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U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(MARK ONE)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Fiscal Year Ended December 31, 2017

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: 001-33700
WALKER INNOVATION INC.
(Exact name of Registrant as Specified in Its Charter)

DELAWARE	**30-0342273**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
Two High Ridge Park Stamford, CT	**06905**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code:
(203) 263-9362
Securities Registered Pursuant to Section 12 (b) Of The Act:
Securities Registered Pursuant To Section 12 (g) Of The Act:
Common Stock, Par Value $0.001 Per Share
Name of each exchange on which registered:

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ☐ Yes ☒ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. ☐ Yes ☒ No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the 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 (§229.405 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☒
Emerging Growth Company ☐			

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

The aggregate market value of the shares of Common Stock, par value $0.001 per share, of the registrant held by non-affiliates on June 30, 2017 was $7,249,927.

There were 20,094,314 shares of Common Stock of the registrant outstanding as of February 1, 2018.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement relating to the Registrant's 2018 Annual Meeting of Shareholders are incorporated by reference into Part III of this Annual Report on Form 10-K.

TABLE OF CONTENTS

INTRODUCTORY NOTE

Except as otherwise indicated by the context, references in this Annual Report on Form 10-K (this "Form 10-K") to the "Company," "Walker Innovation," "we," "us" or "our" are references to Walker Innovation Inc. In addition, references to "Walker Digital" are references to Walker Digital, LLC, a Delaware limited liability company and the controlling shareholder of the Company, references to "Walker Licensing" are to the prior business segment of Walker Digital known as Walker Digital Licensing and Enforcement and references to "Walker Holdings" are to the holding company organized by Walker Digital in connection with the Company's acquisition by merger of that segment in September 2013, respectively. "*See Item 1. Business. Corporate History*"

Special Note Regarding Forward-Looking Statements

This report contains forward-looking statements and information relating to Walker Innovation that are based on the beliefs of our management as well as assumptions made by and information currently available to us. Such statements should not be unduly relied upon. When used in this Form 10-K, forward-looking statements include, but are not limited to, the words "anticipate," "believe," "estimate," "expect," "intend," "plan" and similar expressions, as well as statements regarding new and existing products, technologies and opportunities, statements regarding market and industry segment growth and demand and acceptance of new and existing products, any projections of sales, earnings, revenue, margins or other financial items, any statements of the plans, strategies and objectives of management for future operations, any statements regarding future economic conditions or performance, any statements of belief or intention, and any statements or assumptions underlying any of the foregoing. These statements reflect our current view concerning future events and are subject to risks, uncertainties and assumptions. There are important factors that could cause actual results to vary materially from those described in this Form 10-K as anticipated, estimated or expected, including, but not limited to: whether or not we are successful in our efforts to acquire, through merger, share exchange, asset acquisition, plan of arrangement, recapitalization, reorganization or similar business combination, one or more operating businesses, competition in the industry in which we operate and the impact of such competition on pricing, revenues and margins, volatility in the securities market due to the general economic downturn; Securities and Exchange Commission (the "SEC") regulations which affect trading in the securities of "penny stocks," and other risks and uncertainties. Except as required by law, we assume no obligation to update any forward-looking statements publicly, or to update the reasons actual results could differ materially from those anticipated in any forward-looking statements, even if new information becomes available in the future. Depending on the market for our stock and other conditional tests, a specific safe harbor under the Private Securities Litigation Reform Act of 1995 may be available. Notwithstanding the above, Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act") expressly state that the safe harbor for forward-looking statements does not apply to companies that issue penny stock. Because we may from time to time be considered to be an issuer of penny stock, the safe harbor for forward-looking statements may not apply to us at certain times.

PART I

Item 1. Business

Overview

Walker Innovation Inc., a Delaware corporation (collectively, with its subsidiaries, the "Company" or "Walker Innovation"), seeks to develop and commercialize its unique portfolio of intellectual property assets through its licensing and enforcement operations ("Licensing and Enforcement"). Prior to 2017 the Company operated a second line of business that focused on helping companies innovate more effectively and efficiently ("Innovation Business"). The Company accomplished this by offering custom innovation services to large companies desiring to prototype and scale new businesses and new business methods. Prior to March 31, 2016, the Company also had a custom innovation product for small and medium businesses called Haystack IQ™ ("Haystack IQ"), which used proprietary Big Data software to connect the global stockpile of technology improvements and technical experts, represented by the U.S. patent database and other technical databases, with businesses that can put them into commercial uses that help them compete and grow. On March 31, 2016, the Company ceased operations of its Haystack IQ product, and recorded a one-time non-recurring charge of approximately $575,000.

In response to the challenging developments in the patent licensing and enforcement environment, and the decision to cease operations of the Innovation Business, our current plan of operations includes a more focused Licensing and Enforcement program, and an effort to acquire, through merger, share exchange, asset acquisition, plan of arrangement, recapitalization, reorganization or similar business combination, one or more operating businesses, either within its current verticals or in new industry segments, or control of such operating businesses through contractual arrangements. An investment bank has been retained to advise the Company on its acquisition process and other opportunities to create shareholder value.

Walker Digital, LLC ("Walker Digital"), a related party, is the owner of approximately 82% of the voting interest in the Company and owns approximately 48% of the economic interest in the Company.

The Company is led by entrepreneur and inventor Jay Walker, who is best known as the founder of Priceline.com and has twice been named by TIME magazine as "one of the top 50 business leaders of the digital age." Mr. Walker currently ranks as the world's 13th most patented living individual, based on U.S. patent issuances according to Wikipedia.

Business

Prior to fiscal 2017, the Company operated in two primary segments of business, its Licensing and Enforcement business, and its Innovation Business. In the first quarter of 2016 the Company ceased operations of its Innovation Businesses.

Licensing and Enforcement

The Company seeks to develop, license and otherwise enforce patented technologies through its wholly owned subsidiaries. The Company generates revenues from the granting of intellectual property rights for the use of, or pertaining to, its patented technologies. The Company may also monetize its intellectual property through the sale and/or licensing of select patent assets. Patent protection is a key part of the Company's business model, because it provides the Company with a period of exclusive ownership during which the Company has the opportunity to recoup risk capital and generate a profit from inventions.

All of our intellectual property assets were created with the goal of solving business problems, with the intent to achieve commercial status. However, it is our belief that certain of our inventions have become part of the commercial activities of other businesses without having been licensed, depriving us of financial value. As a result, focused patent enforcement and licensing activities are a component of our business strategy. During the past three fiscal years the Company has entered into patent infringement lawsuits (including two counterclaims in declaratory judgment actions) and/or licenses, involving 9 different issued patents. These enforcement and licensing efforts involving previously filed cases have resulted in $3.6 million in gross revenue from settlement and licensing income since January 2015. There are currently no pending litigation matters. We continue to investigate other infringers and may expand enforcement activities to other unlicensed users of previously asserted patents. Our litigation matters are disclosed below under *Item 3 –Legal Proceedings.*

Intellectual Property/Patent Portfolio Overview

Our patent portfolio currently consists of approximately 185 U.S. issued patents, as well as 8 pending patent applications and certain foreign counterpart patents and applications. Our patents describe inventions in areas such as authentication techniques, internet search, social networking and advertising and online transactions, among many others. They are relevant to a broad array of large and growing industries including data management, e-commerce, electronic and computer hardware, social networking and internet services, financial services, entertainment and video gaming, online education, manufacturing, security and state lotteries.

Furthermore, to optimize the quality of our intellectual property, we retain well-qualified patent attorneys to work on every stage of the patent procurement process, from ideation, through drafting, prosecution and appeals. Potentially, there may be valuable unasserted claims within the portfolio. We may file for additional patent protection based on some of our existing patents and patent applications when appropriate. In addition, all of our employees enter into confidentiality agreements with us, which includes a provision governing the assignment of inventions.

Competition

We expect to encounter competition from others seeking to license or sell intellectual property. This includes an increase in the number of competitors seeking to license or sell similar patents and technologies. Other companies may develop competing technologies and offerings that may provide better or less expensive alternatives to our patented technologies that we may license or sell. Many potential competitors may have significantly greater resources than we do. Technological advances or entirely different approaches developed by one or more of our competitors could render certain of the technologies owned and services to be provided obsolete and/or uneconomical.

Innovation Business

Prior to 2017, the Company focused on helping companies innovate more effectively and efficiently. The Company accomplished this by offering custom innovation services to large companies. Prior to March 31, 2016, the Company also had a product for small and medium businesses called “Haystack IQ”, however, as more fully described below the Company ceased operations of Haystack IQ at the end of the first quarter of 2016 and recorded a one-time non-recurring charge of $575,000.

Initiation of Acquisition Efforts

Aided by capital proceeds received in connection with the exercise of a warrant to purchase Class A Common Shares of The Upside Commerce Group, LLC (“Upside”) at a price of $0.06 per share (the “Upside Warrant”), granted to the Company by Jay S. Walker, the controlling stockholder of the Company, and sale of the related Upside shares (described more fully below), the Company has initiated efforts to acquire, through merger, share exchange, asset acquisition, plan of arrangement, recapitalization, reorganization or similar business combination, one or more operating businesses, either within its current verticals or in new industry segments, or control of such operating businesses through contractual arrangements. An investment bank has been retained to advise the Company on its acquisition process and other opportunities to create shareholder value.

