Zacks Small-Cap Research

January 3, 2017

Lisa Thompson
312-265-9154
lthompson@zacks.com

scr.zacks.com

10 S. Riverside Plaza, Chicago, IL 60606

Finjan Holdings (FNJN-NASDAQ)

FNJN: Zacks Company Report – $4 Million F5 License Booked in December, Raising Estimates

Based on the average EV to Sales of comparable companies in the IP business of 2.6xs we believe FNJN Stock could be worth $6.75 per share if it does indeed collect the Blue Coat judgment as expected.

Current Price (01/02/17)	$1.13
Valuation	**$6.75**

UPDATE

Finjan is positioned to grow not only by pursuing IP licensing, but also by penetrating cybersecurity consulting services, and investing in new IP via R&D and cybersecurity startups. Its new consulting business is having slow start. Preferred stock issued in May reduced earnings for common shareholders. In 2017 we expect it to collect over $40 million from Blue Coat, and $15 million from Sophos if the rulings are upheld on appeal, and for the company to retire its remaining preferred stock. The company continues to successfully close licensing deals.

SUMMARY DATA

52-Week High	**$1.98**
52-Week Low	**$0.83**
One-Year Return (%)	**-3.0**
Beta	**-0.7**
Average Daily Volume (sh)	**37,765**
Shares Outstanding (mil)	**23**
Market Capitalization ($mil)	**$26**
Short Interest Ratio (days)	**3.2**
Institutional Ownership (%)	**28**
Insider Ownership (%)	**65**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**N/M**
Earnings Per Share (%)	**N/M**
Dividend (%)	**N/M**
P/E using TTM EPS	**N/M**
P/E using 2016 Estimate	**N/M**
P/E using 2017 Estimate	**1.2**
Zacks Rank	**N/A**

Risk Level	**Above Average**
Type of Stock	**Small-Growth**
Industry	**Internet-Software**

ZACKS ESTIMATES

Revenue
(in millions of $- Restated)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2014	0.0 R	0.0 R	5.0 A	0.0 A	5.0 A
2015	0.0 A	0.7 A	0.0 A	4.0 A	4.7 A
2016	2.3 A	6.5 A	1.1 A	7.5 E	17.5 E
2017	4.7 E	1.0 E	1.0 E	46.0 E	58.5 E

Earnings per Share
(Restated EPS is continuing operating earnings before non-recurring items)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2014	-$0.08 R	-$0.15 R	$0.03 R	-$0.18 A	-$0.38 A
2015	-$0.19 A	-$0.12 A	-$0.21 A	-$0.05 A	-$0.56 A
2016	-$0.05 A	-$0.20 A	-$0.20 A	$0.13 E	-$0.32 E
2017	$0.03 E	-$0.10 E	-$0.19 E	$1.31 E	$0.95 E

© Copyright 2017, Zacks Investment Research. All Rights Reserved.

WHAT'S NEW

New License Agreement with F5 Booked in Q4 2016

Finjan booked one of the four license deals it promised would close in Q4 on December 30, 2016. While it had seemed the company had missed the quarter, today a press release revealed that on December 28th it had struck a deal with F5 for a $4 million license and had subsequently received the full amount on December 30, 2016. This was one of the four potential deals to close in Q4. At least two of the other three are expected to be closer to the $7-10 million range. We had previously added in only $2.5 million to our Q4 estimate for this new license and now we are changing that to the actual $4 million received. In addition the company got an early payment from Proofpoint of $3.3 million that had been due in Q1 2017 and have shifted the revenue accordingly. The only revenue unknown now for the quarter is whatever revenues CybeRisk brings in. Our **Q4 revenue estimate has now been raised to $7.5 million and the EPS estimate is now a positive $0.13 per share**. This makes full year revenues $17.5 million and EPS loss of $0.32.

The language in this agreement does not grant F5 any right to transfer, sublicense or grant any rights to a third party except as specifically provided under the agreement. This license also has certain provisions relating to certain unlicensed products of any company that acquires F5, or is acquired by F5 or its affiliates, in which case additional royalties of 8%, or license fees, respectively, may apply. Given all the mergers and acquisition in this industry, and a recent acquisition offer on F5, certainly such provisions in the agreement are prudent.

