Zacks Small-Cap Research

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Finjan Holdings (FNJN-NASDAQ)

FNJN: Would It Be Cheaper for Some Companies to Buy Finjan, Than License its Patents?

Based on the average EV to Sales of comparable companies in the IP business of 2.6xs we believe FNJN Stock could be worth $9.28 per share if it does indeed collect the Blue Coat judgment as expected.

UPDATE

Finjan is positioned to grow not only by pursuing IP licensing, but also by penetrating cybersecurity consulting services, mobile services, and investing in new IP via R&D and cybersecurity startups. At the end of 2017 we expect it to collect over $40 million from Blue Coat if the ruling is upheld on appeal. The company continues to successfully close licensing deals and litigate other parties, both of which are accelerating.

Current Price (05/15/17)	$2.88
Valuation	**$9.28**

SUMMARY DATA

52-Week High	**$2.88**
52-Week Low	**$1.13**
One-Year Return (%)	**87.0**
Beta	**0.3**
Average Daily Volume (sh)	**505,921**
Shares Outstanding (mil)	**23**
Market Capitalization ($mil)	**$67**
Short Interest Ratio (days)	**3.3**
Institutional Ownership (%)	**45**
Insider Ownership (%)	**7**
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	**6.3**
P/E using 2017 Estimate	**1.7**
P/E using 2018 Estimate	**96.0**
Zacks Rank	**N/A**

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

ZACKS ESTIMATES

Revenue
(in millions of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
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	8.4 A	18.4 A
2017	24.7 A	2.3 E	2.1 E	47.1 E	76.3 E
2018					21.8 E

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

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
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	$0.17 A	-$0.28 A
2017	$0.69 A	-$0.12 E	-$0.18 E	$1.30 E	$1.70 E
2018					$0.03 E

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WHAT'S NEW

No Surprises in Q1 2017 Results

Finjan reported revenues of $24.7 million versus $2.3 million a year ago, in accordance with its preannouncement as well as the sum of all the announced licensing agreements and settlements announced along the way. Expenses were slightly ahead of our estimates and for the first time the company paid some taxes in form of the federal minimum alternative tax of $324,000. The company reported fully diluted EPS of $0.69, two cents ahead of our estimate primarily because we were off in our estimate of fully diluted shares.

This quarter revenues were comprised of $15 million from Sophos, $7.745 million from Avast and $2 million from Veracode. Sophos is expected to pay Finjan another $2.5 million; one payment is expected on 3/31/2018 and the second on 3/31/2019.

The company has a full pipeline of deals and we expect it to continue to license additional cybersecurity companies throughout the course of the year that are not included in our estimates as they are difficult to forecast.

After Q1 2017 Ended:

. In Q2 2107, Finjan redeemed all of its remaining $6.6 million or 39,733 shares of the Series A Preferred stock. Since the company ended March with $26.4 million, that cash level has subsequently been reduced to $19.8 million.

On April 21, 2017, Finjan announced a license with Avira for a total of $4.9 million cash. $2.3 million of that was already paid in Q2 2017 on April 26, 2017. The rest is to be paid in two payments: $1.3 million on or before January 31, 2018, and another $1.3 million on or before January 31, 2019. At the same time, Finjan also struck a deal with Avira, to distribute and sell the Avira VPN Platform as part of Finjan's Vital SecurityTM suite of product offerings. Avira will also grant Finjan Mobile certain license rights and Finjan Mobile shall pay Avira $3.9 million in license fees payable in 12 quarterly installments of $325,000 over the next 3 years. Finjan Mobile then cross-licensed it patents with Avira. Finjan plans to launch a product offering of its secure browser bundled with Avira's VPN in Q3 2017.

Finjan's current browser, VitalSecurity Gen3.5, has been downloaded more than 165,000 times to date for Avira through the Android Google Play Store. It is also available in the iTunes store. This month Finjan is updating the browser to include tracker and ad blocking.