Corporate History

In connection with an Agreement and Plan of Merger dated as of July 11, 2013, Walker Holdings was formed as a limited liability company in the State of Delaware on June 3, 2013. Immediately prior to the closing of the related merger (the “Merger”) on September 18, 2013 (the “Closing Date”), Walker Digital, then the sole member of Walker Holdings, contributed Walker Licensing, a segment of Walker Digital, to Walker Holdings. Upon the closing of the Merger, our newly formed, wholly-owned subsidiary merged with and into Walker Holdings, and Walker Holdings became our wholly-owned subsidiary. Immediately following the Merger, the business of Walker Holdings became the business of the Company. Subsequent to the Closing Date, Walker Holdings changed its name to Inventor Holdings, LLC (“IH LLC”). On July 31, 2015, the Company filed a Certificate of Amendment of its Certificate of Incorporation with the State of Delaware, pursuant to which the Company was renamed Walker Innovation Inc.

All of the patents we own through IH LLC were developed internally by Walker Digital, with Jay Walker as the lead inventor named on almost all patents issued. All improvements to these assets, together with the intellectual property associated with The United States Patent Utility, the predecessor to Haystack IQ, have been assigned pursuant to an Invention Assignment Agreement with Mr. Walker. While the terms of the Invention Assignment Agreement do not entitle us to any other intellectual property Mr. Walker may develop in the future, in view of his significant equity position in the Company and the Company’s platform for the protection of the intellectual property it holds, Mr. Walker may nevertheless determine to develop and commercialize intellectual property through the Company. The terms and conditions of any such transaction would be negotiated between Mr. Walker and our Audit Committee at the time of such determination.

Employees

As of January 15, 2018, we have 4 full-time employees. In addition, although he is not an employee, Mr. Walker has and will continue to devote a portion of his working effort to us. Any future hiring decisions will be on an as-needed basis. At this time we believe our staffing is sufficient for our current operations.

Executive Officers of Our Company

Jonathan Siegel, formerly the Company's President, Chief Legal Officer and Secretary, was elected by the Board as Chief Executive Officer on February 3, 2017. Mr. Siegel brings to the position a knowledge of existing operations, particularly Licensing and Enforcement, and experience as a corporate attorney, which can facilitate the Company's acquisition efforts. Jonathan Ellenthal, Mr. Siegel's predecessor, who resigned as Chief Executive Officer on February 3, 2017, has continued to serve the Company as Vice Chairman and as a member of the Executive Committee of the Board.

Set forth below is the information with respect to our executive officers:

Name	Age	Position
Jonathan Siegel	60	Chief Executive Officer and Secretary
Kara B. Jenny	48	Chief Financial Officer

Jonathan A. Siegel, Chief Executive Officer and Secretary. Mr. Siegel joined the Company in February 2014, as Chief Administrative Officer, General Counsel and Secretary. He was elected President, Chief Legal Officer and Secretary in May 2016 and Chief Executive Officer and Secretary on February 3, 2017. Prior to joining the Company he was Investment Manager and Legal Counsel for Bentham Capital, LLC, a litigation finance company providing funding for large commercial and patent disputes, from March 2013 to January 2014, and a consultant from November 2012 to February 2013. He served as Chief Administrative Officer, General Counsel and Chief Privacy Officer of Alclear, LLC, a biometric secure identification service, from June 2010 to June 2012. From March 2009 to April 2011 he served as Mayor of Irvington, New York and served as Trustee of Irvington prior to his election as Mayor. From December 1999 to January 2008, Mr. Siegel was employed by Synapse Group, Inc., a direct marketing subsidiary of Time Inc., most recently as Executive Vice President Publisher Relations and Legal Affairs. From 1994 to 1999 he served in various capacities for Brandt, Inc., a manufacturer of currency counting equipment, including as Executive Vice President and General Counsel and member of the Board of Directors. Mr. Siegel was Vice President and Associate General Counsel of Trian Group, LP, a merchant bank, from 1987 to 1994. He was a corporate associate at Rosenman & Colin LLP from 1983 to 1987. He received his BA from Colgate University in 1979 and his JD from The University of Chicago Law School in 1983. During fiscal 2017 pursuant to the Upside Services Agreement entered into in December 2015 ("Upside Services Agreement") between the Company and Upside, an affiliate of the Company and Walker Digital, Mr. Siegel performed certain services on behalf of the Company for Upside. This Upside Service Agreement expired on December 4, 2017.

Kara B. Jenny, Chief Financial Officer. Ms. Jenny joined the Company in May 2014, prior to which she was the Chief Financial Officer of Fashion to Figure, a leading specialty retailer founded to create the ultimate full-fashion experience, which she joined in March 2013. Prior to Fashion to Figure, Ms. Jenny was with Bluefly.com, an online retail destination offering exclusive designer merchandise at a value, from May 1999 until December 2012. Ms. Jenny served as Bluefly's Chief Financial Officer for five years and had previously served as Vice President of Finance prior to her promotion to Chief Financial Officer. Ms. Jenny began her career at Arthur Andersen LLP, and is a certified public accountant and a member of the American Institute of Certified Public Accountants. She received her B.S. in Accounting from Binghamton University. During fiscal 2017 pursuant to the Upside Services Agreement, Ms. Jenny performed certain services on behalf of the Company for Upside. This Upside Services Agreement expired on December 4, 2017.

Item 1A. Risk Factors

In addition to the other information in this Form 10-K, readers should carefully consider the following important factors. These factors, among others, in some cases have affected, and in the future could affect, our financial condition and results of operations and could cause our future results to differ materially from those expressed or implied in any forward-looking statements that appear in this Form 10-K or that we have made or will make elsewhere.

Risks Related to our Company, our Business and our Industry

We have a recent history of significant operating losses. Although we did have net income of $16.9 million during the year ended December 31, 2016, we had a net loss of $0.9 million during the year ended December 31, 2017, and we experienced operating losses of $3.1 million and $5.3 million for the years ended December 31, 2017 and 2016, respectively. As of December 31, 2017, we had an accumulated deficit of $22.5 million. The losses and accumulated deficit were primarily due to the costs associated with the Merger as well as investments we made to launch our Innovation Business and conduct litigation related to Licensing and Enforcement. We anticipate that cost of revenue and operating expenses will increase in the foreseeable future as we seek to continue to grow our business as well as look for new businesses. If our assumptions regarding these and other similar risks and uncertainties, which we use to plan our business, are incorrect or change as we gain more experience operating our business or due to changes in our industry, or if we do not address these challenges successfully, our operating and financial results could differ materially from our expectations and our business could suffer. Many of our efforts to generate revenue from our existing or potential new businesses are new and unproven and any failure to increase our revenue or generate revenue from new applications, services or businesses could prevent us from attaining profitability. Our prior losses, combined with any potential future losses, have adversely affected our stockholders' equity and working capital position. As a result of these factors, we may need to raise additional capital through debt or equity financings in order to fund our operations, and such capital may not be available on reasonable terms, if at all.

Our financial and operating results may be uneven. Our quarterly operating results may fluctuate substantially. As such, our operating results will be difficult to predict, and you should not rely on quarterly or annual comparisons of our results of operations as an indication of our future performance. Factors that could cause our operating results to fluctuate during any period or that could adversely affect our ability to achieve our revenue goals include the progress and status of our litigations, including settlement negotiations, our ability to protect and enforce our intellectual property rights, changes in demand for products that incorporate our inventions, revenue recognition principles and changes in accounting policies.

We may not be able to identify an appropriate acquisition. In response to the challenging developments in the patent licensing and enforcement environment, and the decision to cease operations of the Innovation Business, our current plan of operations includes a more focused Licensing and Enforcement program, and the initiation of an effort to acquire, through merger, share exchange, asset acquisition, plan of arrangement, recapitalization, reorganization or similar business combination, one or more operating businesses, either within its current verticals or in new industry segments, or control of such operating businesses through contractual arrangements. There can be no assurance the Company's efforts in this regard will be successful.

New legislation, court decisions, regulations or rules related to obtaining patents or enforcing patents could significantly increase our operating costs and decrease our revenue. We may spend a significant amount of resources to enforce our patents. If new legislation, regulations or rules are implemented either by Congress, the U.S. Patent and Trademark Office (the "USPTO"), or the courts that impact the patent application process, the patent enforcement process or the rights of patent holders, these changes could negatively affect our expenses and revenue and any reductions in the funding of the USPTO could negatively impact the value of our assets. United States patent laws have been amended by the Leahy-Smith America Invents Act, or the America Invents Act of 2011. The America Invents Act resulted in significant changes to existing U.S. patent law. In general, the law addressed issues surrounding the enforceability of patents and the increase in patent litigation by, among other things, establishing new procedures for patent litigation and patent validity challenges. For example, the America Invents Act changed the way that parties may be joined in patent infringement actions, increasing the likelihood that such actions will need to be brought against individual parties allegedly infringing by their respective individual actions or activities. While the continuing impact of the America Invents Act will have on the operation of our enforcement business is still unclear, the establishment of the Patent Trial and Appeal Board ("PTAB") has led to a significant reduction in patent-related litigation in the United States, which has led to a material adverse effect on our business and financial condition.

While other bills considered in Congress in 2014 – including The Innovation Act sponsored by House Judiciary Chairman, Robert Goodlatte which would require non-practicing entities that bring patent infringement lawsuits to pay legal costs of the defendants if the lawsuits are unsuccessful – were not ultimately passed into law, there can be no assurance that Congress will not consider similar legislation in the future. Several states also adopted laws regarding patent assertion activities in 2014 while others have such legislation under review.

