures Series 2011 and Series B Warrants to purchase common stock to accredited investors. The Debentures mature on December 31, 2016. The Company did not establish a minimum or maximum offering size; its goal was $1,000,000 in aggregate subscriptions exclusive of the exchange of previously issued debentures. The $725,000 proceeds from this offering have been used by the Company for working capital to increase its market share from the sale of mobile apps in dining and other vertical markets and may include working capital for acquired companies. On December 31, 2011, three Directors converted a total of $171,161 in short term promissory notes to the offering. The offering was closed as of December 31, 2011.		

The 2011 Debentures earn interest at the annual rate of 12% which will be paid quarterly exclusively from the Debenture Account. Principal on the Debentures will be prepaid quarterly as the Debenture Account permits. The Debenture Account will be set up with a financial institution for the deposit of 25% of any recovery it receives from any judgment or settlement in any infringement case or claim it prosecutes. The Debentures may be converted to common stock by the holder into the number of shares that could have been purchased with 200% of the principal amount of the Debenture, together with accrued and unpaid interest and the shares valued using the weighted average price for a five-day trading period preceding the Debenture investment provided however, that the conversion price shall not be less than ten cents per share at any time and the conversion price shall not be more than ten cents per share for investments made prior to October 1, 2011. By resolution of the Board on December 16, 2011, the ten cent conversion price per share was extended to investments made after October 1, 2011. The Investors also acquired Common Stock Series B Warrants in an amount equal to the shares of common stock that could be purchased at the Debenture conversion price. Each warrant has a term of five years.

During the first half of 2012, eighteen of the nineteen investors elected to convert a total of $846,161 Debenture Series 2011 plus Series B Warrants into 16,923,227 shares of common stock. A total of $45,941 in accrued interest on the converted debentures was settled with 459,412 shares of common stock. Accrued interest as June 30, 2012 is $4,175.	$ 50,000	$ -

On April 11, 2011, the Company began offering its Convertible Debentures Series 2011 and Series A Warrants to purchase common stock to accredited investors. The Debentures mature on December 31, 2016. The Company did not establish a minimum or maximum offering size; its goal was $1,000,000 in aggregate subscriptions exclusive of the exchange of previously issued debentures. The proceeds from this offering were used by the Company for working capital to increase its market share from the sale of mobile apps in dining and other vertical markets and may include working capital for acquired companies. The offering was closed on July 13, 2011 with a total of $950,000 in new investments and $725,000 in converted investments.

The 2011 Debentures earn interest at the annual rate of 12% which will be paid quarterly exclusively from the Debenture Account. Principal on the Debentures will be prepaid quarterly as the Debenture Account permits. The Debenture Account will be set up with a financial institution for the deposit of 25% of any recovery it receives from any judgment or settlement in any infringement case or claim it prosecutes. The Debentures may be converted to common stock by the holder into the number of shares that could have been purchased with 200% of the principal amount of the Debenture, together with accrued and unpaid interest and the shares valued using the weighted average price for a five-day trading period preceding the Debenture investment. The Investors also acquired Common Stock Series A Warrants in an amount equal to the shares of common stock that could be purchased at 50% of the Debenture conversion price. Each warrant has a term of five years.

During the first half of 2012, fifteen of the sixteen investors elected to convert a total of $1,575,000,000 Debenture Series 2011 plus Series A Warrants into 16,831,553 shares of common stock. A total of $179,312 in accrued interest on the converted debentures was settled, $16,167 in cash and $163,145 with 870,543 shares of common stock. Accrued interest as of June 30, 2012 is $106,914.	$ 100,000	$ -

On November 8, 2010, the Company began selling Convertible Debentures Series 2010 plus Series B Warrants. The Company did not establish a minimum or maximum offering size; however, it exceeded its goal of $750,000 in aggregate subscriptions. The debentures accrue interest at 2.0% per annum with interest paid at maturity. The offering was closed on November 17, 2010.

The Debentures may be converted into Common Stock by the holders after June 30, 2011. Upon conversion the holder will be entitled to receive the number of shares of Common Stock that could be purchased with two hundred percent (200%) of the face amount of the Debentures together with accrued interest and with the Common Stock valued using the weighted average price for the five-day trading period before the notice of conversion.

Investors acquired common stock purchase warrants, designated by the Company as Class B Warrants, in an amount equal to fifty percent (50%) of the shares of common stock that would be issued upon conversion of the Debentures upon issue. The Warrants have a termination date of December 31, 2015 and have an initial exercise price equal to the weighted average price of the common stock upon grant of the Warrants.

During the first quarter of 2012, the remaining investor elected to convert a total of $50,000 Debenture Series 2010 plus Series B Warrants into 940,734 shares of common stock. Accrued interest of $1,285 is still outstanding at June 30, 2012.	$ -	$ 925,000
Advancing term loan with a financial institution of up to $100,000 with interest only payable monthly at the greater of 5.75% or prime rate plus 1.0% (4.25% at June 30, 2012), until September 2012, and secured by substantially all assets of the company and the personal guarantees of a company director. In exchange for the guaranty, the director receives a $3,000 commitment fee and a five year warrant to purchase $100,000 of stock with a strike price of ten cents ($0.10) per share.	$ 100,000	$ -
Note from the State of Oklahoma Technology Business Finance Program (OTCC loan) represented by a $150,000 refundable award to be repaid at two times the amount of the award. The balance includes accrued interest (imputed at 14.27%), through September 2007. The repayment terms were modified in September, 2007 to require 24 equal monthly installments of $12,500, consisting of principal only, beginning May, 2008. The monthly payments were suspended in October 2008 with resumption anticipated upon significant equity raise.	$ 237,500	$ 237,500

As of June 30, 2012, maturities of long-term debt are: $-0- in 2012 and $387,500 thereafter.

5. SHAREHOLDER LOANS

In December 2011, four directors each loaned the Company $25,000. The notes were secured by the unencumbered 75% of patent settlement license fees secondary to the security interest of a financial institution and provided for accrued interest at 12% payable on maturity at December 31, 2011. The Company agreed to apply ten percent (10%) of the net proceeds from patent settlement license fees to the reduction of principal. In January and February, 2012, three directors loaned the Company a total of $220,000 on short term promissory notes bearing interest of 12% per annum. The total shareholder loans totaling $320,000 were rolled over to the 2012 convertible debentures in February, 2012.

In January, 2012, the Company repaid a December 2011 director loan of $65,000.

In March, 2012, one director loaned the Company $50,000 on a short term promissory note bearing interest of 12% per annum. The note was repaid on March 30, 2012, including $257 in accrued interest.

In May and June, 2012, four directors loaned a total of $449,300. The notes were secured by the unencumbered 75% of patent settlement license fees secondary to the security interest of a financial institution and provided for accrued interest at 12% payable on maturity at September 30, 2012.

The total accrued interest on shareholder loans at June 30, 2012 is $10,542.