VPN Product Offering

According to P&S Market Research, the global mobile VPN market is expected to witness a CAGR of 21.1% to reach $2.4 billion by 2022. According to CNET there are about 200 VPN offerings on the marketplace and each has its pros and cons. Users are advised to decide what sites they plan to use a VPN with and if they want to use one to remain just anonymous or secure or both. The Finjan offering is novel in that it will combine a secure browser and a VPN service in one offering. Finjan's browser scans sites to protect users from malware and viruses and does not collect user data, while Avira's VPN keeps users anonymous. Finjan's browser does not require users to log onto the VPN first; it automatically connects via the VPN, removing steps. While the browser is open, all other apps a mobile user uses automatically are routed through the VPN. Avira a free plan called Phantom VPN that limits users to 500MB a month. Its paid mobile plan cost $5.99 a month. Its multi-device plan is $10 per month or $78 per year.

2017 Forecasts

For the 2017 year we are raising fully diluted EPS estimates for 2017 from $1.68 to $1.70 to correct the fully diluted share count.

LITGATION RECAP

Actions Against Blue Coat Systems

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 also in litigation with Symantec with a trial date of April 9, 2018. Finjan is open to a combined resolution for the two entities.

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. Trial date for Blue Coat II is set for October 30, 2017.

Blue Coat III is a lawsuit against Blue Coat in Germany. It has a trial date set for November 20, 2017.

Still Awaiting More Possible Settlements

Palo Alto Networks (PANW) The stay **may soon be lifted** since the Patent Office has finished ruling on Finjan's patents.

FireEye (FEYE) The judge **lifted the stay** on the case on March 28, 2017 and Markman hearing is scheduled for January 18, 2018.

Cisco (CSCO) Despite being the fourth largest shareholder and owning 7% of Finjan, Cisco has turned out not to be immune from being sued for patent infringement. On **January 7, 2017**, Finjan filed case number 5:17-cv-00072, in its home court of Northern District of California alleging infringement of U.S. patent numbers: 6,154,844, 6,804,780, 7,647,633, 8,141,154, and 8,677,494. All five of those patents have already been successfully defended in court. In the action, Finjan is seeking, among other things, a preliminary and permanent injunction, an award to Finjan of damages, and reasonable attorneys' fees and costs. On March 6, 2017, Cisco denied Finjan's allegations of infringement, and alleged a counterclaim of breach of contract. A case management conference has been scheduled for June 8, 2017.

ESET Finjan has two separate lawsuits against ESET. A trial date in Germany is set for July 7, 2017.

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 $40 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 and create new cybersecurity products.
- 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 $67 million and an **enterprise value of $40 million** and could be worth considerably more if it is successful in its licensing pursuits. Estimating revenues of $76.3 million in 2017 and an industry multiple of 2.6 times sales, the company could be worth as much as $198 million in enterprise value if it succeeds in reaching new licensing arrangements and collecting the Blue Coat win. However the enterprise value is lower that what Blue Coat owes the company if it loses the appeal, and is certainly less that what Symantec might owe were it successfully sued, leading some investors to presume that buying Finjan outright is less expensive than paying up.

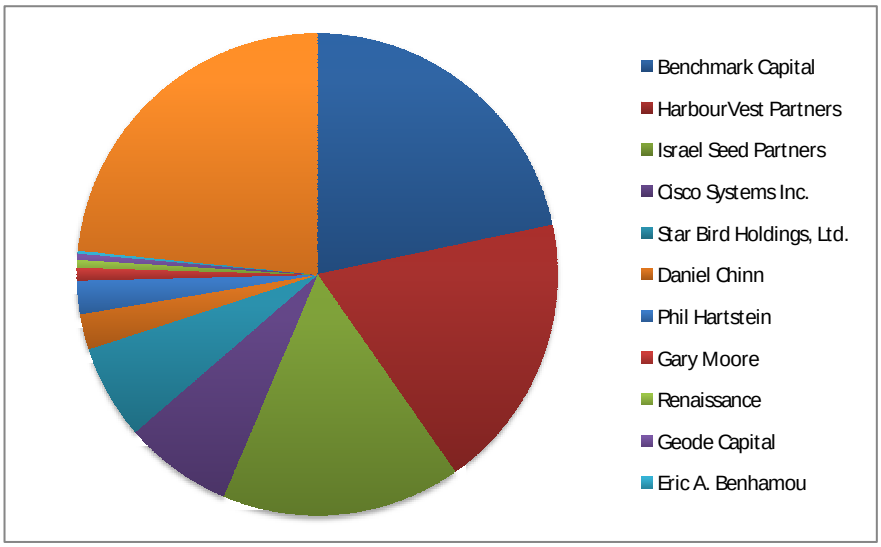
OVERVIEW

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 May 16, 2017



Both Benchmark Capital and Israel Seed Fund have been selling shares on the open market.