On June 19, 2014, the U.S. Supreme Court issued a landmark decision in which it impacted the standard for patentability of software and business method patents. *Alice Corp. Pty. Ltd. v. CLS Bank Int'l*, 134 S. Ct. 2347 (2014). Specifically, the U.S. Supreme Court stated that if you have an idea so abstract that it cannot be patented, simply tying it to a "generic computer cannot transform a patent-ineligible abstract idea into a patent-eligible invention." The U.S. Supreme Court further stated that tying the abstract idea to "purely functional and generic" hardware would, similarly, not make the idea patentable. Arguably, the *Alice* decision is intended to limit the validity of poor quality software and business method patents. The *Alice* decision will provide accused infringers of software patents new arguments to challenge the validity of such patents. Practically, the effects of the *Alice* decision are still being assessed as patent holders, attorneys, the USPTO, and courts, are coping to determine the proper bounds of the *Alice* decision. The *Alice* decision could potentially have a negative effect on the validity of some of our patents.

On January 20, 2015, the U.S. Supreme Court decided another patent case, *Teva Pharmaceuticals USA, Inc. v. Sandoz, Inc.* In *Teva*, the Supreme Court overturned the long-standing practice that claim construction decision made by district courts were given de novo review on appeal. Instead, the Supreme Court held that when claim construction is based on extrinsic evidence, a district court's findings of subsidiary facts are to be reviewed for clear error, while its ultimate claim construction is to be reviewed de novo. This change in how claim construction decisions are reviewed on appeal may have an impact on how parties handle patent litigation in the district courts. This could increase our litigation expenses. The full impact of the *Teva* decision on patent litigation at the district court level is yet to be determined.

On May 26, 2015, the U.S. Supreme Court decided *Commil USA LLC v. Cisco Systems, Inc.* In this case, the Supreme Court held that a good faith belief that a patent is invalid does not provide an accused infringer with a defense against a charge of inducing patent infringement. The Supreme Court stated that permitting such a defense would undermine the statutory presumption of validity enjoyed by issued U.S. patents under 35 U.S.C. § 282. The long term effect of this ruling is yet to be seen as it is implemented by the district courts. However, this ruling has eliminated a defense available to parties accused of inducing patent infringement. This result could be beneficial to our patent enforcement efforts.

On May 22, 2017, the U.S. Supreme Court decided *TC Heartland LLC v. Kraft Foods Group Brands LLC.* In this case, the Supreme Court held that a lawsuit alleging patent infringement must be filed where the defendant "resides," and a corporation resides only in its state of incorporation. Prior to this ruling, a plaintiff alleging patent infringement could seek to bring an action in any number of jurisdictions in the United States, certain of which have been perceived to be more receptive to infringement actions generally and software patent plaintiffs in particular. This limitation could be detrimental to our patent enforcement efforts.

In November 2017, the U.S. Supreme Court heard arguments in the case of *Oil States Energy Services, LLC v. Greene's Energy Group, LLC*. The plaintiff in *Oil States* seeks to invalidate the use of Inter Partes Review ("IPR"), an adversarial process used by the PTAB to analyze the validity of existing patents, violates the U.S. Constitution by extinguishing private property rights through a non-Article III forum without a jury. A ruling is expected in the case later in 2018. Any limitation imposed by the U.S. Supreme Court on the use of IPR could be beneficial to our patent enforcement efforts.

Our preferred shares bear disproportionate voting rights. The holders of our preferred shares have the right to cast 80.0% of the votes to be cast on any matter involving a stockholder vote, including the election of all directors. All of our preferred shares are held by Walker Digital, and Walker Digital holds additional shares of our Common Stock, entitling it to cast in excess of 80.0% of the votes entitled to be cast with respect to any matter on which our stockholders are entitled to vote. Accordingly, the holders of our preferred shares are able to maintain control of all actions taken by us, including the election of our directors.

We may be considered a "personal holding company" and may be required to pay personal holding company taxes, which would have an adverse effect on our cash flows, results of operations and financial condition. Under the Internal Revenue Code, any corporation that qualifies as a "personal holding company" may have to pay personal holding company taxes in addition to regular income taxes. A corporation qualifies as a personal holding company for a given tax year if (1) at any time during the last half of that tax year more than 50.0% of the value of its outstanding stock is held by five or fewer individuals and (2) at least 60.0% of the Company's adjusted ordinary gross income constitutes "personal holding company income." We may be subject to personal holding taxes in the future. Whether we will be a personal holding company for subsequent years will depend upon whether the share ownership and company adjusted gross income requirements are satisfied. If we no longer satisfy the stock ownership requirement for personal holding company status, our ability to demonstrate that we are no longer a personal holding company may nevertheless be limited, as doing so may require the cooperation of our direct and indirect stockholders. Further, our shares are not currently subject to ownership restrictions that would help us establish that we did not satisfy the stock ownership requirement for personal holding company status. As a personal holding company, our undistributed personal holding company income, which is generally taxable income with certain adjustments, including a deduction for U.S. federal income taxes and dividends paid, will be taxed at a rate of 20.0% (in addition to regular corporate taxes) under current law. Any payment of personal holding company taxes by us will have an adverse effect on our cash flows, results of operations and financial condition and may have an adverse effect on the value of our stock.

In order to grow, we may have to invest more resources in research and development than anticipated, which could increase our operating expenses and negatively impact our operating results. If new competitors, technological advances by existing competitors, and/or development of new technologies or other competitive factors require us to invest significantly greater resources than anticipated in our patent development efforts, our operating expenses could increase. If we are required to invest significantly greater resources than anticipated in patent development efforts without an increase in revenue, our operating results could decline.

Any expense reduction initiatives that we undertake may not deliver the expected results and these actions may adversely affect our business. In late 2015, we announced that we intended to take measures to improve our operating leverage, including reducing headcount, managing our expenses more effectively, and minimizing our capital spending requirements. As we take these or other actions to better align our operating expenses with our revenue, manage our costs better, and more efficiently manage our business, such actions could result in disruptions to our operations and adversely affect our business. To effectively manage our business with fewer than anticipated employees, we will need to spend significant resources to further automate our business processes, improve our technology infrastructure, our operational, financial and management controls, and our reporting systems and procedures.

These enhancements and improvements will require capital expenditures and allocation of valuable management and employee resources. We expect to continue to actively monitor our operating expenses; however, if we do not fully realize the anticipated benefits of any expense reduction initiatives, including reductions in headcount, our business could be adversely affected. In addition, we cannot be sure that our efforts to manage expenses and improve our operating leverage will be successful.

If we are not able to adequately protect our patent rights, our business would be negatively impacted. We believe our patents are valid, enforceable and valuable. Notwithstanding this belief, third parties may make claims of invalidity with respect to our patents, and such claims could give rise to material additional costs, jeopardize or substantially delay a successful outcome of litigation we are or may become involved in, divert resources away from our other activities, or otherwise materially and adversely affect our business. Similar challenges could also prevent us from obtaining additional patents in the future. Even if we are successful in enforcing our rights, our patents may be less valuable than we currently expect. These risks may be heightened in countries other than the United States, and may be negatively affected by the fact that legal standards in the United States and elsewhere for protection of intellectual property rights in Internet-related businesses are uncertain and still evolving. In addition, there are a significant number of United States and foreign patents and patent applications in our areas of interest, and we expect that significant litigation in these areas will continue, and will add uncertainty to the value of certain patents and other intellectual property rights in our areas of interest. If we are unable to protect our intellectual property rights or otherwise realize value from them, our business would be negatively affected.

More patent applications are filed each year resulting in longer delays in getting patents issued by the USPTO. We hold several pending patents applications and we may prosecute additional continuing patent applications. We have identified a trend of increasing patent applications each year, which may result in longer delays in obtaining approval of pending patent applications. The application delays could cause delays in recognizing revenue from these patents and could cause us to miss opportunities to license patents before other competing technologies are developed or introduced into the market.

The fixed terms of patents limit our business opportunity. Patents have fixed terms. If we fail to create value from our patents prior to their expiration, our litigation and licensing opportunities will be eliminated, which would negatively impact our financial condition and results of operations.

Future innovations could make our patents obsolete. Our success depends, in part, on continued demand for products that incorporate our patented inventions. Changes in technology or customer requirements could render these patented inventions obsolete or unmarketable.

Focusing our business model on realizing the value of our intellectual property is a recent initiative and may not result in anticipated benefits. We have a limited operating history and a limited track record with respect to our intellectual property licensing and enforcement business, which could make it difficult to evaluate our future prospects. We will encounter risks and difficulties frequently experienced by companies with evolving business strategies. If we do not manage these risks successfully, our business and operating results will be adversely affected. In addition, our intellectual property strategy may have other adverse consequences, such as employee attrition, the loss of employees with valuable knowledge or expertise or a negative impact on employee morale. Our strategy may place increased demands on our personnel and could adversely affect our ability to attract and retain talent and to perform our accounting, finance and administrative functions. We may not realize all of the anticipated benefits of our strategies.

We may seek to internally develop additional new inventions and intellectual property, which would take time and would be costly. Moreover, the failure to obtain or maintain intellectual property rights for such inventions would lead to the loss of our investments in such activities. Mr. Walker has significant experience as an inventor. As such, we expect that part of our business may include the internal development of new inventions or intellectual property relating to assets transferred to us in the Merger or that we have developed and seek to monetize. However, this aspect of our business would likely require significant capital and would take time to achieve. Such activities could also distract our management team from its other business initiatives, which could have a material and adverse effect on our business. There is also the risk that our initiatives in this regard would not yield any viable new inventions or technology, which would lead to a loss of our investments in time and resources in such activities.