6. EMPLOYEE STOCK PLANS

A summary of activity under the Employee Stock Plans as of June 30, 2012 and changes during the period then ended is presented below:

	Stock Options		Restricted Stock
	Options	Weighted Average Exercise Price	Shares
Outstanding – March 31, 2012	11,816,613	$ 0.52	4,874,256
Exercisable – March 31, 2012	5,839,013	$ 0.53	-
Granted	27,700,000	$ 0.26	1,866,986
Exercised or Vested	202,000	$ 0.54	(996,232)
Forfeited or Expired	(6,180,000)	$ 0.49	(-)
Outstanding – June 30, 2012	33,336,613	$ 0.31	5,712,010
Exercisable – June 30, 2012	5,761,013	$ 0.52	-

The weighted-average grant-date calculated value of options granted during the period ended June 30, 2012 is not applicable. Options outstanding at June 30, 2012 had an aggregate intrinsic value of $0 and a weighted-average remaining contractual term of 2.4 years. Options that were exercisable at June 30, 2012 had an aggregate intrinsic value of $-0- and a weighted-average remaining contractual term of 2.3 years.

A summary of the status of the Company's nonvested options and restricted stock as of and for the Quarter Ended June 30, 2012 and March 31, 2012 is presented below:

	Stock Options		
Nonvested Shares	Options	Weighted-Average Grant Date.Calculated Value	Restricted Stock
Nonvested - Beginning of Year 2012	6,028,450	$ -	2,990,356
Granted	-	$ -	3,120,833
Vested	(49,600)	$ -	(1,206,933)
Forfeited	(1,250)	$ -	(30,000)
Nonvested–Quarter Ended March 31, 2012	5,977,600	$ -	4,874,256
Granted	27,700,000	$ -	1,833,986
Vested	(202,000)	$ -	(996,232)
Forfeited or cancelled	(5,900,000)	$ -	-
Nonvested–Quarter Ended June 30, 2012	27,575,600	$ -	5,712,010

As of June 30, 2012, there was $-0- unrecognized compensation cost related to nonvested share-based compensation arrangements under the stock bonus plan. The weighted-average remaining vesting period is 5.9 months.

7. SHAREHOLDERS' EQUITY

The Company issued a total of 30,265,835 common shares in the quarter ended June 30, 2012, described further as follows:

The Company's independent directors annual compensation is $16,000 to be paid quarterly in restricted stock. The Company issued the directors 194,175 shares of restricted stock on April 1, 2012 for their first quarter 2012 compensation.

The Company issued 1,783,986 shares of common stock to management employees in lieu of $173,750 cash compensation for services rendered in the first quarter of 2012 which had been recorded at a value of $17,840 in stock based compensation based upon individual tax elections made by each recipient. The Company issued 50,000 shares of common stock as a bonus to the Vice President of Operations which was recorded at a value of $500 in stock based compensation based upon the individual's tax election. The shares vest six months after issuance and are subject to forfeiture upon voluntary termination of employment.

The Company issued 750,000 shares of restricted stock to a financial advisory firm in exchange for $45,000 in services to be rendered from May 10, 2012 to October 18, 2012. The agreement calls for an additional payment of 750,000 shares of restricted stock in the event the Company files another form S-1. The Company issued 200,000 shares of restricted stock to its securities law firm in exchange for $10,000 in additional services.

The Company issued 250,000 shares of restricted stock in a 2012 Private Stock Sale to one qualified investor for $25,000. The shares were accompanied by an equal number of warrants with a $0.15 strike price and termination date of December 31, 2017.

During the second quarter of 2012, twelve of the nineteen investors elected to convert a total of $521,161 Debenture Series 2011 plus Series B Warrants into 10,423,227 shares of common stock. . A total of $28,031 in accrued interest on the converted debentures was settled with 280,315 shares of common stock.

During the second quarter of 2012, ten of the sixteen investors elected to convert a total of $925,000 Debenture Series 2011 plus Series A Warrants into 9,946,762 shares of common stock. A total of $111,266 in accrued interest on the converted debentures was settled with 596,918 shares of common stock.

During the second quarter of 2012, all four investors elected to convert a total of $500,000 Debenture Series 2012 plus Series C Warrants into 5,707,764 shares of common stock. A total of $7,243 in accrued interest on the converted debentures was settled with 82,688 shares of common stock.

8. EARNINGS (LOSS) PER SHARE

The Company has calculated the loss allocable to the common shareholders for the periods ended June 30, 2012 and 2011:

	For the Quarters Ended		For the Six Months Ended	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Numerator:				
Net Loss	$ (779,434)	$ (722,717)	$ (1,484,464)	$ (1,230,119)
Numerator for basic and diluted	$ (779,434)	$ (722,717)	$ (1,484,464)	$ (1,230,119)
Denominator:				
Weighted-average number of common shares outstanding	159,819,863	101,116,161	159,819,863	101,161,161
	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.01)

9. RELATED PARTY TRANSACTION

There were no related party transactions other than the shareholder loan discussed in footnote five.

10. SUBSEQUENT EVENTS

The Company issued 2,713,170 shares of compensation shares to management employees in lieu of $141,938 cash compensation for services rendered during the second quarter of 2012 which had been recorded at a value of $2,713 in stock based compensation based upon individual tax elections made by each recipient. The shares were awarded on Restricted Stock Agreements which have a six month time lapse restriction and are subject to forfeiture upon voluntary termination of employment.

The Company's independent directors annual compensation is $16,000 to be paid quarterly in restricted stock. The Company issued the directors 70,175 shares of restricted stock on July 1, 2012 for their second quarter 2012 compensation. The Company recorded $4,000 in stock based compensation for each of its four independent directors.

Sale of Illume Mobile assets

On July 31, 2012 (the "Closing Date"), MacroSolve, Inc. (the "Company") entered into an asset purchase agreement (the "Purchase Agreement") with DecisionPoint Systems, Inc. (the "Buyer"). Pursuant to the Purchase Agreement, effective on the Closing Date, the Company sold substantially all of the assets relating to its Illume Mobile business, for a purchase price of $1,000,000, of which $250,000 was paid in cash and $750,000 was paid in the form of 617,284 shares of the Buyer's common stock (valued at $1.215 per share based on the 20 day volume weighted average price). The Company has the right to receive an earn-out payment from the Buyer (the "Earn-Out Payment") of up to $500,000 (of which 50% will be paid in cash, and 50% will be paid in shares of common stock of the Buyer, valued at the last closing price of the Buyer's common stock on the one year anniversary of the Closing Date), within 30 days of the one year anniversary of the Closing Date, which will be determined as follows:

(a) If Net Revenue (as defined in the Purchase Agreement) attributable to the assets purchased under the Purchase Agreement, during the one year period commencing on the Closing Date) is $1,500,000 or less, the Earn-Out Payment will be $0;

(b) If Net Revenue is greater than $1,500,000 but less than $2,000,000, the Earn-Out Payment will be $100,000;

(c) If Net Revenue is at least $2,000,000 but less than $3,000,000, the Earn-Out Payment will be equal to the sum of (i) $100,000 plus (ii) 40% of the amount that the Net Revenue amount exceeds $2,000,000; and

(d) If Net Revenue is $3,000,000 or more, the Earn-Out Payment will be $500,000.