RECAP: The Win Against Blue Coat

The big win for Finjan against Blue Coat on August 5, 2015 awarded the company $40 million. Since then, the district court granted Finjan pre and post judgment interest on the jury's award and Blue Coat has already put up a bond with the court for the $39.5 million and an incremental accounting for pretrial interest. With interest and royalties, the company estimates this could total $46 million by the time it is collected, of which, 20% will go to the litigating law firm.

Symantec acquired blue Coat on August 1, 2016 for $4.5 billion and Finjan is in litigation with Symantec, making a settlement exponentially more complicated and delaying the process until Q4 2017 from Q3 2017. We have adjusted our model accordingly. In order to put more pressure on Blue Coat to settle before the appeal process slated for next year, Finjan filed a motion for **preliminary injunction** on July 28, 2016 against Blue Coat, which was heard in court on November 10, 2016 but it was denied**.** The preliminary injunction would prohibit Blue Coat from making, using, offering to sell or selling within the U.S. or import into the U.S. the Dynamic Real-Time Rating component of their WebPulse product.

In addition to the appeal process for this judgment, there is the new suit against Blue Coat that encompasses seven patents and addresses new products that have been introduced by Blue Coat since the lawsuit just won was filed in 2013. Specifically the company named certain of Blue Coat's ProxySG Appliances and Software, the ProxyAV Appliances and Software, and WebPulse Services (some of which Blue Coat recently launched) as products that are infringing. The patents Finjan believes are being infringed upon in this new suit are: 6,154,844; 6,965,968; 7,418,731; 8,079,086; 8,225,408; 8,566,580 and 8,677,494, the last four of which are being asserted against Blue Coat for the first time. On December 13, 2016, the court entered an order denying Blue Coat's Motion for judgment on the pleadings under 35 U.S.C. § 101, filed on September 16, 2016, that asserted claims of Finjan's U.S. Patent No. 8,677,494 are invalid for lack of patentable subject matter.

RECAP: The Win Against Sophos

Finjan won its trial against Sophos in September and was awarded $15 million for the life of the patents. It subsequently received affirmative judgment from the court on that award. The final briefings and motions in the Sophos case are completed. Sophos has not yet decided to appeal or negotiate. If it does decide to appeal, and the court does not overturn the ruling on appeal, collection could drag out until Q1 2018. In order to be conservative, and in light of the fact that the litigation with Sophos has been going on for six years, we are not increasing our 2016 or 2017 estimates at this point because we assume this case will be appealed. Once we know it is not, we will put the $15 million into our estimates. Because of this win, other potential licensees will have further impetus to strike a deal, and the preferred stock should be redeemed even more quickly. On November 28, 2016, Finjan filed a Motion to amend the judgment, for a permanent injunction, and for pre- and post-judgment interest. Sophos also filed post-judgment motions that day.

Still Awaiting More Possible Settlements

Palo Alto Networks (PANW) may have its stay lifted since the Patent Office ruled on Finjan's patents. It may be more amenable to a licensing deal as this hurdle cleared. Of the 13 petitions for IPR, the PTAB has denied seven petitions in Finjan's favor, partially denied (and partially granted) three petitions, and granted three petitions for review.

FireEye (FEYE) is still stayed, but the company expects the stay to be lifted shortly. The USPTO is finalizing its re-examination and review of two patents in that case.