We cannot be certain that patents will be issued as a result of any future applications, or that any of our patents, once issued, will provide us with adequate protection from competing products or licensing and enforcement opportunities. For example, issued patents may be circumvented or challenged, declared invalid or unenforceable, or narrowed in scope. Our failure to obtain or maintain intellectual property rights for our inventions would lead to the loss of our investments in such activities, which would have a material and adverse effect on our Company.

Our Invention Assignment Agreement with Jay Walker Only Relates to Improvements to the Assets Transferred to Us in the Merger. Pursuant to the terms of the Invention Assignment Agreement we have entered into with Mr. Walker, we have been granted rights only in connection with improvements to the assets transferred to us in the Merger and that we developed, including The United States Patent Utility, the predecessor to Haystack IQ. Accordingly, we may not be entitled to any other intellectual property Mr. Walker may develop in the future, including intellectual property that Mr. Walker may choose to monetize and commercialize other than through Walker Innovation. Stockholders in the Company should not expect that Mr. Walker will seek to develop or commercialize intellectual property for the benefit of Walker Innovation, other than as explicitly provided for in the Invention Assignment Agreement, which may affect the value placed on the Company by industry analysts or other investors, which would likely affect the price at which our common stock trades in the public market.

We will depend on key individuals, including Jay Walker. Our future success depends largely upon the service of our directors, executive officers and other key personnel, including Mr. Walker. Our success also depends on our ability to continue to attract, retain and motivate qualified personnel with specialized patent and other skills. The market for such talent in our industry is extremely competitive. Our ability to attract and retain qualified personnel could be affected by any adverse decisions in any litigation or arbitration and by our ability to offer competitive cash and equity compensation and work environment conditions. The failure to attract and retain such persons with relevant and appropriate experience could interfere with our ability to enter into new license agreements and undertake additional technology and product development efforts, as well as our ability to meet our strategic objectives.

Changes in interpretations of patent law could adversely impact our business. Our success in reexamination, Inter Partes Review ("IPR") and enforcement proceedings will rely, in part, on the uniform and historically consistent application of patent laws and regulations. The courts' interpretations of patent laws and regulations continue to evolve, and the courts may continue to alter or refine their application of laws and regulations. Changes or potential changes in judicial interpretation could have a negative impact on our ability to monetize our patent rights. Our ability to achieve and enforce litigation settlements, often in the form of license and/or patent sale agreements, may also be impacted by judicial interpretation. Further, such judicial interpretation may have unforeseeable collateral consequences, including affecting rights of our contractual counterparties and others holders not party to the matter being considered by such court.

Setbacks in defending and enforcing our patent rights could cause our revenue and cash flow to decline. Our assets include patents that may be integral to our business and revenues. Competitors and/or accused infringers may challenge the validity, scope, enforceability and ownership of those patents. Their challenges may include reexamination requests or IPRs in the patent and trademark office. Reexamination proceedings and IPRs are costly and time-consuming, and we cannot predict their outcome or consequences. Such proceedings may narrow the scope of our claims or may cancel some or all of our claims. If some or all of our patent claims are canceled, we could be prevented from enforcing or earning future revenues from such patents. We cannot assure that the validity and enforceability of our patents will be maintained or that our patents will be determined to be applicable to any particular product or standard. Even if our claims are not canceled, enforcement actions against alleged infringers may be stayed pending resolution of reexaminations or IPRs, or courts or tribunals reviewing our patent claims could make findings adverse to our interests based on facts presented in reexamination proceedings or IPRs. Irrespective of outcome, reexamination and IPR challenges may result in substantial legal expenses and diversion of management's time and attention away from our other business operations. As a result of negotiations during pendency of the arbitration relating to the terms of a settlement and license agreement between Walker Digital and a third party, the parties entered into a settlement agreement dated June 10, 2016, (the "Third Party Settlement") pursuant to which Walker Digital paid the third party $250,000 and assigned 10 patent assets to the third party and the Company and its subsidiaries assigned 111 patent assets to the third party. The Third Party Settlement agreement contains mutual releases, including a release by the third party of claims to the remaining patent assets of Walker Digital and the Company and its subsidiaries. None of the patents assigned to the third party in the settlement were being enforced in the Company's licensing and enforcement litigation. On November 28, 2016, the Company entered into a Release and Settlement Agreement with Walker Digital (the "Settlement Agreement") relating to rights to indemnification from Walker Digital as a consequence of the settlement with the third party. The terms of the Settlement Agreement were approved by the Audit Committee of the Company at a meeting held on November 21, 2016. The Settlement Agreement required Walker Digital to pay the Company $125,000 in cash, or return to the Company shares of its Common Stock having a value of $125,000 within six months following the date of the Settlement Agreement, which payment was made in shares on May 2017. The Settlement Agreement also acknowledges the direct and indirect benefits received by the Company from Walker Digital in connection with the a sale of shares of Upside by the Company pursuant to the November Purchase Agreement (as defined below in "Management's Discussion and Analysis of Financial Condition and Results of Operations") as part of the consideration received in connection with the release of the Company's indemnification claims against Walker Digital. On May 24, 2017, Walker Digital returned to the Company shares of its Common Stock having a value of $125,000. On December 18, 2017, pursuant to an agreement approved by the Audit Committee on December 6, 2017, Walker Digital returned to the Company shares of its Common Stock having a value of $157,095, in reimbursement of legal fees and expenses paid by the Company on behalf of Walker Digital in connection with the Third Party Settlement.

Our business depends on a number of costly litigation, arbitration and administrative proceedings to enforce our intellectual property rights. The cost of enforcing, protecting and defending our intellectual property may be significant. Our business model requires litigation to enforce our intellectual property rights. In addition, third parties could commence litigation against us seeking to invalidate our patents or obtain a determination that our patents are not infringed, are not essential, are invalid or are unenforceable. As a result of any such litigation, we could lose our proprietary rights.

Historically, a significant portion of our revenue has been generated from settling litigation matters. The revenues we have generated were the result of settlement negotiations with certain defendants in connection with patent infringement cases. In the past, these revenues were one-time payments made under non-exclusive license agreement entered into by us and the defendants to settle such disputes. For the years ended December 31, 2017 and 2016, the amount of revenue we derived from counterparties representing more than 10% of our Licensing revenues was 100% and 85% (with two counterparties) respectively. We cannot assure you that all such current disputes or any future disputes will be settled in such a manner as to generate significant revenues in the future.

Trial judges and juries often find it difficult to understand complex patent enforcement litigation, and as a result, we may need to appeal adverse decisions by lower courts in order to successfully enforce our patents. It is difficult to predict the outcome of patent enforcement litigation at the trial level. It is often difficult for juries and trial judges to understand complex, patented technologies, and as a result, there is a higher rate of successful appeals in patent enforcement litigation than more standard business litigation. Such appeals are expensive and time consuming, resulting in increased costs and delayed revenue. Although we plan to diligently pursue enforcement litigation, we cannot predict with significant reliability the decisions made by juries and trial courts.

Federal courts are becoming more crowded, and as a result, patent enforcement litigation is taking longer. Our patent enforcement actions will be prosecuted exclusively in federal court. Federal trial courts that hear patent enforcement actions also hear criminal cases. Criminal cases always take priority over our actions. As a result, it is difficult to predict the length of time it will take to complete an enforcement action. Moreover, we believe there is a trend in increasing numbers of civil lawsuits and criminal proceedings before federal judges, and as a result, we believe that the risk of delays in our patent enforcement actions will have a greater effect on our business in the future unless this trend changes.

In connection with patent enforcement actions that we may conduct, a court may rule that we have violated certain statutory, regulatory, federal, local or governing rules or standards, which may expose us to certain material liabilities. In connection with our patent enforcement actions we intend to bring or maintain, it is possible that a defendant may request and/or a court may rule that we have violated statutory authority, regulatory authority, federal rules, local court rules, or governing standards relating to the substantive or procedural aspects of such enforcement actions. In such event, a court may issue monetary sanctions against us or award attorney's fees and/or expenses to a defendant(s), which could be material, and if we are required to pay such monetary sanctions, attorneys' fees and/or expenses, such payment could materially harm our operating results and our financial position. In this regard, in a suit filed by a Company subsidiary alleging patent infringement by Bed Bath & Beyond ("BBB") in the United States District Court for the District of Delaware, Docket 14-448, the District Court awarded attorney's fees and costs to BBB of approximately $933,000 on May 31, 2016. After obtaining a bond covering the award plus interest, the Company subsidiary filed an appeal to the Federal Circuit on October 11, 2016. On December 8, 2017, the Federal Circuit affirmed the District Court's award of attorney's fees and costs to BBB and awarded costs of the appeal to BBB. As provided in a stipulation filed by the parties and approved by the District Court, BBB will receive approximately $938,000 from the bond and the Company subsidiary will pay an additional approximately $113,000 for BBB's attorney's fees and costs incurred in connection with the appeal.