In connection with the Purchase Agreement, on the Closing Date, the Company and the Buyer entered into a patent license agreement (the "License Agreement"), pursuant to which the Company granted the Buyer a non-exclusive license under a patent held by the Company pertaining to information collection using mobile computers (the "Licensed Patent") to make, have made, sell, offer for sale or import any product or service which in the absence of the License Agreement would infringe at least one claim of the Licensed Patent (including specifically the Company's ReForm™ Development Platform) in and into the United States and to practice the Licensed Methods (as defined in the License Agreement), in the United States, during the term of the Licensed Patent. The Buyer agreed to pay the Company a licensing fee/royalty payment of (i) 7.5% of Net Revenues (as defined in the License Agreement) received from the sale of Software Products (as defined in the License Agreement) and/or Licensed Methods, and (ii) 5% of Net Revenues from the sale of Custom Development Services (as defined in the License Agreement). The Company also granted the Buyer an option to purchase a non-exclusive perpetual license under the Licensed Patent at a purchase price of $500,000.

In connection with the Purchase Agreement, on the Closing Date, the Company and the Buyer entered into a non-competition and non-solicitation agreement (the “Non-Competition Agreement”). Pursuant to the Non-Competition Agreement, for a period of three years commencing on the Closing Date, the Company agreed not to engage in activities in the United States and Canada competitive with the products sold by the Company’s Illume Mobile business as of July 31, 2012, and the Buyer agreed not to engage in activities in the United States and Canada competitive with the products sold by the Company (not related to the assets sold pursuant to the Purchase Agreement). The Company also agreed, for a period of three years, commencing on the Closing Date, not to solicit or hire (unless such employee has been terminated by the Buyer) employees of the Buyer, and the Buyer agreed, for a period of three years commencing on the Closing Date, not to solicit employees of the Company (except as contemplated by the Purchase Agreement).

The descriptions of the terms of the Purchase Agreement, the License Agreement, and the Non-Competition Agreement do not purport to be complete and are qualified in their entirety by these agreements, which contain all of the terms, conditions and covenants, and are filed herewith as exhibits.

Steve Signoff Resignation

On August 1, 2012, Steve Signoff resigned for personal reasons, effective immediately, as President and Chief Executive Officer of the Company. In submitting his resignation, Mr. Signoff did not express any disagreement with the Company on any matter relating to the registrant’s operations, policies or practices. Mr. Signoff remains as a director of the Company.

Randy Ritter Resignation

On August 1, 2012, Randy Ritter resigned for personal reasons, effective immediately, as Chief Operating Officer of the Company. In submitting his resignation, Mr. Ritter did not express any disagreement with the Company on any matter relating to the registrant’s operations, policies or practices.

11. SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid during Six Months ended June 30, 2012 and 2011 are:

	2012	2011
Interest	$ 29,342	$ 10,579
Income taxes	$ -	$ -

Noncash activities are as follows for the Six Months ended June 30, 2012 and 2011 are:

	2012	2011
Stock based compensation	$ 60,834	$ 52,538
Stock issued for services	$ 223,500	$ 415,000
Stock issued for debenture interest	$ 216,330	$ -

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

Certain statements in Management's Discussion and Analysis ("MD&A"), other than purely historical information, including estimates, projections, statements relating to our business plans, objectives and expected operating results, and the assumptions upon which those statements are based, are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "may," "would," "expect," "intend," "could," "estimate," "should," "anticipate," or "believe." and similar expressions. Forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties which may cause actual results to differ materially from the forward-looking statements. These statements are subject to a number of risks, uncertainties and developments beyond our control or foresight including changes in the trends of the mobile computing industry, formation of competitors, changes in governmental regulation or taxation, changes in our personnel and other such factors. We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events, or otherwise. Readers should carefully review the risk factors and related notes included under Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2011 filed with the Securities and Exchange Commission on March 13, 2012.

Business Overview

MacroSolve, Inc. ("MacroSolve," "we," "us," or the "Company") is an Oklahoma corporation formed on January 17, 1997, under the laws of the State of Oklahoma. We are focused on intellectual property licensing and enforcement of our patent in the mobile app market development space. Our principal executive offices are located at 1717 South Boulder, Tulsa, Oklahoma 74119.

Since March 2011, we have been protecting our intellectual property rights against entities we have identified as potentially infringing our rights. In October 2010, we received U.S. patent #7,822,816, which addresses mobile information collection systems across all wireless networks, smart phones, tablets, and rugged mobile devices, regardless of carrier and manufacturer, and is currently utilized in our ReForm XT™ rapid mobile app development platform. To date, complaints have been filed against 69 defendants and we are continuously identifying potential infringers. Out of these lawsuits, we have received 23 settlements in the form of non-exclusive, perpetual paid-up licenses for licensed products or royalties based on a percentage of revenue. Our objective in these enforcement actions is not to monopolize or prevent other companies from competing; it is to get a return on our investment in the intellectual property.

Recent Transactions

On July 31, 2012 (the "Closing Date"), the Company entered into an asset purchase agreement (the "Purchase Agreement") with DecisionPoint Systems, Inc. (the "Buyer"). Pursuant to the Purchase Agreement, effective on the Closing Date, the Company sold substantially all of the assets relating to its Illume Mobile business, for a purchase price of $1,000,000, of which $250,000 was paid in cash and $750,000 was paid in the form of 617,284 shares of the Buyer's common stock (valued at $1.215 per share based on the 20 day volume weighted average price). The Company has the right to receive an earn-out payment from the Buyer (the "Earn-Out Payment") of up to $500,000 (of which 50% will be paid in cash, and 50% will be paid in shares of common stock of the Buyer, valued at the last closing price of the Buyer's common stock on the one year anniversary of the Closing Date), within 30 days of the one year anniversary of the Closing Date, which will be determined as follows:

(a) If Net Revenue (as defined in the Purchase Agreement) attributable to the assets purchased under the Purchase Agreement, during the one year period commencing on the Closing Date) is $1,500,000 or less, the Earn-Out Payment will be $0;

(b) If Net Revenue is greater than $1,500,000 but less than $2,000,000, the Earn-Out Payment will be $100,000;

(c) If Net Revenue is at least $2,000,000 but less than $3,000,000, the Earn-Out Payment will be equal to the sum of (i) $100,000 plus (ii) 40% of the amount that the Net Revenue amount exceeds $2,000,000; and

(d) If Net Revenue is $3,000,000 or more, the Earn-Out Payment will be $500,000.