KEY POINTS

- Finjan holds a number of pioneering patents for cybersecurity hardware and software that is relevant to dozens of companies in this space.
- While it has already won a $46 million judgment against Blue Coat, its biggest opportunity is its litigation with Symantec, a much larger company that bought Blue Coat on August 1, 2016.
- The company is continuing to file new patents.
- While its patents have already generated > $154M in its licensing and enforcement track record, the company has the potential to continue to reap large licensing revenues from the $21 billion market for cybersecurity software, services and appliance market.
- The technology licensing market in the U.S., once an afterthought, has grown from $33 billion in 1994 to $68 billion in 2002 and is likely over $100 billion today.
- The company's win against Blue Coat proves its patents are still valued and able to be successfully defended and therefore monetized.
- The company's has a market cap of $27 million and could be worth considerably more if it is successful in its licensing pursuits. Estimating revenues of $58.5 million in 2017 and an industry multiple of 2.8 times sales, the company could be worth as much as $163 million in enterprise value by 2017 if it succeeds in reaching new licensing arrangements and collecting the Blue Coat win.

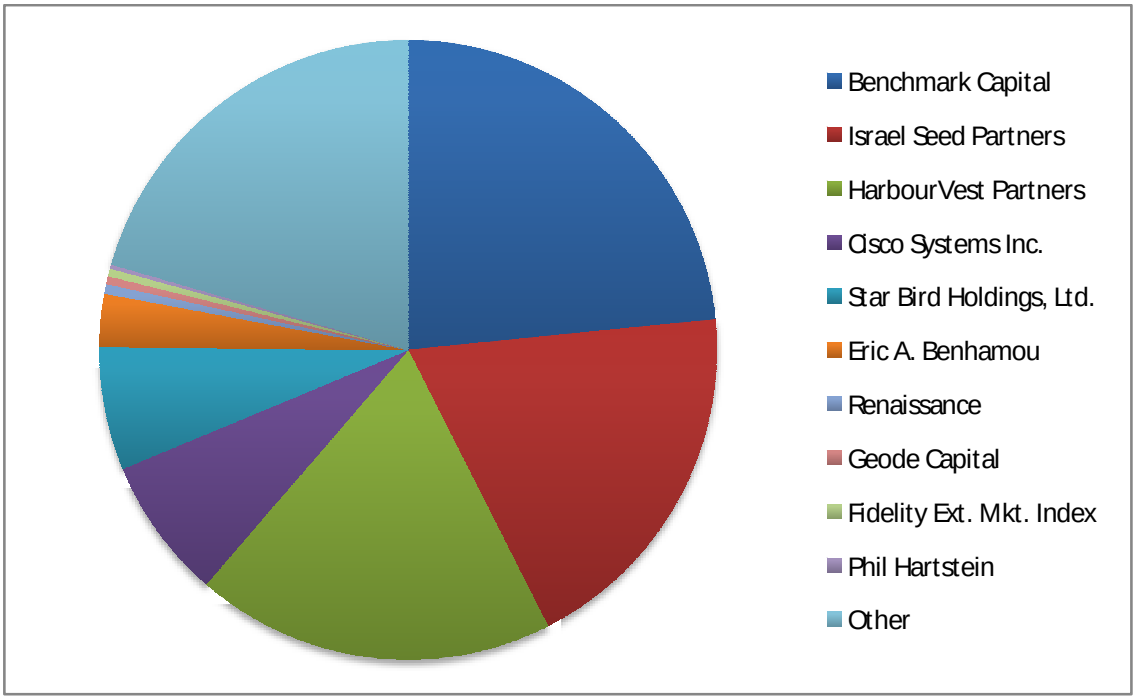
OVERVIEW

Finjan Holdings is a patent licensing and enforcement firm based in East Palo Alto, California that owns the patents of its predecessor company Finjan Inc., a cybersecurity company that was founded in Israel in 1997. It invented several technologies that are used in current cybersecurity products today. Its three main patent areas:

- Behavior-based methods to detect and prevent threats from the Internet, including email and Web malware
- "Sandboxing" or stripping applications and running potentially malicious code in a safe environment
- Mobile code replacement where the malicious code is stripped and replaced by safe code