Our litigation may be time-consuming, costly and we cannot anticipate the results. We expect to spend a significant amount of our financial and management resources to pursue litigation matters. We believe that these litigation matters and others that we may in the future determine to pursue could continue for years and consume significant financial and management resources. The counterparties to our litigation matters are all large, well-financed companies with substantially greater resources than us. We cannot assure you that any of our litigation matters will result in a favorable outcome for us. In addition, even if we obtain favorable interim rulings or verdicts in particular litigation matters, they may not be predictive of the ultimate resolution of the dispute. Also, we cannot assure you that we will not be exposed to claims or sanctions against us that may be costly or impossible for us to defend. Unfavorable or adverse outcomes may result in losses, exhaustion of financial resources or other adverse effects that could encumber our ability to develop and commercialize products.

Technology company stock prices are especially volatile, and this volatility may depress the price of our Common Stock. The stock market has experienced significant price and volume fluctuations, and the market prices of technology companies have been highly volatile. We believe that various factors may cause the market price of our Common Stock to fluctuate, perhaps substantially, including, among others, the following:

- announcements of developments in our patent enforcement actions;
- developments or disputes concerning our patents;
- our or our competitors' technological innovations;
- variations in our quarterly operating results;

- our failure to meet or exceed securities analysts' expectations of our financial results;
- a change in financial estimates or securities analysts' recommendations;
- changes in management's estimates of our financial performance;
- changes in market valuations of similar companies;
- announcements by us or our competitors of significant contracts, acquisitions, strategic partnerships, joint ventures, capital commitments, new technologies, or patents; and
- failure to complete significant transactions.

We are required to evaluate our internal control over financial reporting in accordance with the Sarbanes-Oxley Act. We will be required to incur significant costs and require significant management resources to evaluate our internal control over financial reporting as required under the Sarbanes-Oxley Act, and any failure to comply or any adverse result from such evaluation may have an adverse effect on our stock price.

The burdens of being a public company may adversely affect our ability to pursue litigation. As a public company, our management must devote substantial time, attention and financial resources to comply with U.S. securities laws. This may have a material adverse effect on management's ability to effectively and efficiently pursue litigation as well as our other business initiatives. In addition, our disclosure obligations under U.S. securities laws require us to disclose information publicly that will be available to future litigation opponents. We may, from time to time, be required to disclose information that may have a material adverse effect on our litigation strategies. This information may enable our litigation opponents to develop effective litigation strategies that are contrary to our interests.

Risks Related to our Common Stock

Shares of our common stock that have not been registered under the Securities Act of 1933, as amended (the "Securities Act") are subject to resale restrictions imposed by Rule 144, including those set forth in Rule 144(i) which apply to a former "shell company." Pursuant to Rule 144 under the Securities Act, ("Rule 144"), a "shell company" is defined as a company that has no or nominal operations and either no or nominal assets, assets consisting solely of cash and cash equivalents or assets consisting of any amount of cash and cash equivalents and nominal other assets. As such, we were, until the consummation of the Merger, a "shell company" pursuant to Rule 144, and as such, sales of our securities pursuant to Rule 144 are not able to be made until a period of at least twelve months has elapsed from the date on which the information that is required by Form 10 to register our securities under the Securities Exchange Act of 1934, as amended, (the "Exchange Act") is filed with the Commission. Therefore, any restricted securities we have sold or sell in the future or issue to consultants or employees, in consideration for services rendered or for any other purpose, will have no liquidity until and unless such securities are registered with the Commission and/or until six months after the date of issuance and we have otherwise complied with the other requirements of Rule 144. As a result, it may be harder for us to fund our operations and pay our employees and consultants with our securities instead of cash. Furthermore, it will be harder for us to raise funding through the sale of debt or equity securities unless we agree to register such securities with the Commission, which could cause us to expend additional resources in the future. Our prior status as a "shell company" could prevent us in the future from raising additional funds, engaging employees and consultants, and using our securities to pay for any acquisitions, which could cause the value of our securities, if any, to decline in value or become worthless.

We may not qualify to meet listing standards to list our stock on an exchange. The Commission approved listing standards for companies using reverse acquisitions, or reverse shell mergers, to list on an exchange, which may limit our ability to become listed on an exchange. We are considered a reverse merger company (i.e., an operating company that became an Exchange Act reporting company by combining with a shell Exchange Act reporting company) that cannot apply to list on NYSE, NYSE MKT or Nasdaq until our stock has traded for at least one year on the U.S. OTC market, a regulated foreign exchange or another U.S. national securities market following the filing with the Commission or other regulatory authority of all required information about the merger, including audited financial statements. We would be required to maintain a minimum $4 share price ($2 or $3 for NYSE MKT) for at least thirty (30) of the sixty (60) trading days before our application and the exchange's decision to list. We would be required to have timely filed all required reports with the Commission (or other regulatory authority), including at least one annual report with audited financials for a full fiscal year commencing after filing of the above information. To the extent that we cannot qualify for a listing on an exchange, our ability to raise capital will be diminished.

Because we are considered a reverse merger company, we may not be able to attract the attention of brokerage firms. Additional risks may exist since we are considered a reverse merger company. Securities analysts of brokerage firms may not provide coverage of us since there is little incentive to brokerage firms to recommend the purchase of our Common Stock. No assurance can be given that brokerage firms will want to conduct any secondary offerings on our behalf in the future.

We may be subject to penny stock regulations and restrictions and you may have difficulty selling shares of our Common Stock. The Commission has adopted regulations which generally define so-called "penny stocks" as an equity security that has a market price of less than $5.00 per share or an exercise price of less than $5.00 per share, subject to certain exemptions. Our shares of Common Stock would be deemed to be a "penny stock" based upon the price of our Common Stock as of February 7, 2017 and as such are subject to Rule 15g-9 under the Exchange Act, or the Penny Stock Rule. This rule imposes additional sales practice requirements on broker-dealers that sell such securities to persons other than established customers and "accredited investors" (generally, individuals with a net worth in excess of $1,000,000 exclusive of the value of their principal residence or annual income exceeding $200,000, or $300,000 together with their spouses). For transactions covered by Rule 15g-9, a broker-dealer must make a special suitability determination for the purchaser and receive the purchaser's written consent to the transaction prior to sale. As a result, this rule may affect the ability of broker-dealers to sell our securities and may affect the ability of purchasers to sell any of our securities in the secondary market.

For any transaction involving a penny stock, unless exempt, the rules require delivery, prior to any transaction in a penny stock, of a disclosure schedule prepared by the Commission relating to the penny stock market. Disclosure is also required to be made about sales commissions payable to both the broker-dealer and the registered representative and current quotations for the securities. Finally, monthly statements are required to be sent disclosing recent price information for the penny stock held in the account and information on the limited market in penny stock.

There can be no assurance that our shares of Common Stock will qualify for exemption from the Penny Stock Rule. In any event, even if our Common Stock was exempt from the Penny Stock Rule, we would remain subject to Section 15(b)(6) of the Exchange Act, which gives the Commission the authority to restrict any person from participating in a distribution of penny stock if the Commission finds that such a restriction would be in the public interest.

Provisions in our Certificate of Incorporation and By-laws may deter third parties from acquiring us and could lead to the entrenchment of our Board. Our Certificate of Incorporation and By-laws contain provisions that may make the acquisition of our Company more difficult without the approval of our Board, including the following:

- we have authorized undesignated preferred stock, the terms of which may be established and shares of which may be issued without stockholder approval;

- vacancies on the Board may be filled only by the directors; and

- we require advance notice for stockholder proposals.

These provisions could also discourage proxy contests and make it more difficult for you and other stockholders to elect directors of your choosing and cause us to take other corporate actions that you desire. The anti-takeover defenses in our Certificate of Incorporation and By-laws could discourage, delay or prevent a transaction involving a change in control of our Company. These deterrents could adversely affect the price of our Common Stock and make it difficult to remove or replace members of our Board or management.

We are a "controlled company" within the meaning of the Nasdaq and NYSE MKT rules and, as a result, we qualify for, and could rely on, exemptions from certain corporate governance requirements. Walker Digital controls a majority of our voting stock. As a result, we are a "controlled company" within the meaning of Nasdaq and NYSE MKT corporate governance standards. Under the Nasdaq rules, a company of which more than 50% of the voting power is held by an individual, group or another company is a "controlled company", and if we are listed on Nasdaq we expect to utilize exemptions relating to certain Nasdaq corporate governance requirements, including:

- The requirement that we have a Nominating Committee that is composed entirely of independent directors;

- The requirement that we have a Compensation Committee that is composed entirely of independent directors; and

- The requirement for an annual performance evaluation of the Nominating and Compensation Committees.

The NYSE MKT has similar rules and exemptions with respect to controlled companies, which we expect to utilize if we are listed on the NYSE MKT. As a result of these exemptions, we anticipate that, if we are still a controlled company at the time that we apply to be listed on the Nasdaq or the NYSE MKT, our Nominating and Compensation Committees will not consist entirely of independent directors and that we will not be required to have an annual performance evaluation of the Nominating and Compensation Committees. Accordingly, a holder of our Common Stock would not have the same protections afforded to stockholders of companies that are subject to all of the Nasdaq or NYSE MKT corporate requirements.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our Connecticut office, which serves as our corporate headquarters, is located at Two High Ridge Park, Stamford, Connecticut. We lease space pursuant to a Shared Services Agreement with Walker Digital. The Walker Digital lease will expire in September of 2018. The annual rent for the office space occupied by us is approximately $103,000. We believe that our existing facilities are adequate to accommodate our current business needs.

Item 3. Legal Proceedings

Below is a brief description of material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which we or any of our subsidiaries is a party or of which any of their property is the subject.