In connection with the Purchase Agreement, on the Closing Date, the Company and the Buyer entered into a patent license agreement (the "License Agreement"), pursuant to which the Company granted the Buyer a non-exclusive license under a patent held by the Company pertaining to information collection using mobile computers (the "Licensed Patent") to make, have made, sell, offer for sale or import any product or service which in the absence of the License Agreement would infringe at least one claim of the Licensed Patent (including specifically the Company's ReForm™ Development Platform) in and into the United States and to practice the Licensed Methods (as defined in the License Agreement), in the United States, during the term of the Licensed Patent. The Buyer agreed to pay the Company a licensing fee/royalty payment of (i) 7.5% of Net Revenues (as defined in the License Agreement) received from the sale of Software Products (as defined in the License Agreement) and/or Licensed Methods, and (ii) 5% of Net Revenues from the sale of Custom Development Services (as defined in the License Agreement). The Company also granted the Buyer an option to purchase a non-exclusive perpetual license under the Licensed Patent at a purchase price of $500,000.

In connection with the Purchase Agreement, on the Closing Date, the Company and the Buyer entered into a non-competition and non-solicitation agreement (the "Non-Competition Agreement"). Pursuant to the Non-Competition Agreement, for a period of three years commencing on the Closing Date, the Company agreed not to engage in activities in the United States and Canada competitive with the products sold by the Company's Illume Mobile business as of July 31, 2012, and the Buyer agreed not to engage in activities in the United States and Canada competitive with the products sold by the Company (not related to the assets sold pursuant to the Purchase Agreement). The Company also agreed, for a period of three years, commencing on the Closing Date, not to solicit or hire (unless such employee has been terminated by the Buyer) employees of the Buyer, and the Buyer agreed, for a period of three years commencing on the Closing Date, not to solicit employees of the Company (except as contemplated by the Purchase Agreement).

Results of Operations

Quarter Ended June 30, 2012 compared to Quarter Ended June 30, 2011 (all references are to the Quarter Ended June 30)

Net Revenues: Net revenues increased $353,000 or 161%, to $572,000 in the quarter ended June 30, 2012 from $219,000 for the same period in 2011. Sources of revenue were derived from our IP licensing, software products, and services. Licensing revenues represented a significant increase in net revenues with an increase of $185,000 or 356%, for the period to $237,000 from $52,000 for the same period in 2011, which increase is primarily attributable to the licensing of the Company's products and intellectual property. Services revenue increased $168,000, or 101%, in 2012 to $335,000 from $167,000 for the same period in 2011. This was primarily due to revenues generated by custom mobile app development.

Cost of Revenues and Gross Profit: Cost of revenues for the quarter ended June 30, 2012 increased $145,000, or 146%, from $99,000 in the second quarter of 2011 to $244,000 in 2012. Legal fees associated with licenses sold were $70,000, or 29%, of the second quarter 2012 cost of revenues. The resulting gross profit for the quarter ended June 30, 2012 of $329,000 was up $208,000, or 172%, over the gross profit for the second quarter of 2011 of $121,000. Gross profit margins were 58% and 55% for the second quarters of 2012 and 2011, respectively.

Operating Expenses: Operating expenses include marketing and sales expenses, general and administrative expenses and depreciation and amortization expenses. Operating expenses increased by $270,000 or 34%, in the quarter ended June 30, 2012 to $1,054,000 from $784,000 in the second quarter of 2011. The Company grew from 27 employees in the second quarter of 2011 to 38 employees in the second quarter of 2012, resulting in $295,000 in additional salaries, commissions and benefits. Capitalized development costs, which are offset to operating expenses, decreased by $106,000 or 74% for the second quarter of 2012 to $38,000 from $144,000 in the second quarter of 2011 primarily due to transitioning from a focus on product development to product delivery. Travel and related expenses increased by $23,000 from $7,000 in second quarter of 2011 to $30,000 in the first quarter of 2012 as a result of adding five additional sales staff in Houston, Atlanta and Dallas. The Company increased its sales and marketing efforts in the second quarter of 2012, expending $358,000, or a 169% increase of $225,000, compared to $133,000 for the second quarter of 2011. Depreciation and amortization expense increased in 2012 by $33,000 from $62,000 in 2011 to $95,000, primarily due to commencement of amortization of products brought to market. Public relations and investor relations services decreased in the second quarter of 2012 by $51,000, or 20%, to $205,000 from $256,000 in the second quarter of 2011 and were paid using restricted stock valued at $169,000 and $35,000 in cash compared to the use of $208,000 in restricted stock and $48,000 in cash in 2011.

Loss from Operations: Loss from operations for the quarter ended June 30, 2012 of $726,000 was up $63,000, or 10%, from the loss from operations in 2011 of $663,000, primarily due to costs associated with increasing the workforce by 11 additional employees offset by the $208,000 increase in gross profit.

Other Income and Expense: Total other expenses of $54,000 in the second quarter of 2012 decreased $5,000, or 8%, over the total of $59,000 in 2011. This decrease is primarily due to a lower stock based compensation. Stock-based compensation expense, within other expenses, was $22,000 for the quarter ended June 30, 2012 as compared to $28,000 for the quarter ended June 30, 2011, a decrease of $6,000, or 24%. Interest expense remained fairly consistent at $32,000 in 2012 compared to $31,000 in 2011. In 2012, interest expense consisted of $8,000 paid in cash, primarily to a financial institution, and $24,000 in accrued interest on the 2011 Debenture financings. The accrued interest may be settled in common stock or from patent recoveries.

Net Loss: Net loss of $779,000 as of June 30, 2012 was up $56,000, or 8%, from the net loss for the same quarter in 2011 of $723,000, primarily as a result of costs associated with increasing the workforce by 11 employees in support of future growth offset by increased gross profit for the quarter.

Six Months Ended June 30, 2012 compared to Six Months Ended June 30, 2011 (all references are to the Six Months Ended June 30)

Net Revenues: Net revenues increased $1,091,000 or 326%, to $1,426,000 in the six months ended June 30, 2012 from $335,000 for the same period in 2011. Sources of revenue were derived from our IP licensing, software products, and services. Licensing revenues represented a significant increase in net revenues with an increase of $936,000 or 1,282%, for the period to $1,009,000 from $73,000 for the same period in 2011, which increase is primarily attributable to the licensing of the Company's products and intellectual property. Services revenue increased $153,000, or 58%, in 2012 to $416,000 from $263,000 for the same period in 2011. This was primarily due revenues generated by custom mobile app development.

Cost of Revenues and Gross Profit: Cost of revenues for the six months ended June 30, 2012 increased $453,000, or 312%, from $145,000 in the first half of 2011 to $598,000 in 2012. Legal fees associated with licenses sold were $346,000, or 58%, of the first half 2012 cost of revenues. The resulting gross profit for the six months ended June 30, 2012 of $827,000 was up $637,000, or 335%, over the gross profit for the first half of 2011 of $190,000. Gross profit margins were 58% and 57% for the first half of 2012 and 2011, respectively.