OWNERSHIP

As of January 3, 2017



THE PRESENT COMPANY ENFORCEMENT

Company	Date and Location	Status	Patent numbers
FireEye **($714 million)**	US District Court for the Northern District of California on July 8, 2013	Stayed pending review by PTAB.	**6,804,780**, 8,079,086, 7,975,305, 8,225,408, **7,058,822**, 7,647,633 and 6,154,844
Blue Coat Bought by Symantec August 2016 **($755 million)**	US District Court for the Northern District of California on August 28, 2013	**Won $40m judgment. All patents upheld. Only 7,058,822 did not infringe.** Post-trial motions April 28, 2016 Injunction hearing Nov. 10, 2106.	6,154,844, **6,804,780**, 6,965,968, **7,058,822**, 7,418,731, and 7,647,633
	US District Court for the Northern District of California on July 16, 2015	Trial date October 30, 2017	6,154,844; 6,965,968; 7,418,731; 8,079,086; 8,225,408; 8,566,580; 8,677,494
Proofpoint **($344 million)**	United States District Court for the Northern District of California on December 16, 2013	Settled May 23, 2016 for $10.9 million.	6,154,844, **7,058,822**, 7,613,918, 7,647,633, 7,975,305, 8,079,086, 8,141,154, and 8,225,408
Sophos **($501 million)**	United States District Court for the Northern District of California on March 14, 2014	Won $15m judgment. Awaiting Sophos decision to appeal or not. JMOL in Q4 2016.	6,154,844, **6,804,780**, 7,613,926, 8,141,154, 8,566,580, and 8,677,494
Symantec **($3.6 billion)**	United States District Court for the Northern District of California on June 1, 2014	Stay lifted August 1, 2016. Proposed schedule submitted. Estimated trial date H1 2018.	6,154,844; 7,613,926; 7,756,996; 7,757,289; 7,930,299; 8,015,182; 8,141,154; and 8,677,494
Palo Alto Networks ($1.4 billion)	United States District Court for the Northern District of California on November 4, 2014	Review completed by PTAB. Waiting for stay to be lifted.	**6,804,780**; 6,965,968; **7,058,822**; 7,418,731; 7,613,918; 7,613,926; 7,647,633; 8,141,154; 8,225,408; and 8,677,494
ESET	United States District Court for the Northern District of California on July 1, 2016 German District Court in Dusseldorf	Suing for minimum of $44 million. German trial expected Q2 2017.	**6,154,844; 6,804,780;** 7,975,305; 8,079,086; 9,189,621; and 9,219,755. European Patent No. EP 0965094

Highlighted patent numbers have been successfully defended in court.

VALUATION

Valuation of an IP company, even with a track record, is very difficult. It is even more so with a company like Finjan that has only two court victories, five recent licensing arrangements, and no recurring revenues. We can however look at other IP companies to see how the market values them to make some comparisons. There seems to be two different types of companies in this space, the older stable revenue generating companies like Rambus (RMBS), and the upstarts that trade on events and potential. We can see from the table below, this ranges from Pendrell (PCO) with a negative $1 million enterprise value, to Interdigital (IDCC) with an enterprise value of $2.6 billion and $399 million in sales expected next year. On average, the companies with revenues trade at an average of 2.8X 2016 estimated calendar revenues.

Using a valuation based on enterprise value to sales is easier for unprofitable companies. If Finjan were to generate $59 million in sales in 2017, we could see the market putting a 2.6 times sales multiple on it as shown in the industry average below. Using that and working back to enterprise value per share, we see that given those revenues, Finjan should be worth $6.75 per share, assuming a settlement is received from Blue Coat if the appeal is won. The Sophos win of $15 million has not been added to revenues. We expect that money to come in in 2018 after appeal, but if there is no appeal that number should be in 2017 revenues and that will increase the company's valuation further.