On April 8, 2014, IH LLC, a subsidiary of the Company, filed suit alleging infringement by Bed Bath & Beyond ("BBB") of one or more claims of U.S. Patent No. 6,381,582 in the United States District Court for the District of Delaware, Docket No. 14-448. The complaint sought damages for past, present and future infringement. On August 21, 2015, the District Court granted a Motion for Judgment on the Pleadings by Bed Bath & Beyond, finding US Patent No. 6,381,582 invalid under 35 U.S.C. Section 101. IH LLC subsequently filed an appeal with the Federal Circuit challenging the District Court's Section 101 Ruling. On April 7, 2016, the Federal Circuit affirmed the District Court's ruling invalidating the patent. BBB sought its fees and costs for both the District Court and Federal Circuit proceedings from IH LLC. On May 31, 2016, the District Court granted, in part, BBB's motion for attorney's fees and costs and ordered a recalculation of these amounts, which were approved by the District Court in the amount of approximately $933,000 on July 14, 2016. IH LLC obtained a bond in the amount of $936,200 (which includes interest) and the parties filed a stipulation for approval of such bond and stay of execution of the fee award pending appeal, which stipulation was approved by the District Court. An appeal to the Federal Circuit was filed on October 11, 2016. On December 8, 2017, the Federal Circuit affirmed the District Court's award of attorney's fees and costs to BBB and awarded costs of the appeal to BBB. As provided in a stipulation filed by the parties and approved by the District Court, BBB received approximately $938,000 from the bond and the Company's subsidiary paid an additional approximately $113,000 for BBB's attorney's fees and costs incurred in connection with the appeal.

On January 22, 2015, Alstom Grid, Inc. ("Alstom") filed a complaint for declaratory judgment of non-infringement of U.S. Patent Nos. 5,828,751, 6,282,648, 6,289,453 and 8,549,310 against Certified Measurement LLC ("CM LLC"), a subsidiary of IH LLC, in the United States District Court for the District of Delaware, Docket No. 15-072. On February 5, 2015, CM LLC filed a counterclaim alleging infringement of one or more claims of such patents seeking damages for past, present and future infringement. On July 22, 2016, the Court held a claim construction hearing and a hearing on Alstom's motion to invalidate the patents under 35 U.S. Code Section 101. On August 3, 2016 the U.S. Magistrate Judge presiding over the claim construction hearing issued a report recommending that the District Court adopt the claim construction proposed by CM LLC. CM LLC entered into a settlement agreement with Alstom on December 2, 2016 and the litigation was dismissed with prejudice on January 9, 2017.

On December 8, 2016, CM LLC filed suit alleging infringement of one or more claims of U.S. Patent Nos. 5,828,751, 6,282,648, 6,289,453 and 8,549,310 against Yokogawa Corporation of America ("Yokogawa") and Yokogawa filed an Answer on February 13, 2017. On February 23, 2017, Yokogawa filed a motion for invalidity of the asserted patents under 35 U.S.C. Section 101, which CM LLC has opposed. A hearing on the 101 Motion took place on June 7, 2017. On June 30, 2017, Yokogawa filed petitions for *Inter Partes* Review ("IPR") of the CM Patents before the U.S. Patent and Trademark Office ("PTO"). CM LLC entered into a settlement agreement with Yokogawa effective August 4, 2017. The litigation was dismissed with prejudice on August 18, 2017 and an Order terminating the IPR proceedings was issued on October 13, 2017.

Item 4. Mine Safety Disclosure

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchase of Equity Securities

Our common stock is quoted on the OTCQB under the symbol "WLKR".

The table below sets forth the high and low bid prices for our Common Stock as reported on the OTCQB for the two years ended December 31, 2017 and 2016.

Fiscal Year 2017	High	Low
First Quarter	$ 0.55	$ 0.29
Second Quarter	0.44	0.32
Third Quarter	0.47	0.36
Fourth Quarter	0.56	0.39

Fiscal Year 2016	High	Low
First Quarter	$ 0.36	$ 0.13
Second Quarter	0.70	0.21
Third Quarter	0.68	0.32
Fourth Quarter	0.59	0.33

As of January 15, 2018, there were 20,094,314 shares of Common Stock outstanding, held by over 200 holders of record and 14,999,000 shares of our Series B Preferred Stock, held by a single holder of record.

Dividend Policy

We have not paid any cash dividends on our Common Stock. Pursuant to our current strategy, we do not have a plan to pay cash dividends. However, in the future, the Board may change our strategy to one that includes a dividend or distribution on our capital stock.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table contains information about our Common Stock that may be issued under our equity compensation plans as of December 31, 2017:

Plan Category	Number of securities to be issued upon exercise of outstanding options (a)	Weighted average exercise price of outstanding options (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders[1]	4,928,832	$ 0.64	678,510[2]
Equity compensation plans not approved by security holders	—	—	—
Total	4,928,832	$ 0.64	678,510

(1) Our Amended and Restated 2006 Long-Term Incentive Plan was adopted by our stockholders on July 24, 2008. Our Amended and Restated 2015 Long-Term Incentive Plan was adopted on May 6, 2015. Collectively referred to as our "Long-Term Incentive Plans".

(2) The number of securities remaining available for future issuances includes 678,510 shares available under our Long-Term Incentive Plans.

Item 6. Selected Financial Data

Not applicable to smaller reporting companies.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of the financial condition and results of our operations should be read in conjunction with our financial statements and the notes to those statements. This discussion contains forward-looking statements reflecting our management's current expectations that involve risks and uncertainties. Actual results and the timing of events may differ materially from those contained in these forward-looking statements due to a number of factors, including those discussed under the heading "Risk Factors" and elsewhere in this Form 10-K.

General

Narrative discussions of dollar figures are in thousands, except per share data and where the context indicates otherwise.

Through our wholly-owned subsidiaries, we historically have created, commercialized, licensed and, when necessary, legally enforced our homegrown portfolio of business innovations, many of which we acquired from our affiliate Walker Digital and are actively engaged in identifying new synergies for our assets and operations. In response to challenging developments in the patent licensing and enforcement environment and the cessation of the Company's custom innovation work described below, the Company's current plan of operations includes a carefully focused Licensing and Enforcement program, and an effort to acquire, through merger, share exchange, asset acquisition, plan of arrangement, recapitalization, reorganization or similar business combination, one or more operating businesses, either within its current verticals or in new industry segments, or control of such operating businesses through contractual arrangements. An investment bank has been retained to advise the Company on its acquisition process and other opportunities to create shareholder value.

Prior to 2017 the Company also focused on helping companies innovate more effectively and efficiently. It accomplished this by performing custom innovation work for large companies desiring to prototype and scale new businesses and new business methods, and through its Haystack IQ™ product that was intended to help small to mid-size businesses use proprietary Big Data software to connect the global stockpile of technology improvements and technical experts, represented by the U.S. patent database and other technical databases, with businesses that can put them into commercial uses that help them compete and grow. The Company is not currently performing any customer innovation projects.

The Company's Executive Chairman is entrepreneur and inventor Jay Walker, who is best known as the founder of Priceline.com and has twice been named by TIME magazine as "one of the top 50 business leaders of the digital age." Mr. Walker currently ranks as the world's 13th most patented living individual, based on U.S. patent issuances according to Wikipedia.

All improvements to the intellectual property assets that were primary to the business of Walker Digital assigned to the Company in 2013, together with any of the intellectual property associated with Haystack IQ, have been assigned to our subsidiary Inventor Holdings, LLC pursuant to an Invention Assignment Agreement with Mr. Walker. While the terms of the Invention Assignment Agreement do not entitle us to any other intellectual property Mr. Walker may develop in the future, in view of his significant equity position in the Company and the Company's platform for the protection of the intellectual property it holds, Mr. Walker may nevertheless determine to develop and commercialize intellectual property through the Company.

All of our intellectual property assets were created with the goal of solving business problems, with the intent to achieve commercial status. However, it is our belief that some of our inventions have become part of the commercial activities of other businesses without having been licensed, depriving us of financial value. Our monetization efforts include the possible sale or licensing of all or part of the relevant patent portfolio. It is our plan to continue enforcement activities for certain patents, although the timing and extent of these activities depends upon many factors affecting the market for patents and the patent enforcement industry that are beyond our control.

We believe the market for services that help companies identify complementary knowledge, expertise and resources outside the firm to speed internal problem solving and reduce time to market is both large and in need of new tools and new thinking. The market for business intelligence is characterized by great information asymmetry that makes mining the technical know how inside the patent database and other technical databases with human experts cost prohibitive for most companies and limited in its impact. Haystack IQ launched in August 2015 to address these needs and, although we saw growth in subscriber volumes we lack the capital necessary to scale the business. Given our focus on conserving capital, we decided to cease operations at the end of the first quarter of 2016 and recorded a one-time non-recurring charge of $575.

On November 28, 2016, the Company entered into a Release and Settlement Agreement with Walker Digital (the "Settlement Agreement") relating to rights to indemnification from Walker Digital as a consequence of a settlement with a third party. The terms of the Settlement Agreement were approved by the Audit Committee of the Company. The Settlement Agreement required Walker Digital to pay the Company $125 in cash, or to return to the Company shares of its common stock having a value of $125 within six months following the date of the Settlement Agreement and acknowledged the direct and indirect benefits received by the Company from Walker Digital in connection with the sale of shares of Upside by the Company in the November Purchase Agreement as part of the consideration received in connection with the release of the Company's indemnification claims against Walker Digital. On May 24, 2017, Walker Digital returned to the Company shares of its Common Stock having a value of $125. On December 18, 2017, pursuant to an agreement approved by the Audit Committee on December 6, 2017, Walker Digital returned to the Company shares of its Common Stock having a value of $157, in reimbursement of legal fess and expenses paid by the company on behalf of Walker Digital in connection with the Third Party Settlement.