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	Markman scheduled for January 18, 2018.	**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.** Injunction hearing Nov. 10, 2107.	6,154,844, **6,804,780**, 6,965,968, **7,058,822**, 7,418,731, and 7,647,633
Blue Coat II	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
Blue Coat III	German District Court in Dusseldorf	Trial date November 20, 2017	
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
Symantec **($3.6 billion)**	United States District Court for the Northern District of California on June 1, 2014	Stay lifted March 29, 2016. Trial date April 9, 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 July 6, 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
Cisco **($49 billion)**	United States District Court for the Northern District of California on January 6, 2017	Initiated January 6, 2017. Case management conference June 8, 2017.	**6,154,844; 6,804,780**; 7,647,633; 8,141,154; and 8,677,494.

Highlighted patent numbers have been successfully defended in court.

VALUATION

Current thinking on Finjan's valuation is versus the amount of the cost of a license from them for the bigger companies. At an enterprise value of $40 million, it might be cheaper for Blue Coat to buy the company than pay the $45 million it owes them, not including the cost of litigation to go through the appeal and the other two trials. Cisco, who owns 7% of the company already may find that purchasing the company is cheaper than licensing its patents. Certainly Symantec the largest possible licensor would also find it cheaper to buy Finjan than to go to trial and lose or license its patents. It is not unheard of for companies to do this in the past when they lost a lawsuit to another company.

On the other hand, valuing 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 $5 million enterprise value, to Interdigital (IDCC) with an enterprise value of $2.4 billion and $382 million in sales expected this year. On average, the companies with revenues trade at an average of 2.6X 2017 estimated calendar revenues.

Using a valuation based on enterprise value to sales is easier for unprofitable companies. If Finjan were to generate $76.3 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 $9.28 per share, assuming a settlement is received from Blue Coat if the appeal is won.

	Ticker	Revenue		EV/	EBIDTA	Enterprise Value / Sales		Included	Enterprise
Company		2017E	LTM	EBITDA	Margin	2017E	LTM	in Average?	Value
Acacia Research	ACTG	$87	$137	2.9x	24%	1.1x	0.7x	y	$94
Interdigital	IDCC	$382	$653	5.0x	73%	6.2x	3.6x	y	$2,370
Inventergy Global	INVT	NA	$2	-2.8x	-258%	NA	7.1x	n	$13
Marathon	MARA	$37	$37	2.4x	22%	0.5x	0.5x	y	$20
Neonode	NEON	$20	$10	-12.9x	-39%	2.6x	5.0x	y	$51
Network-1	NTIP	NA	$65	1.2x	79%	NA	1.0x	n	$63
Parkervision	PRKR	$37	$4	-1.6x	-358%	1.1x	9.6x	n	$39
Pendrell	PCO	NA	$46	-0.3x	60%	NA	-0.1x	n	-$5
Rambus	RMBS	$389	$361	12.7x	8%	3.5x	3.7x	y	$1,350
RPX	RPXC	$329	$333	2.6x	63%	1.6x	1.6x	y	$533
VirnetX	VHC	NA	$2	-7.8x	-1934%	NA	119.4x	n	$185
FORM Holdings	FH	NA	$19	-2.8x	-38%	NA	1.1x	n	$20
Wi-Lan	WILN	$40	$93	1.7x	63%	2.4x	1.1x	y	$98
Average				**2.0x**	**31%**	**2.6x**	**2.3x**		**$645**

	Revenue		EBITDA	Enterprise Value / Sales		Valuation Range	
	2017E	LTM	Margin	2017E	LTM	Low	High
Finjan	**$76**	**$41**	**-154%**	**2.6x**	**2.3x**	**$95**	**$196**

Conclusion of Enterprise Value	**$195,704,807**
Market Value	**$215,504,807**
Shares Outstanding	23,216,528
Price per Share	**$9.28**

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. Avast just licensed its AVG products for $7.745 million soon after a dispute was raised.