Company	Ticker	Revenue 2017E	Revenue LTM	EV/ EBITDA	EBIDTA Margin	Enterprise Value / Sales 2017E	Enterprise Value / Sales LTM	Included in Average?	Enterprise Value
Acacia Research	ACTG	$135	$168	4.0x	27%	1.3x	1.1x	y	$182
Interdigital	IDCC	$399	$504	7.9x	66%	6.6x	5.2x	y	$2,620
Inventergy Global	INVT	$16	$2	-4.0x	-251%	1.2x	9.3x	y	$20
Marathon	MARA	$45	$44	4.0x	24%	0.9x	1.0x	y	$42
Neonode	NEON	$32	$10	-16.3x	-51%	2.7x	8.2x	y	$85
Network-1	NTIP	NA	$66	0.4x	78%	NA	0.3x	n	$20
Parkervision	PRKR	$63	$4	-1.7x	-346%	0.4x	5.9x	n	$24
Pendrell	PCO	$32	$59	0.0x	46%	0.0x	0.0x	n	-$1
Rambus	RMBS	$390	$316	14.7x	7%	3.9x	4.8x	y	$1,530
RPX	RPXC	$351	$324	2.1x	64%	1.3x	1.4x	y	$444
Tessera	TSRA	$445	$251	10.3x	68%	3.9x	7.0x	y	$1,750
VirnetX	VHC	$9	$2	-3.7x	-1934%	NM	69.0x	n	$107
FORM Holdings	FH	NA	$39	1.0x	28%	NM	0.3x	n	$10
Wi-Lan	WILN	$72	$89	2.0x	64%	1.6x	1.3x	y	$114
Average				**2.7x**	**2%**	**2.6x**	**4.4x**		**$754**

	Revenue 2017E	Revenue LTM	EBITDA Margin	Enterprise Value / Sales 2017E	Enterprise Value / Sales LTM	Valuation Range Low	Valuation Range High
Finjan	**$59**	**$14**	**-154%**	**2.6x**	**4.4x**	**$61**	**$153**

Conclusion of Enterprise Value	**$152,583,804**
Market Value	**$154,683,804**
Shares Outstanding	22,901,061
Price per Share	**$6.75**

Another way to look at possible revenues from current activity is to compare the relevant revenues of the various companies involved. We are taking a general guess that 20% of Websense's revenues were affected by Finjan patents which resulted in a licensing fee of $8 million before the Markman Hearing. Proofpoint just yielded $10.9 million right at the pre-trial hearing. F5 inked a deal for $4 million in the early stages of litigation.

The jury in the Sophos case awarded Finjan $15 million, the high end of the expert witnesses range. Blue Coat went through the full trial and was awarded $40 million. The sum is already up to $46 million as interest and royalties for additional products sold during the litigation process is added on. Looking at the rest of the companies we can derive revenues $296 million adding actuals and for similar licensing at the same stage as Websense. Judgments, of course, may be all over the place.

	2015 Revenues	% Relevant	License	Judgment
Estimated				
FireEye	$623	30%	$18.7	
Proofpoint	265	50%	13.3	
Symantec (2 segments)	4,200	30%	126.0	
Palo Alto Networks	1,100	27%	30.0	
Total potential			187.9	
Actual				
Blue Coat				40.0
Websense	DK	DK	8.0	
Avast Software	DK	DK	3.0	
Undisclosed	DK	DK	3.7	
Proofpoint	265	DK	10.9	
European undisclosed			0.6	
F5	2,024	DK	4.0	
Sophos	**447**	**DK**	**-**	**15.0**
Total actual	DK	DK	30.1	55.0
TOTAL			$241.0	
Plus Blue Coat & Sophos			**296.0**	

Cybersecurity companies

The new consulting venture, once it starts to generate meaningful revenues, will have different peer comparables where valuations are much higher. For example, FireEye bought Madiant for $1 billion or approximately 7 times sales. Another comparable would be root9b, a company with $141 million enterprise value and a run rate of $38 million, or 3.7 times.

RISKS

- The company has a limited track record with which to set expectations.
- All of the revenues booked to date are one-time and not recurring. It will be more difficult to book revenues as more and more companies are no longer targets.
- There is no way to predict the timing of lawsuit settlements or licensing agreements, or even the length of a lawsuit.
- The stock is high risk and is expected to have wide swings in stock price depending on unpredictable events.
- Government is expected to legislate new laws on patent enforcement that could affect the company's ability to monetize its patents as it currently expects.