Operating Expenses: Operating expenses include marketing and sales expenses, general and administrative expenses and depreciation and amortization expenses Operating expenses increased by $807,000, or 61%, in the first half of 2012 to $2,138,000 from $1,331,000 in 2011. The Company grew from 17 employees at the beginning of 2011 to 38 employees during the first half of 2012, resulting in $597,000 in additional salaries and benefits. Capitalized development costs, which are offset to operating expenses, decreased by $174,000 or 56%, for the first half of 2012 to $134,000 from $308,000 in the first half of 2011 primarily due to transitioning from a focus on product development to product delivery. Travel and related expenses increased by $19,000, from $6,000 in first half of 2011 to $25,000 in the first half of 2012, as a result of adding five additional sales staff in Houston, Atlanta and Dallas. The Company decreased its overall sales and marketing efforts in the first half of 2012, expending $69,000, or a 22% decrease of $20,000, compared to $89,000 for the first half of 2011. Depreciation and amortization expense increased in the first half of 2012 by $73,000 from $124,000 in 2011 to $197,000, primarily due to commencement of amortization of products brought to market. Public relations and investor relations services decreased in the first half of 2012 by $19,000, or 5%, to $350,000 from $369,000 in the first half of 2011.

Loss from Operations: Loss from operations for the first six months of 2012 was $1,331,000, an increase of $170,000, or 15%, from the loss from operations in 2011 of $1,141,000 as a result of the aforementioned growth in company personnel in support of additional revenues offset by increased gross profit for the year to date.

Other Income and Expense: Total other expense of $173,000 in 2012 represented an increase of 92%, or $83,000, from $90,000 in 2011 primarily due to an increase of $79,000 in interest expense debentures issued in 2011.

Net Loss: Net loss of $1,484,000 for the first six months of 2012 was $254,000, or 21% higher, than the net loss of $1,230,000 for the same period in 2011 primarily attributable to the aforementioned growth in company personnel in support of additional revenues offset by increased gross profit the year to date.

Liquidity and Capital Resources

As of June 30, 2012, the Company had total current assets of $601,817 and total current liabilities of $984,010 resulting in working capital deficit of $382,193. As of June 30, 2012, the Company had cash and cash equivalents of $99,196 and an accumulated deficit of $14,158,225 since operations commenced in 1997. It is the Company's intention to raise additional working capital from licensing revenues.

As a result of working capital deficiency and a significant accumulated deficit at December 31, 2011 and a net loss of $2,534,444 in the prior year of 2011, the Company's independent registered public accounting firm's audit report for the year ended December 31, 2011, included herein, contains a qualified opinion and an explanatory paragraph regarding the Company's ability to continue as a going concern. For the three and six ended June 30, 2012, the Company continued its net losses. The accompanying financial statements have been prepared assuming that the Company continues as a going concern and contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The ability of the Company to continue as a going concern on a long-term basis will be dependent upon its ability to raise working capital to finance its operations.

We finance our operations primarily through operating revenues, shareholder loans and sales of equity and debt securities to accredited investors.

2010 Debenture Financing

In November 2010, the Company sold Convertible Debentures Series 2010 (the "2010 Debentures") for gross proceeds of $925,000, which were used for general corporate purposes. The 2010 Debentures accrue interest at 2.0% per annum with interest paid at maturity on December 31, 2015. The 2010 Debentures may not be prepaid before the maturity date. Repayment of the 2010 Debentures may be made in cash or shares of Common Stock at the option of the Company.

The 2010 Debentures may be converted into shares of Common Stock at the option of the holder. Upon conversion, the holder will be entitled to receive the number of shares of Common Stock that equal to two hundred percent (200%) of the face amount of the Debentures, together with accrued but unpaid interest, divided by the conversion price, which is the weighted average price for the five-day trading period before the notice of conversion. On July 1, 2011, two investors converted an aggregate of $50,000 in 2010 Debentures into 757,576 shares of restricted common stock. On October 20, 2011, one investor converted $100,000 in 2010 Debentures for 1,546,627 shares of restricted common stock. In March 2012, the remaining $50,000 principal amount of 2010 Debentures outstanding was converted into 940,734 shares of restricted common stock.

The 2010 Debenture investors also received common stock purchase warrants, designated by the Company as Class B Warrants, which expire on December 31, 2015. As of June 30, 2012, there were Class B Warrants outstanding to purchase an aggregate of 343,591 shares of common stock at exercise prices ranging between $0.2618 and $0.3276.

2011 Debenture Financing

Between April and June 2011, the Company sold Convertible Debentures Series 2011 (the "2011 Class A Debentures") with Class A Warrants for gross proceeds of $950,000 and the conversion of $725,000 of 2010 Debentures into 2011 Debentures. Between September and October 2011, the Company sold Convertible Debentures Series 2011 (the "2011 Class B Debentures" and together with the 2011 Class A Debentures, the "2011 Debentures") with Class B Warrants for gross proceeds of $700,000 and the conversion of $25,000 in accrued compensation.

The 2011 Debentures, which mature on December 31, 2016, earn interest at an annual rate of 12%, which will be paid quarterly exclusively from the Debenture Account. Principal on the 2011 Debentures will be paid quarterly at management's discretion and as the Debenture Account permits. A Debenture Account has been established with a financial institution for the deposit of 25% of the net funds the Company receives from licensing its intellectual property.

The 2011 Class A Debentures may be converted into shares of Common Stock at the option of the holder. Upon conversion, the holder will be entitled to receive the number of shares of Common Stock that equal to two hundred percent (200%) of the face amount of the 2011 Class A Debentures, together with accrued and unpaid interest, divided by the conversion price, which is the weighted average price for the five-day trading period preceding the 2011 Class A Debenture investment. Any 2011 Class A Debentures that are outstanding on the maturity date that have not been repaid from the Debenture Account will be repaid by the issuance of shares of Common Stock at the conversion price. As of June 30, 2012, fifteen of the sixteen investors elected to convert $1,575,000 in debentures to 16,831,553 shares of common stock. The accrued interest on the converted debentures of $179,312 was settled with $16,167 cash and the issuance of 870,543 shares of common stock. As of June 30, 2012, there was $100,000 principal amount of 2011 Class A Debentures outstanding that were convertible into approximately 1,587,302 shares of common stock.

The 2011 Class A Debenture investors also received common stock purchase warrants, designated by the Company as Class A Warrants, which expire on December 31, 2016. As of June 30, 2012, there were Class A Warrants outstanding to purchase an aggregate of 18,475,827 shares of common stock at exercise prices ranging between $0.063 and $0.109.

The 2011 Class B Debentures may be converted into shares of Common Stock at the option of the holder. Upon conversion, the holder will be entitled to receive the number of shares of Common Stock that equal to two hundred percent (200%) of the face amount of the 2011 Class B Debentures, together with accrued and unpaid interest, divided by the conversion price, which is the weighted average price for the five-day trading period preceding the 2011 Class B Debenture investment, however the conversion price shall not be less than ten cents per share at any time and the conversion price shall not be more than ten cents per share for investments made prior to October 1, 2011. Any 2011 Class B Debentures that are outstanding on the maturity date that have not been repaid from the Debenture Account will be repaid by the issuance of shares of Common Stock at the conversion price. As of June 30, 2012, eighteen of the nineteen investors elected to convert $846,161,000 in debentures to 16,923,227 shares of common stock. The accrued interest on the converted debentures of $45,941 was settled with the issuance of 459,412 shares of common stock. As of June 30, 2012, there were $50,000 principal amount of 2011 Class B Debentures outstanding that were convertible into approximately 1,000,000 shares of common stock.