The jury in the Sophos case awarded Finjan $15 million, the high end of the expert witnesses range and including pre and post interest. It was settled before appeal for $15 million. 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 $389 million adding actuals and revenues for similar licensing rates at the same stage as Websense. Judgments, of course, may be all over the place.

	2016 Revenues	% Relevant	License	Judgment
Estimated				
FireEye	$720	30%	$21.6	
Proofpoint	373	50%	18.7	
Symantec (2 segments)	4,200	30%	126.0	
Palo Alto Networks	1,500	20%	30.0	
ESET	NA	NA	30.0	
Cisco	48,300	1%	30.0	
Total potential			256.3	
Actual				
Blue Coat				46.0
Websense	DK	DK	8.0	
Avast Software	DK	DK	10.7	
Undisclosed	DK	DK	3.7	
Proofpoint	373	DK	10.9	
European undisclosed			0.6	
F5	2,024	DK	4.0	
Sophos	**447**	**DK**	**15.0**	
Veracode	230	DK	2.0	
Avira Holding	DK	DK	4.9	
Total actual	DK	DK	**59.7**	46.0
TOTAL			$343.0	
Plus Blue Coat			**389.0**	

RISKS

- 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.

- The US government could to legislate new laws on patent enforcement that could affect the company's ability to monetize its patents as it currently expects.

INCOME STATEMENT

	2016				2017E							
In Thousands	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2E**	**Q3E**	**Q4E**	**2015**	**2016**	**2017E**	**2018E**
Websense	$2,000	$0	$0	$1,000	$0	$0	$0	$0	$0	$3,000	$0	$0
Other licenses	300	2,178	1,000	4,000	9,745	2,300	2,000	2,000	4,675	7,478	$16,045	20,000
CybeRisk Security Solutions	20	50	141	98	2	40	100	200	12	309	$342	500
Blue Coat	0	0	0	0	0	0	0	45,000	0	0	45,000	0
Proofpoint	0	4,300	0	3,300	0	0	0	0	0	7,600	0	0
Sophos					15,000	0	0	0			15,000	1,250
Total Revenues	**2,320**	**6,528**	**1,141**	**8,398**	**24,747**	**2,340**	**2,100**	**47,200**	**4,687**	**18,387**	**76,387**	**21,750**
Cost of revenues	0	2,237	0	800	3,783	164	147	9,154	814	3,037	13,026	4,350
Gross profit	2,320	4,291	1,141	7,598	20,964	2,176	1,953	38,046	3,873	15,350	63,362	17,400
Gross Margin	100%	66%	100%	90%	85%	93%	93%	81%	83%	83%	83%	80%
Operating Expenses:												
SG&A	3,433	3,339	4,184	3,474	4,537	4,000	5,200	7,000	17,367	14,430	20,737	16,000
R&D	51	54	259	206	153	200	200	250	391	570	803	800
Avira license fee						325	325	325			975	1,300
Total operating expenses	3,484	3,393	4,443	3,680	4,690	4,525	5,725	7,575	17,758	15,000	22,515	18,100
Operating Income	(1,164)	898	(3,302)	3,918	16,274	(2,349)	(3,772)	30,796	(13,885)	350	40,847	(700)
Other Income												
Gain on settlements	0	0	0	0	0	0	0	0	0	0	0	0
Other income	0	0	0	0	0	0	0	0	1,271	0	0	0
Interest income	1	0	0	0	0	0	0	0	12	1	0	0
Total other income	1	0	0	0	0	0	0	0	1,283	1	0	0
Pretax profit	(1,163)	898	(3,302)	3,918	16,274	(2,349)	(3,772)	30,796	(12,602)	351	40,847	(700)
Income taxes	-	-	-	-	324	324	324	324	0	0	1,296	0
Tax rate	0%	0%	0%	0%	2%	0%	0%	0%	0%	0%	3%	0%
Net Income	(1,163)	898	(3,302)	3,918	15,950	(2,673)	(4,096)	30,472	(12,602)	351	39,551	(700)
Accretion of Preferred Stock	-	(5,480)	(1,309)	0	-	-	-	-	-	(6,789)	-	-
Net inc. to common shareholders	(1,163)	(4,582)	(4,611)	3,918	15,950	(2,673)	(4,096)	30,472	(12,602)	(6,438)	39,551	(700)
Net Income Per Share:												
EPS	**($0.05)**	**($0.20)**	**($0.20)**	**$0.17**	**$0.69**	**($0.12)**	**($0.18)**	**$1.30**	**($0.56)**	**($0.28)**	$1.70	($0.03)
Diluted EPS	($0.05)	($0.20)	($0.20)	$0.17	$0.69	($0.12)	($0.18)	$1.30	($0.52)	($0.28)	**$1.70**	**($0.03)**
Avg Shares Outstanding	22,709	22,764	22,854	22,901	23,133	23,171	23,271	23,371	22,549	22,837	23,236	23,600
Diluted Shares	22,792	22,847	22,937	22,984	23,217	23,254	23,354	23,454	24,468	22,920	23,319	23,600
Stock-based Comp	142	311	229	190	209	209	209	209	766	872	872	872
Non-GAAP Income	(1,021)	(4,271)	(4,382)	4,108	16,159	(2,464)	(3,887)	30,681	(11,836)	(5,566)	40,423	172
Non-GAAP EPS	**($0.04)**	**($0.19)**	**($0.19)**	**$0.18**	**$0.70**	**($0.11)**	**($0.17)**	**$1.31**	**($0.52)**	**($0.24)**	**$1.73**	**$0.01**