INCOME STATEMENT

	2015				2016				2017E						
In Thousands	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4E**	**Q1E**	**Q2E**	**Q3E**	**Q4E**	**2015**	**2016E**	**2017E**
Websense	$0	$0	$0	$0	$2,000	$0	$0	$0	$1,000	$0	$0	$0	$0	$2,000	$1,000
Other licenses	0	700	0	3,975	300	2,178	1,000	4,000	2,650	0	0	0	4,675	7,478	10,000
CybeRisk Security Solutions	0	0	0	12	20	50	141	210	1000	1000	1000	1000	12	421	2,500
Blue Coat	0	0	0	0	0	0	0	0	0	0	0	45,000	0	0	45,000
Proofpoint	0	0	0	0	0	4,300	0	3,300	0	0	0	0	0	7,600	0
Sophos															0
Total Revenues	**0**	**700**	**0**	**3,987**	**2,320**	**6,528**	**1,141**	**7,510**	**4,650**	**1,000**	**1,000**	**46,000**	**4,687**	**17,499**	**58,500**
Cost of revenues	0	60	0	754	0	2,237	0	526	0	70	70	9,070	814	2,763	13,600
Gross profit	0	640	0	3,233	2,320	4,291	1,141	6,984	4,650	930	930	36,930	3,873	14,736	44,900
Gross Margin		91%		81%	100%	66%	100%	93%	100%	93%	93%	80%	83%	84%	77%
Operating Expenses:															
SG&A	4,205	4,413	4,490	4,254	3,433	3,339	4,184	3,900	3,900	3,900	5,200	6,900	17,362	14,856	19,900
R&D		146	206	39	51	54	259	50	100	100	100	100	391	414	400
Total operating expenses	4,205	4,559	4,696	4,293	3,484	3,393	4,443	3,950	4,000	4,000	5,300	7,000	17,753	15,270	20,300
Operating Income	(4,205)	(3,919)	(4,696)	(1,060)	(1,164)	898	(3,302)	3,034	650	(3,070)	(4,370)	29,930	(13,880)	(534)	24,600
Other Income															
Gain on settlements	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other income	(1)	1,271	0	1	0	0	0	0	0	0	0	0	1,271	0	0
Interest income	9	7	(4)	0	1	0	0	0	0	0	0	0	12	1	0
Total other income	8	1,278	(4)	1	1	0	0	0	0	0	0	0	1,283	1	0
Pretax profit	(4,196)	(2,634)	(4,700)	(1,060)	(1,163)	898	(3,302)	3,034	650	(3,070)	(4,370)	29,930	(12,597)	(533)	24,600
Income taxes	5	0	0	0	-	-	-	-	-	-	-	-	5	0	0
Tax rate					0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Net Income	(4,201)	(2,634)	(4,700)	(1,060)	(1,163)	898	(3,302)	3,034	650	(3,070)	(4,370)	29,930	(12,602)	(533)	24,600
Accretion of Preferred Stock	-	-	-	-	-	(5,480)	(1,309)	-	-	(816)	-	-	-	(6,789)	(816)
Net inc. to common shareholders	(4,201)	(2,634)	(4,700)	(1,060)	(1,163)	(4,582)	(4,611)	3,034	650	(2,254)	(4,370)	29,930	(12,602)	(7,322)	23,784
Net Income Per Share:															
EPS	**($0.19)**	**($0.12)**	**($0.21)**	**($0.05)**	**($0.05)**	**($0.20)**	**($0.20)**	**$0.13**	**$0.03**	**($0.10)**	**($0.19)**	**$1.31**	**($0.56)**	**($0.32)**	$0.95
Diluted EPS	($0.19)	($0.12)	($0.19)	($0.05)	($0.05)	($0.20)	($0.18)	$0.12	$0.03	($0.10)	($0.19)	$1.21	($0.52)	($0.29)	**$0.95**
Avg Shares Outstanding	22,409	22,519	22,562	22,641	22,709	22,764	22,854	22,901	22,709	22,757	22,800	22,850	22,549	22,807	22,639
Diluted Shares	24,315	24,435	24,468	24,560	24,628	24,973	25,063	25,110	24,535	24,676	24,719	24,769	24,444	24,943	25,063
Stock-based Comp	355	100	187	124	142	311	229	229	142	142	142	142	766	911	911
Non-GAAP Income	(3,846)	(2,534)	(4,513)	(936)	(1,021)	(4,271)	(4,382)	3,263	792	(2,928)	(4,228)	30,072	(11,836)	(6,411)	24,695
Non-GAAP EPS	**($0.17)**	**($0.11)**	**($0.20)**	**($0.04)**	**($0.04)**	**($0.19)**	**($0.19)**	**$0.14**	**$0.03**	**($0.13)**	**($0.19)**	**$1.32**	**($0.52)**	**($0.28)**	**$0.99**