The investors in 2011 Class B Debentures also received common stock purchase warrants, designated by the Company as Class B Warrants, which expire on December 31, 2016. As of June 30, 2012, there were Class B Warrants outstanding to purchase an aggregate of 8,961,614 shares of common stock at exercise prices of $0.10.

2012 Debenture Financing

On February 17, 2012, the Company issued (i) convertible debentures in the aggregate principal amount of $500,000 (the "2012 Debentures") and (ii) Series C warrants (the "2012 Warrants") to purchase shares of Common Stock to certain investors (the "2012 Investors") for aggregate cash proceeds of $180,000 and the exchange of $320,000 in previously issued promissory notes. There were four Investors, who are all directors of the Company.

The 2012 Debentures accrue interest at an annual rate of 8%, which will be paid quarterly exclusively from the Debenture Account. Principal on the 2012 Debentures will be paid quarterly, on a pro rata basis with all 2012 Debentures, as the Debenture Account permits, but only after all accrued interest has been paid.

The 2012 Debentures mature on December 31, 2019, to the extent not previously repaid. Any 2012 Debentures that are outstanding on the maturity date that have not been repaid from the Debenture Account will be repaid by the issuance of such number of shares of Common Stock equal to the outstanding principal and/or accrued interest divided by the volume weighted average price per share of the Company's Common Stock for the three trading days prior to the maturity date (the "2012 Conversion Price").

The 2012 Investors have the right, at any time after December 31, 2017, to require the 2012 Debentures to be repaid in full by cash from the Debenture Account, and to the extent such cash is not available, by shares of Common Stock at the 2012 Conversion Price. The Company has the right, at any time after December 31, 2018, to require the 2012 Debentures to be repaid in full by cash, shares of Common Stock at the 2012 Conversion Price, or a combination of cash and shares of Common Stock.

The 2012 Warrants are exercisable at an exercise price of $0.10 per share until the earlier of December 31, 2019 or when the Investor no longer holds any 2012 Debentures. The 2012 Warrants are also exercisable on a cashless basis at any time. The number of shares of Common Stock issuable upon exercise of the 2012 Warrants is equal to 50% of the then outstanding principal amount of the 2012 Debenture held by such 2012 Investor divided by the 2012 Conversion Price.

On April 23, 2012, the directors converted $500,000 of debentures and $7,243 in accrued interest into 5,790,452 shares of restricted common stock.

2012 Common Stock Private Offering

In the first half of 2012, the Company issued an aggregate of ten units ("Units") to certain investors (the "Purchasers") for aggregate cash proceeds of $250,000 (the "Financing"). Each Unit had a purchase price of $25,000 per Unit and consisted of Two Hundred Fifty Thousand (250,000) shares of the Company's common stock, $0.01 par value (the "Common Stock") and Series C Warrant to purchase Two Hundred Fifty Thousand (250,000) shares of Common Stock (the "Warrants"). The Warrants have an exercise price of $0.15 per share of Common Stock and will be exercisable until December 31, 2017. The Warrants may be exercised by the Purchasers by cashless exercise. In connection with the Financing, the Company granted each Purchaser registration rights upon the occurrence of a specified event.

Other

In May and June 2012, the Company borrowed $449,300 on promissory notes with four directors who are qualified investors. The notes are secured by the unencumbered 75% of license fees on licensed products secondary to the security interest of a financial institution and provided for accrued interest at 12% payable on maturity at September 30, 2012. Accrued interest of $10,542 at June 30, 2012 is still outstanding on director promissory notes.

The Company lacks growth capital and anticipates that approximately $1.5 million in additional investment capital will be required during the next 12 months to sustain its current operations and business plan. On July 31, 2012, the assets of the Illume Mobile operations were sold to DecisionPoint Systems, Inc. Management believes that the divestiture of this cash-dilutive operation will enable the Company to pursue its patent licensing strategy from internally generated funds. If we are unable to obtain sufficient patent licensing revenues to support the greatly reduced operating burden, we will not be able to implement our patent licensing strategy.

To lower its required cash expenditures for the first half of 2012, the Company issued 2,800,000 shares of common stock to vendors and 5,449,963 shares of common stock to directors and employees for compensation for services.

Sources and Uses of Cash

(In thousands)	Six Months ended June 30, 2012	Six Months ended June 30, 2011
Cash flow data:		
Net cash (used in) operating activities	$ (978)	$ (696)
Net cash (used in) investing activities	(220)	(322)
Net cash provided by financing activities	1,024	1,044
Net increase (decrease) in cash and cash equivalents	(174)	26
Cash and cash equivalents, beginning of period	273	187
Cash and cash equivalents, end of period	$ 99	$ 213

Operating Activities

Net cash used in operating activities for the six months ended June 30, 2012 was $978,000, an increase of $22,000 from the same period in 2011. More cash was used in operating activities primarily due to the workforce growth from 17 employees in the first half of 2011 to 38 employees in the first half of 2012.

Investing Activities

Cash used in investing activities for the six months ended June 30, 2012 was $220,000, a decrease of $102,000 from the same period in 2011. Less cash was used in investing activities primarily due to a $97,000 decrease in capitalized software development costs in the first half of 2012 compared to 2011 as the Company focused more on delivery of products and services that were being developed in 2011.

Financing Activities

Net cash provided by financing activities for the six months ended June 30, 2012 was $1,024,000 compared with $1,044,000 for the same period in 2011, a decrease of $20,000. Cash provided by financing activities in first half of 2012 was primarily from $250,000 in common stock sold to five qualified investors and $719,000 short term loans made by directors.

Critical Accounting Policies

Accounts Receivable and Credit Policies:

Trade accounts receivable consist of amounts due from the sale of solution services, software and hardware. Accounts receivable are uncollateralized customer obligations due under normal trade terms requiring payment within 30 days of receipt of the invoice. The Company provides an allowance for doubtful accounts equal to the estimated uncollectible amounts based on historical collection experience and a review of the current status of trade accounts receivable. In many instances, customers make a substantial prepayment for services before rendered; therefore the Company is extending trade terms to customers who have already proven to be credit worthy.

At the quarter ending June 30, 2012 and at fiscal year ending December 31, 2011, the Company deems all amounts recorded as collectible and, thus has not provided an allowance for uncollectible amounts.

Property and Equipment:

Property and equipment are recorded at cost. Depreciation is computed using straight-line methods applied to individual property items based on estimated useful lives.