BALANCE SHEET

$ in Thousands	Mar. 31, 2017	Dec. 31, 2016	Qtr-Qtr % Change	March 31, 2016	Yr-Yr % Change
Current assets:					
Cash and cash equivalents	$26,434	$13,678	93%	$5,062	422%
Accounts receivable, net	2	1,066	-100%	-	NM
Prepaid expenses and other current assets	283	292	-3%	284	0%
Total current assets	26,719	15,036	78%	5,346	400%
Property and equipment, net	191	203	-6%	243	-21%
Investments	2,618	2,745	-5%	2,195	19%
Other long term assets	322	321	0%	325	-1%
Total Assets	29,850	18,305	63%	8,109	268%
Current Liabilities:					
Accounts payable	5,003	1,858	169%	2,181	129%
Accounts payable - related parties	23	88	-74%	21	10%
Accrued expenses	1,049	1,832	-43%	446	135%
Accrued income taxes	327	3	10800%	9	3533%
Other current liabilities	20	33	-39%	0	NM
Total current liabilities	6,422	3,814	68%	2,657	142%
Other non-current liabilities	119	119	0%	131	-9%
Total Liabilities	6,541	3,933	66%	2,788	135%
Redeemable Preferred Stock	6,264	13,486	-54%	0	NM
Stockholders' Equity					
Common stock	2	2	0%	2	0%
Additional paid-in capital	18,349	18,140	1%	24,088	-24%
Retained earnings	(1,306)	(17,256)	-92%	(18,769)	-93%
Total Stockholders' Equity	17,045	886	1824%	5,321	220%
Total Liabilities & Stockholders' Equity	$29,850	$18,305	63%	$8,109	268%
Cash per share	$1.16	$0.60	94%	$0.22	422%
Working Capital	$20,297	$11,222	81%	$2,689	655%
Quick ratio	4.2	3.9	6%	2.0	107%
Debt/TA	21%	74%	-72%	0%	NM
Cash	$26,434	$13,678	93%	$5,062	422%
Debt	6,264	13,486	-54%	0	NM
	$20,170	$192	10405%	$5,062	298%