BALANCE SHEET

$ in Thousands	Sept 30, 2016	June 30, 2016	% Change
Current assets:			
Cash and cash equivalents	$11,563	$17,229	-33%
Prepaid expenses and other current assets	185	189	-2%
Total current assets	11,748	17,418	-33%
Property and equipment, net	224	230	-3%
Investments	2,745	2,445	12%
Other long term assets	325	324	0%
Total Assets	15,042	20,417	-26%
Current Liabilities:			
Accounts payable	2,132	1,196	78%
Accounts payable - related parties	13	18	-28%
Accrued expenses	2,298	2,963	-22%
Accrued income taxes	9	9	0%
Total current liabilities	4,452	4,186	6%
Other non-current liabilities	124	134	-7%
Total Liabilities	4,576	4,320	6%
Redeemable Preferred Stock	13,686	14,970	-9%
Stockholders' Equity			
Common stock	2	2	0%
Additional paid-in capital	17,950	18,996	-6%
Retained earnings	(21,172)	(17,870)	18%
Total Stockholders' Equity	(3,220)	1,127	-386%
Total Liabilities & Stockholders' Equity	$15,042	$20,417	-26%
Cash per share	$0.51	$0.76	-33%
Working Capital	$7,296	$13,232	-45%
Quick ratio	2.6	4.2	-37%
Debt/TA	91%	73%	24%

CASH FLOW

	Sept. 30, 2016	Jun. 30, 2016	Mar. 31, 2016	Dec. 31, 2015	Sept. 30, 2015	Jun. 30, 2015	March 31, 2015
Cash flows from operating activities:							
Net loss	$ (3,302)	$ 899	$ (1,163)	$ (1,059)	$ (4,700)	$ (2,641)	$ (4,202)
Adjustments to reconcile net loss to net cash used in operating activities:							
Gain on Investment	0	0	0	0	0	(1,271)	0
Depreciation and amortization	15	13	14	15	9	19	7
Loss on disposal of assets	0	0	0	34	0	0	0
Stock-based compensation	229	311	142	124	187	100	355
Changes in operating assets and liabilities:							
Accounts receivable	0	0	0	0	0	55	1,961
Inventories	0	0	0	0	0	0	0
Prepaid expenses and other current assets	4	95	38	(81)	(23)	(153)	47
Other long-term assets	(1)	1	0	(24)	(70)	0	(231)
Accrued expenses	(665)	2,517	(4)	13	(361)	(44)	42
Accounts payable	936	(985)	(39)	72	669	152	(348)
Accounts payable - related parties	(5)	(3)	4	9	0	(10)	(82)
Other assets	0	0	0	97	65	0	0
Other liabilities	(10)	3	(31)	0	0	0	0
Accrued income taxes	0	0	0	1	0	0	8
Total Adjustments	259	1,628	(32)	87	280	0	1,397
Net cash used in operating activities	(2,799)	2,851	(1,039)	260	476	(1,152)	(2,443)
Cash flows from investing activities:							
Purchases of property and equipment	(9)	0	0	(11)	(54)	(133)	(77)
Proceeds from investment	0	0	0	0	0	826	0
Purchase of additional investment	(300)	(250)	0	(250)	(500)	0	0
Net cash provided by (used in) investing activities	(309)	(250)	0	(261)	(554)	693	(77)
Proceeds from exercise of stock options							
Proceeds for sale of Preferred, net	0	9,490	0				
Redemption Series A Preferred shares	(2,593)	0	0				
Proceeds from exercise of stock options	35	76	0	97	29	0	20
Net cash provided by financing activities	(2,558)	9,566	0	97	29	0	20
Net decrease in cash and cash equivalents	(5,666)	12,167	(1,039)	96	(49)	(3,100)	(2,500)
Cash and cash equivalents - beginning	17,229	15,005	6,101	7,156	11,905	15,005	17,505
Cash and cash equivalents - ending	11,563	17,229	15,005	6,101	7,156	11,905	15,005
Cash paid for income taxes	0	0	0	7	0	0	0
Non-cash investing and financing activities							
Additional investment held by investee	0	0	0	0	0	445	0
Accretion of preferred stock to redemption value	1,309	5,480	0				
Purchase of property and equipment in exchange for finance agreement	0	0	0	0	0	0	0
Operating cash Flow	**(3,058)**	**1,223**	**(1,007)**	**(886)**	**(4,504)**	**(3,793)**	**(3,840)**
Free cash flow	(3,349)	973	(1,007)	(1,125)	(4,950)	(2,834)	(3,763)