Overview

Operating activities for 2017 were principally focused on the development, licensing and enforcement of our patent portfolios, helping to create value in our investment in Upside by providing services to them pursuant to the shared services agreement, and continuing efforts to improve operational efficiencies and preserve cash. Once we monetized our investment in Upside our focus transitioned to the initiation of efforts to acquire, through merger, share exchange, asset acquisition, plan of arrangement, recapitalization, reorganization or similar business combination, one or more operating businesses, either within our current verticals or in new industry segments, or control of such operating businesses through contractual arrangements.

Our operating activities during fiscal 2016 were principally focused on the development, licensing and enforcement of our patent portfolios, performing custom innovation services, and helping to create value in our investment in Upside by providing services to them pursuant to the shared services agreement.

Licensing and Enforcement

Our Licensing and Enforcement revenues historically have fluctuated period to period, and can vary significantly, based on a number of factors including the following:

- the dollar amount of agreements executed each period, which can be driven by the nature and characteristics of the technology or technologies being licensed and the magnitude of infringement associated with a specific licensee;

- the specific terms and conditions of agreements executed each period including the nature and characteristics of rights granted, and the periods of infringement or term of use contemplated by the respective payments;

- fluctuations in the total number of agreements executed each period;

- the timing, results and uncertainties associated with enforcement proceedings relating to our intellectual property rights;

- the ageing of the patent portfolio; and

- other external factors, including developments in the law affecting patent enforcement and availability of contingent legal financing, as required.

All of the Licensing and Enforcement revenues were generated through settlement and non-exclusive license agreements. All of the agreements provide for a one-time payment to the Company. Generally we are willing to engage in settlement discussions with defendants at any appropriate time during the course of litigation. We will agree to settle a dispute with a defendant when we believe that such a settlement and the terms of the agreement are in the best interest of the Company and its shareholders. The environment for entering into such license agreements in 2017 continues to be adversely affected by several significant developments in the patent monetization industry, including the continued effect of the Leahy-Smith America Invents Act of 2011 (including several new means by which challenges to the validity of our patents may be effected, including *Inter Partes* review proceedings) and the Supreme Court holding in the Alice Corp. v. CLS Bank International case, which called into question the patentability of certain types of inventions. In view of these trends, we are anticipating that the revenues from Licensing and Enforcement will continue to be minimal.

Custom Innovation

We had initially planned to fund our investment in sales, marketing, product development and infrastructure for Haystack IQ with the operating cash flows of our Licensing and Enforcement activities. In view of the negative trends in the patent licensing industry discussed above and the potential adverse impact of those changes on our revenues, we were forced to decrease our investment in Haystack IQ. Without the necessary capital to bring the business to scale, we subsequently decided to cease the operations of Haystack IQ entirely on March 31, 2016.

During 2016 the Company performed custom innovation services for Walker Digital, pursuant to a work order for a prototype project involving a Fortune 500 insurance company that previously retained Walker Digital to design and develop viable new business models. The business prototype to be developed had an approved budget of approximately $3.0 million that was funded through late 2016. This agreement has expired.

Upside Services Agreement and Warrant

In December 2015, the Company entered into the Upside Services Agreement with Upside (the "Upside Services Agreement"), a company affiliated with Walker Digital, the Company's controlling stockholder, regarding the provision of executive management, marketing, legal and financial consulting services. There are no set deliverables contemplated by the Upside Services Agreement, and services are provides as needed pursuant to the hourly rates (approximately equal to the Company's cost) specified in the Upside Services Agreement.

In connection with the Upside Services Agreement, the Company was granted the Upside Warrant to purchase limited liability company interests in Upside at an exercise price of $0.06 per Class A common share (the "Upside Warrant"), which amount has been determined to equal the fair market value of such shares as of the date of issuance of the Upside Warrant. The Upside Warrant was issued to the Company by Jay Walker, who at the time of issuance, beneficially owned approximately 37% of the aggregate outstanding limited liability company interests of Upside on a fully diluted basis, and controls Walker Digital, the Company's controlling stockholder. The total Class A common shares that may be purchased pursuant to the exercise of the Upside Warrant was originally 16,400,000 shares, equal to approximately 16% of the aggregate outstanding limited liability company interests of Upside, on a fully diluted basis, at the time of issuance, and the transfer of such shares to the Company was subject to certain requirements, including the provision of an opinion of counsel that such would not result in Upside being deemed to be a publicly traded partnership for purposes of U.S. federal income tax law.

The Company entered into a Securities Purchase Agreement dated as of November 21, 2016 (the "November Purchase Agreement") in connection with the sale of an aggregate of 2,500,000 Class A Common Shares (the "November Shares") of Upside at $2.00 per share to a group of accredited investors (the "Investors") in private resales not requiring registration under the Securities Act of 1933. The November Shares were issued upon exercise of the Upside Warrant, granted to the Company by Jay S. Walker, the controlling stockholder of the Company, Walker Digital and Upside. The total Class A Common Shares that could be purchased pursuant to the exercise of the Upside Warrant was originally 16,400,000 and, following the exercise in connection with the November Purchase Agreement, was 13,900,000. The sale of the November Shares to the Investors was consummated concurrently with entering into the November Purchase Agreement.

In December 2016, the Company entered into a Securities Purchase Agreement (the "December Purchase Agreement") in connection with the sale of an aggregate of 1,250,000 Class A Common Shares (the "December Shares") of Upside, at $2.00 per share to an existing investor in Upside in a private resale not requiring registration under the Securities Act of 1933. The Shares were issued upon exercise of the Upside Warrant at a price of $0.06 per share. Giving effect to the sale of the November Shares and December Shares, the Company raised gross proceeds of $7.5 million and retained the ability to purchase 12,650,000 Shares of Upside pursuant to the Upside Warrant (then 11% of Upside on a fully diluted basis).

On June 2, 2017, the Company entered into a Redemption Agreement with Upside to redeem the remaining 12,650,000 Upside Class A Common Shares. Simultaneously with the redemption on June 2, 2017, the Company acquired the Upside Class A Common Shares at a price of $0.06 per share pursuant to the Upside Warrant previously granted to the Company. The Upside Class A Common Shares were redeemed at $1.43182745 per share as approved by the Company's Audit Committee. Net proceeds from the transaction after giving effect to fees and the exercise price was approximately $16.8 million. After giving effect to the transaction described above, the Company no longer retains an equity interest in Upside.

The Upside Warrant was valued at $14.6 million (the fair value as determined using the Black-Scholes model at both December 31, 2016 and March 31, 2017). The Company accounts for the Upside Warrant using fair value accounting, and, accordingly, for the year ended December 31, 2017 the Company recorded an unrealized loss of $14.1 million relating to the reversal of unrecognized gains reflected in previous periods and a realized gain of $16.3 million in connection with the Redemption Agreement. In connection with the November and December Purchase Agreements, the Company recorded a realized gain of $7.1 million for the year ended December 31, 2016.

In connection with the issuance of the Upside Warrant in December of 2015, the Company recorded deferred revenue of $646 for the year ended December 31, 2015 and has amortized $316 and $330 of this deferred revenue into Other Income for the years ended December 31, 2017 and 2016 respectively.

Current Plan of Operation

The Company's current plan of operations includes a carefully focused Licensing and Enforcement program, continuing efforts to improve operational efficiencies and preserve cash, and an effort to acquire, through merger, share exchange, asset acquisition, plan of arrangement, recapitalization, reorganization or similar business combination, one or more operating businesses, either within its current verticals or in new industry segments, or control of such operating businesses through contractual arrangements. The Company expects to consider acquisition opportunities, if any, based on the circumstances presented by the business trends discussed above and the potential benefits to stockholders.

Results of Operations

Year Ending December 31, 2017 Compared with Year Ending December 31, 2016

Net Income (Loss)

Net loss for the year ended December 31, 2017 was $0.9 million, as compared to net income of $16.9 million for the year ended December 31, 2016. Included in net loss for the year ended December 31, 2017 is a net realized gain of $2.2 million and included in net income for the year ended December 31, 2016 is a unrealized gain of $14.1 million and a realized gain of $7.1 million, both recorded in connection with its Upside Warrant and related sale of Upside shares.

Operating expenses of $3.4 million for the year ended December 31, 2017 included other legal and consulting fees of $0.4 million patent prosecution and maintenance fees of $0.1 million, compensation and related benefits, of $1.7 million, which includes non-cash compensation of $0.4 million, professional fees of $0.8 million, and general and administrative expenses of $0.5 million. Net revenue totaled $0.3 million for the year ended December 31, 2017.

Operating expenses of $7.7 million for the year ended December 31, 2016 included other legal and consulting fees of $1.4 million, patent prosecution and maintenance fees of $0.2 million, compensation and related benefits, of $3.8 million, which includes non-cash compensation of $1.7 million, professional fees of $1.0 million, general and administrative expenses of $0.8 million and a one-time non-recurring charge of $575 in connection with the ceased operations of Haystack IQ. Net revenue totaled $2.5 million for the year ended December 31, 2016.