Revenue Recognition and Unearned Revenue:

Revenues from intellectual property licenses are recognized upon receipt. When intellectual property licenses are received under a contingent fee agreement with the law firm of Antonelli, Harrington & Thompson LLP, and the applicable contingent legal expense is recorded as a cost of sale. In the event a non-exclusive intellectual property license is granted within the scope of a contracted project, ten percent (10%) of the contract amount is deemed to be payment for the license. Revenue from software product licensing is recognized ratably over the license period. Unearned revenue attributable to software product licensing was $18,681 and $6,740 for the first half of 2012 and 2011, respectively.

Solution services revenues consist primarily of professional services contracted to third party customers under contract for specific projects. Contracted projects that are fixed price are accounted for under the percentage-of-completion method of accounting. Revenue from contracted projects that are for provision of services is recognized at the time the service is provided. Revenue from setup fees, marketing and other services is recognized at the time the service is provided. Unearned revenue attributable to solution services revenues as $34,932 and $21,500 for the first half of 2012 and 2011, respectively.

At June 30, 2012, the Company had approximately $312,000 in backlogged unbilled revenue attributable to custom mobile apps and product customization services which are expected to be complete during the third quarter of 2012, an increase of $212,000 from unbilled revenue of $110,000 at June 30, 2011. The majority of this unbilled revenue was transferred to DecisionPoint as part of the July 31, 2012 sale of Illume Mobile assets.

Software Development Costs:

The Company accounts for software development costs in accordance with ASC 985-20, "Costs of Computer Software to be Sold, Leased, or Otherwise Marketed". Costs incurred prior to the establishment of technological feasibility are expensed as incurred as research and development costs. Costs incurred after establishing technological feasibility and before the product is released for sale to customers are capitalized. These costs are amortized over three years and are reviewed for impairment at each period end. Amortization expense approximated $87,659 and $55,969 in the first half of 2012 and 2011, respectively.

Realization of software development costs is dependent on the Company generating sufficient future profitability. Although the Company expects to fully realize the software development costs, that expectation could change in the near term if estimates of future profitability are not achieved.

Long-Lived Assets:

The Company accounts for long-lived assets in accordance with the provisions of ASC 360-10-35, "Impairment or Disposal of Long-lived Assets". This Statement requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. No impairment charges were incurred during the periods ended June 30, 2012 and December 31, 2011.

Stock-Based Compensation:

The Company accounts for stock-based compensation in accordance with ASC 718, "Compensation-Stock Compensation". ASC 718 requires companies to measure the cost of employee services received in exchange for an award of equity instruments, including stock options, based on the grant-date fair value of the award and to recognize it as compensation expense over the period the employee is required to provide service in exchange for the award, usually the vesting period.

The Company uses the Black-Sholes model for determining the value of the options. One of the factors required to compute the options price is volatility of the stock price. The Company's own stock commenced public trading in August, 2008; however due to initially thin trading activity, management determined that the technology sector fund XLK and its standard deviation would continue to be used to provide the volatility factor required to compute the option value.

Effect of Recently Issued Accounting Pronouncements

In December 2011, the FASB issued Accounting Standards Update No. 2011-11, "Balance Sheet (Topic 210), Disclosures about Offsetting Assets and Liabilities. The Boards initially proposed a joint model describing when it is appropriate to offset financial assets and liabilities on the balance sheet that would have been close to the more restrictive IFRS approach, but instead decided to focus on developing common disclosure requirements. New disclosures are required to enable users of financial statements to understand significant quantitative differences in balance sheets prepared under U.S. GAAP and IFRS related to the offsetting of financial instruments. The existing U.S. GAAP guidance allowing balance sheet offsetting, including industry-specific guidance, remains unchanged. The Company does not offset financial instruments and therefore does not expect the adoption of ASU 2011-11 to have a material effect on our financial statements.

In June 2011, the FASB issued Accounting Standards Update No. 2011-05, "Presentation of Comprehensive Income". In December 2011, the FASB issued Accounting Standards Update No. 2011-12 deferring the effective date of ASU 2011-05. ASU 2022-05 amends the guidance in ASC 220 "Comprehensive Income" by eliminating the option to present components of other comprehensive income (OCI) in the statement of stockholders' equity. Instead, the new guidance now requires entities to present all non owner changes in stockholders' equity either as a single continuous statement of comprehensive income or as two separate but consecutive statements. The Company does not have other comprehensive income and therefore does not expect the adoption of ASU 2011-05 to have a material effect on our financial statements.

In May 2011, the FASB issued Accounting Standards Update No. 2011-04, "Fair Value Measurement". This guidance amends the application of the "highest and best use" concept to be used only in the measurement of fair value of nonfinancial assets, clarifies that the measurement of the fair value of equity-classified financial instruments should be performed from the perspective of a market participant who holds the instrument as an asset, clarifies that an entity that manages a group of financial assets and liabilities on the basis of its net risk exposure can measure those financial instruments on the basis of its net exposure to those risks, and clarifies when premiums and discounts should be taken into account when measuring fair value. The fair value disclosure requirements also were amended. The Company is in the process of evaluating the impact the amended guidance will have on its financial statements.

ITEM 3 - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not required under Regulation S-K for "smaller reporting companies."

ITEM 4 - CONTROLS AND PROCEDURES

a) Evaluation of disclosure controls and procedures.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15 under the Securities Exchange Act of 1934 as of the end of the period covered by this Quarterly Report on Form 10-Q. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Based on our evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of June 30, 2012, our disclosure controls and procedures are designed at a reasonable assurance level and are effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

(b) Changes in internal control over financial reporting.

There were no changes in our internal control over financial reporting that occurred during the quarter ended June 30, 2012 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II - OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we may become involved in various lawsuits and legal proceedings which arise in the ordinary course of business. We are not currently aware of any such legal proceedings or claims that we believe will have, individually or in the aggregate, a material adverse effect on our business, financial condition or operating results.

We are currently a party to 24 legal proceedings we initiated in the United States District Court Eastern District of Texas against 39 alleged infringers of our United States Patent #7,822,816. In each action, we claimed that each of defendants, directly or through intermediaries, made, has made, used, imported, provided, supplied, distributed, sold, and/or offered for sale products and/or systems that infringed one or more claims of United States Patent #7,822,816. We asked the Court for relief, including permanent injunctions, damages and costs we incurred because of the infringing activities, including interest and attorney fees. Any resulting litigation, however, will be subject to inherent uncertainties and the favorable outcome of any litigation is inestimable.