CASH FLOW

	Mar. 31, 2017	2016 Year	Dec. 31, 2016	Sept. 30, 2016	Jun. 30, 2016	Mar. 31, 2016	2015 Year	Dec. 31, 2015	Sept. 30, 2015	Jun. 30, 2015	March 31, 2015
Cash flows from operating activities:											
Net income	$ 15,950	$ 350	$ 3,916	$ (3,302)	$ 899	$ (1,163)	$ (12,602)	$ (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	0	(1,271)	0	0	(1,271)	0
Depreciation and amortization	12	63	(40)	15	13	14	50	15	9	19	7
Loss on disposal of assets	0	0	0	0	0	0	34	34	0	0	0
Stock-based compensation	209	872	(764)	229	311	142	766	124	187	100	355
Changes in operating assets and liabilities:											
Accounts receivable	1,064	(1,066)	0	0	0	0	2,016	0	0	55	1,961
Inventories	0	0	0	0	0	0	0	0	0	0	0
Prepaid expenses and other current assets	8	30	(228)	4	95	38	(210)	(81)	(23)	(153)	47
Other long-term assets	0	4	(2)	(1)	1	0	(325)	(24)	(70)	0	(231)
Accrued expenses	(783)	1,382	(5,030)	(665)	2,517	(4)	(350)	13	(361)	(44)	42
Accounts payable	3,145	(362)	2,009	936	(985)	(39)	545	72	669	152	(348)
Accounts payable - related parties	(65)	71	2	(5)	(3)	4	(83)	9	0	(10)	(82)
Other assets	0	0	0	0	0	0	162	97	65	0	0
Other liabilities	(13)	(10)	25	(10)	3	(31)	0	0	0	0	0
Accrued income taxes	324	(6)	0	0	0	0	9	1	0	0	8
Total Adjustments	3,680	43	(3,224)	259	1,628	(32)	1,764	87	280	0	1,397
Net cash used in operating activities	19,851	1,328	(112)	(2,799)	2,851	(1,039)	1,343	260	476	(1,152)	(2,443)
Cash flows from investing activities:											
Purchases of property and equipment	0	(9)	0	(9)	0	0	(275)	(11)	(54)	(133)	(77)
Proceeds from investment	127	0	0	0	0	0	826	0	0	826	0
Purchase of additional investment	0	(550)	500	(300)	(250)	0	(750)	(250)	(500)	0	0
Net cash provided by (used in) investing activities	127	(559)	500	(309)	(250)	0	(199)	(261)	(554)	693	(77)
Proceeds from exercise of stock options											
Proceeds for sale of Preferred, net	0	9,490	(18,980)	0	9,490	0					
Redemption Series A Preferred shares	(7,222)	(2,793)	0	(2,593)	0	0					
Proceeds from exercise of stock options	0	111	(152)	35	76	0	54	97	29	0	20
Net cash provided by financing activities	(7,222)	6,808	(19,132)	(2,558)	9,566	0	54	97	29	0	20
Net decrease in cash and cash equivalents	12,756	7,577	(18,744)	(5,666)	12,167	(1,039)	1,198	96	(49)	(3,100)	(2,500)
Cash and cash equivalents - beginning	(13,678)	6,101	11,563	17,229	5,062	6,101	4,903	7,156	11,905	15,005	17,505
Cash and cash equivalents - ending	17,229	13,678	13,678	11,563	17,229	5,062	6,101	6,101	7,156	11,905	15,005
Cash paid for income taxes	0	0	7	0	0	0	7	7	0	0	0
Non-cash investing and financing activities											
Additional investment held by investee	0	0	0	0	0	0	445	0	0	445	0
Accretion of preferred stock to redemption value	0	6,789	(10,960)	1,309	5,480	0					
Purchase of property and equipment in exchange for finance agreement	0	0	0	0	0	0	0	0	0	0	0
Operating cash Flow	**16,171**	**1,285**	**3,112**	**(3,058)**	**1,223**	**(1,007)**	**(13,023)**	**(886)**	**(4,504)**	**(3,793)**	**(3,840)**
Free cash flow	16,298	744	3,612	(3,349)	973	(1,007)	(12,672)	(1,125)	(4,950)	(2,834)	(3,763)

HISTORICAL STOCK PRICE



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