HISTORICAL STOCK PRICE



DISCLOSURES

The following disclosures relate to relationships between Zacks Small-Cap Research ("Zacks SCR"), a division of Zacks Investment Research ("ZIR"), and the issuers covered by the Zacks SCR Analysts in the Small-Cap Universe.

ANALYST DISCLOSURES

I, Lisa Thompson, hereby certify that the view expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the recommendations or views expressed in this research report. I believe the information used for the creation of this report has been obtained from sources I considered reliable, but I can neither guarantee nor represent the completeness or accuracy of the information herewith. Such information and the opinions expressed are subject to change without notice.

INVESTMENT BANKING AND FEES FOR SERVICES

Zacks SCR does not provide investment banking services nor has it received compensation for investment banking services from the issuers of the securities covered in this report or article.
Zacks SCR has received compensation from the issuer directly or from an investor relations consulting firm engaged by the issuer for providing non-investment banking services to this issuer and expects to receive additional compensation for such non-investment banking services provided to this issuer. The non-investment banking services provided to the issuer includes the preparation of this report, investor relations services, investment software, financial database analysis, organization of non-deal road shows, and attendance fees for conferences sponsored or co-sponsored by Zacks SCR. The fees for these services vary on a per-client basis and are subject to the number and types of services contracted. Fees typically range between ten thousand and fifty thousand dollars per annum. Details of fees paid by this issuer are available upon request.

POLICY DISCLOSURES

This report provides an objective valuation of the issuer today and expected valuations of the issuer at various future dates based on applying standard investment valuation methodologies to the revenue and EPS forecasts made by the SCR Analyst of the issuer's business.
SCR Analysts are restricted from holding or trading securities in the issuers that they cover. ZIR and Zacks SCR do not make a market in any security followed by SCR nor do they act as dealers in these securities. Each Zacks SCR Analyst has full discretion over the valuation of the issuer included in this report based on his or her own due diligence. SCR Analysts are paid based on the number of companies they cover. SCR Analyst compensation is not, was not, nor will be, directly or indirectly, related to the specific valuations or views expressed in any report or article.

ADDITIONAL INFORMATION

Additional information is available upon request. Zacks SCR reports and articles are based on data obtained from sources that it believes to be reliable, but are not guaranteed to be accurate nor do they purport to be complete. Because of individual financial or investment objectives and/or financial circumstances, this report or article should not be construed as advice designed to meet the particular investment needs of any investor. Investing involves risk. Any opinions expressed by Zacks SCR Analysts are subject to change without notice. Reports or articles or tweets are not to be construed as an offer or solicitation of an offer to buy or sell the securities herein mentioned.