A summary of the legal proceedings initiated by the Company that are still outstanding and the status of legal proceedings that have been resolved since last reported is as follows:

Filing Date	Defendant	Case Number	Status	Date of Disposition (if any)
8-Jun-11	Agilis Systems, LLC	6:11-CV-287	Open	N/A
8-Jun-11	Environmental Systems Research Institute, Inc.	6:11-CV-287	Open	N/A
8-Jun-11	Invensys Systems, Inc. (d/b/a Invensys Operations Management)	6:11-CV-287	Open	N/A
8-Jun-11	TrueContext Mobile Solutions Corporation	6:11-CV-287	Open	N/A
8-Jun-11	Spring Wireless USA, Inc.	6:11-CV-287	Open	N/A
8-Jun-11	BizSpeed, Inc.	6:11-CV-287	Open	N/A
8-Jun-11	Xora, Inc.	6:11-CV-287	Open	N/A
8-Jun-11	Spira Data Corp.	6:11-CV-287	Open	N/A
8-Jun-11	The DataMax Software Group Inc.	6:11-CV-287	Open	N/A
8-Jun-11	Ventyx Inc.	6:11-CV-287	Open	N/A
8-Jun-11	Air2Web Inc.	6:11-CV-287	Open	N/A
8-Jun-11	General Data Company, Inc.	6:11-CV-287	Open	N/A
8-Jun-11	RealTime Results, LLC	6:11-CV-287	Open	N/A
8-Jun-11	Millennium Information Technology, Inc. (d/b/a MIT Systems, Inc.)	6:11-CV-287	Open	N/A
15-Sep-11	Citigroup Inc.	6:11-CV-490	Open	N/A
3-Oct-11	Whoop, Inc.	6:11-CV-523	Open	N/A
21-Dec-11	American Airlines, Inc.	6:11-CV-685	Open	N/A
21-Dec-11	Avis Rent A Car System, LLC	6:11-CV-686	Open	N/A
21-Dec-11	Continental Airlines, Inc.	6:11-CV-687	Open	N/A
21-Dec-11	Hipmunk, Inc.	6:11-CV-689	(b)	June 7, 2012
21-Dec-11	Southwest Airlines Co.	6:11-CV-692	(a)	June 4, 2012
21-Dec-11	United Air Lines, Inc.	6:11-CV-694	Open	N/A
30-Jan-12	Facebook, Inc.	6:12-CV-44	Open	N/A
30-Jan-12	Hyatt Corporation	6:12-CV-45	Open	N/A
30-Jan-12	Newegg Inc.	6:12-CV-46	Open	N/A
30-Jan-12	Wal-Mart Stores, Inc.	6:12-CV-47	Open	N/A
17-Feb-12	GEICO Insurance Agency, Inc.	6:12-CV-74	Open	N/A
17-Feb-12	GEICO Casualty Company and Government Employees Insurance Company	6:12-CV-74	Open	N/A

17-Feb-12	Marriott International, Inc.	6:12-CV-76	Open	N/A
27-Feb-12	AOL INC.	6:12-CV-91	Open	N/A
27-Feb-12	Inter-continental Hotels Corporation	6:12-CV-92	Open	N/A
27-Feb-12	Six Continents Hotels, Inc.	6:12-CV-92	Open	N/A
23-Mar-12	Bank of America Corporation and Bank of America, N.A.	6:12-CV-193	(b)	June 22, 2012
23-Mar-12	MovieTickets.com	6:12-CV-194	Open	N/A
18-Jun-12	JPMorgan Chase & Co, JPMorgan Chase Bank, N.A.	6:12-CV-384	Open	N/A
18-Jun-12	LinkedIn Corporation	6:12-CV-385	Open	N/A
19-Jun-12	Jetblue Airways Corporation	6:12-CV-387	Open	N/A
19-Jun-12	Kayak Software Corporation	6:12-CV-388	Open	N/A
19-Jun-12	Cumulus Media, Inc.	6:12-CV-389	Open	N/A
26-Jun-12	Fareportal, Inc.	6:12-CV-416	Open	N/A
26-Jun-12	LQ Management L.L.C.	6:12-CV-417	Open	N/A
26-Jun-12	Target Corporation	6:12-CV-418	Open	N/A

(a) Lawsuit dismissed without prejudice
(b) Lawsuit dismissed with prejudice pursuant to a settlement agreement

Item 1A. Risk Factors

Not required under Regulation S-K for “smaller reporting companies.”

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Stock issuances

The Company issued 1,833,986 shares of compensation shares to employees in lieu of $173,750 cash compensation for services rendered during the second quarter of 2012 which had been recorded at a value of $18,340 in stock based compensation based upon individual tax elections made by each recipient. The shares were awarded on Restricted Stock Agreements which have a six month time lapse restriction and are subject to forfeiture upon voluntary termination of employment.

The Company’s independent directors annual compensation is $16,000 to be paid quarterly in restricted stock. The Company issued the directors 194,175 shares of restricted stock on April 1, 2012 for their first quarter 2012 compensation. The Company recorded $4,000 in stock based compensation for each of its five independent directors.

The Company issued 750,000 shares of restricted common stock to a consulting firm in exchange for investor relations services to be rendered between May 10 and October 18, 2012. The service agreement calls for a total of 1,500,000 shares of common stock to be earned in two ways. First, by issuance of 750,000 shares, valued at $45,000, upon signing and second, by issuance of 750,000 shares upon effectuation of a registration statement.

The Company issued 200,000 shares of restricted common stock to its securities law firm in exchange for services valued at $20,000.

The Company issued 9,946,762 shares of restricted stock for principal and 596,918 shares of restricted stock for accrued interest upon conversion of 2011 Class A Debentures. The Company issued 10,423,227 shares of restricted stock for principal and 280,315 shares of restricted stock for accrued interest upon conversion of 2011 Class B Debentures. The Company issued 5,707,764 shares of restricted stock for principal and 82,688 shares of restricted stock for accrued interest upon conversion of 2012 Class C Debentures.

The Company issued 250,000 shares of restricted stock for one unit of the 2012 Common Stock Private Offering

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information.

None.

Item 6. Exhibits

31.01	Certification of Chief Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.02	Certification of Chief Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.01	Certifications of Chief Executive Officer and 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 Schema Document*
101 CAL	XBRL Calculation Linkbase Document*
101 LAB	XBRL Labels Linkbase Document*
101 PRE	XBRL Presentation Linkbase Document*
101 DEF	XBRL Definition Linkbase Document*

* The XBRL related information in Exhibit 101 shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liability of that section and shall not be incorporated by reference into any filing or other document pursuant to the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing or document.

SIGNATURES

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

MACROSOLVE, INC.

Date: August 13, 2012

By: /s/ KENDALL CARPENTER
Kendall Carpenter
Chief Financial Officer (Principal Executive Officer,
Principal Financial Officer and Principal Accounting Officer)

EXHIBIT 31.01

CERTIFICATION

I, Kendall Carpenter, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: August 13, 2012

/s/ KENDALL CARPENTER
Kendall Carpenter
Principal Executive Officer

EXHIBIT 31.02

CERTIFICATION

I, Kendall Carpenter, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: August 13, 2012

/s/ KENDALL CARPENTER
Kendall Carpenter
Chief Financial Officer

Exhibit 32.01

CERTIFICATIONS OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Kendall Carpenter, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of MacroSolve, Inc. on Form 10-Q for the fiscal quarter ended June 30, 2012 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in this Quarterly Report on Form 10-Q fairly presents in all material respects the financial condition and results of operations of MacroSolve, Inc.

Date: August 13, 2012	By:	/s/ KENDALL CARPENTER
	Name:	Kendall Carpenter
	Title:	*Principal Executive Officer and Chief Financial Officer*