Revenues

	(dollar amounts presented in thousands) ***For the Years Ended December 31,***		
	2017	**2016**	**% Change**
Licensing revenue	$ 300	$ 1,642	(81.7)%
Subscription revenue	--	75	NA
Custom Innovation (related party)	--	2,561	NA
Total revenue	$ 300	$ 4,278	(92.9)%

We recognized revenues of $0.3 million in 2017, approximately a 93% decrease compared to 2016 revenues of $4.3 million.

For the year ended December 31, 2016 we generated revenue from ten licensing agreements compared to one licensing agreement during fiscal 2017. Our revenues historically have fluctuated based on the number of patented technology portfolios, the timing and results of patent filings and our enforcement proceedings relating to our intellectual property rights. Licensing revenues for the year ended December 31, 2016 was generated primarily in the fourth quarter.

The Company ceased operations of Haystack IQ at the end of the first quarter of 2016 and recorded a one-time non-recurring charge of $575. For the year ended December 31, 2016, the Company realized $2.6 million in revenue in connection with its Innovation Business.

Cost of Revenue

Legal and Consulting Contingency Fees
Legal and consulting contingent fees for the years ended December 31, 2017 and 2016 were $0 and $35, respectively. As a percentage of licensing revenue, legal and consulting contingent fees were 0% during 2017 and 2% in 2016. Our legal and consulting contingent fees are dependent upon the realization of revenue and the nature of the fee arrangements with outside counsel.

Cost of Subscription Revenue
Cost of subscription revenue was comprised of compensation for Company employees within the software and systems engineering groups in addition to data costs and amortization expenses. For the year ended December 31, 2016 this amount totaled $0.2 million. This amount is disproportionate to the revenue as the Company had not achieved scale at which it could amortize its technology costs.

Cost of Custom Innovation Work
Costs of custom innovation work represented the staff and related other costs associated with any of the services provided. For the year ended December 31, 2016 this amount totaled $1.6 million.

Licensing and Enforcement Expenses

	(dollar amounts presented in thousands) For the Years Ended December 31,		
	2017	**2016**	**% Change**
Other legal and consulting fees	$ 374	$ 1,427	(73.8)%
Patent prosecution and maintenance costs	87	164	(46.9)%
Total licensing and enforcement expenses	$ 461	$ 1,591	(71.0)%

Other legal and consulting expenses for the years ended December 31, 2017 and 2016 were $0.4 million and $1.4 million, respectively. The decrease in other legal and consulting fees during the year ended December 31, 2017 as compared to the year ended December 31, 2016 was mainly attributable to the reduced number of cases. Included in other legal and consulting fees for the year ended December 31, 2016, was a court ruling in the first half of 2016 that would require the Company to pay $0.9 million in legal and filing fees. The Company expensed the full amount and filed an appeal. In December 2017, the Federal Circuit affirmed the District Court's award of attorney's fees and costs and the Company paid incremental legal fees of defendant relating to the appeal of $113, which the Company accrued for in the fourth quarter. Other legal and consulting expenses fluctuate from period to period based on patent enforcement and prosecution activity associated with ongoing licensing and enforcement programs and the timing of the commencement of new licensing and enforcement programs in each period. We expect other legal and consulting expenses to continue to fluctuate period to period based on the factors summarized above, in connection with scheduled trial dates and our current and future patent development, licensing and enforcement activities.

Patent prosecution and maintenance expenses for the year ended December 31, 2017 decreased to $0.1 million from $0.2 million for the same period in 2016. Patent prosecution and maintenance expenses are related to legal fee and Patent Trademark Office expenses for reexaminations and patent prosecutions.

General and Administrative Expenses

	(dollar amounts presented in thousands) For the Years Ended December 31,		
	2017	**2016**	**% Change**
Compensation and benefits	$ 1,722	$ 3,793	(54.6)%
Professional fees	769	969	(20.6)%
General and administrative	493	814	(39.4)%
Restructuring expenses	--	575	N/A
Total general & administrative expenses	$ 2,984	$ 6,151	(51.5)%

Compensation and benefits expense for the years ended December 31, 2017 and 2016 were $1.7 million and $3.8 million, respectively and includes share based compensation of $0.3 million and $1.7 million for the year ended December 31, 2017 and 2016, respectively. Compensation and benefits expense decreased by approximately $2.1 million, or 55%, for fiscal 2017 as compared to fiscal 2016. The decrease in compensation and benefits can be primarily attributable to the decrease in the average number of full time active employees during fiscal December 31, 2017 of 6 compared to fiscal December 31, 2016 of 12. As of January 15, 2018 there are 4 employees.

Professional fees for the year ended December 31, 2017 decreased by 21% and totaled approximately $0.8 million and related primarily to accounting and legal fees of $426, board and advisory fees of $224 and public company expenses of $120. Professional fees for year ended December 31, 2016 totaled approximately $1.0 million and related to outside legal and accounting fees of $460, public company expenses of $126, board of directors and advisory fees of $294 and investor and public relations of $79.

Total general and administrative expenses decreased by 39% to $493 for the year ended December 31, 2017, compared to $814 for the year ended December 31, 2016. The decrease is attributed to decreases in: computer services of $61, telephone expenses of $34, insurance expenses of $32, office space of $30 office supplies and services of $21 and payroll services of $14.

In addition, in connection with closing of Haystack IQ business, the Company recorded approximately $575 in one time, non-recurring restructuring charge during the year ended December 31, 2016. These costs consist primarily of severance and other employee costs of $172, write off of prepaid expenses of $69, accelerated amortization of $213 and other costs, including obligations for leases, legal and allowance for doubtful accounts of $121.

Unrealized and Realized Gain

In connection with the exercise and sale of the shares from the Upside Warrant the Company recognized a realized gain of $2.2 million and $7.1 million during the years ended December 31, 2017 and 2016. In addition, in 2016, the Company recognized an unrealized gain of $14.1 million, all in connection with recording the Upside Warrant at fair value. The Company accounts for the Upside Warrant using the fair value option and therefore recorded the non-cash, unrealized gain as a change in fair value in its Consolidated Statement of Operations.

Other Income

For the year ended December 31, 2017, included in other income of $386 is $70 received from Upside in connection with services provided as well as $316 of amortization in connection with the Upside Warrant. For the year ended December 31, 2016 the Company recorded other income of $917, of which $461 was received from Upside in connection with services provided and $330 of amortization was expensed in connection with the Upside Warrant. In addition Other income includes $125 received from Walker Digital in connection with a Settlement.

Critical Accounting Policies and Estimates

Our significant accounting policies are more fully described in Note 3 to our Consolidated Financial Statements. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses, and the related disclosures of contingent assets and liabilities. Actual results could differ from those estimates under different assumptions or conditions. The Company's significant estimates and assumptions include stock-based compensation, the valuation allowance related to the Company's deferred tax assets revenue recognition, and establishing the fair value of its investments.

Liquidity and Capital Resources

Our current assets were $24.1 million at December 31, 2017, including $24.0 million of cash and cash equivalents. Working capital amounted to $23.8 million as of December 31, 2017. We have narrowed the focus of our Licensing and Enforcement business to those patent families that we believe have potential to yield the highest return and we have discretion as to whether the associated legal costs are incurred hourly or on a contingent basis.

We believe we have the ability to manage our expenses while we invest in growing our revenue and therefore believe that the Company's cash and cash equivalents are sufficient to meet our obligations and other liquidity needs for at least the next twelve months from the issuance date of this filing. Cash used in operating activities was approximately $3.3 million for the year ended December 31, 2017.

Contractual Obligations

We had no significant commitments for capital expenditures and we have no committed lines of credit or other committed funding or long-term debt as of December 31, 2017.

Off-Balance Sheet Transactions

We are not party to any off-balance sheet transactions. We have no guarantees or obligations other than those which arise out of normal business operations.

Recently Issued Accounting Pronouncements

See Note 3 to our Consolidated Financial Statements as of December 31, 2017, included elsewhere in this document.

Item 8. Financial Statements and Supplementary Financial Data

Consolidated Financial Statements

The financial statements required by this item begin on page F-1 hereof.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness, as of December 31, 2017, of the design and operation of our disclosure controls and procedures, as such term is defined in Exchange Act Rules 13a-15(e) and 15d-15(e). Based on this evaluation, our principal executive officer and principal financial officer have concluded that, as of such date, our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in our Exchange Act reports is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Internal Controls Over Financial Reporting

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Internal control over financial reporting refers to the process designed by, or under the supervision of, our principal executive officer and principal financial officer, and effected by our Board of Directors, management and other personnel, 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, and includes those policies and procedures that:

(1) Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets;
(2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorization of our management and directors; and
(3) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisitions, use or disposition of our assets that could have a material effect on the financial statements.

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk. Management is responsible for establishing and maintaining adequate internal control over financial reporting for the company.

Management has used the framework set forth in the report entitled Internal Control—Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission (2013), known as COSO, to evaluate the effectiveness of our internal control over financial reporting. Based on this assessment, our Chief Executive Officer and Chief Financial Officer have concluded that our internal control over financial reporting was effective as of December 31, 2017.

As a smaller reporting company, we are not required to obtain an attestation report of our registered public accounting firm regarding internal controls over financial reporting.

Changes in Internal Controls over Financial Reporting

There has been no change in our internal control over financial reporting during our last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this item relating to our directors and nominees, regarding compliance with Section 16(a) of the Securities Exchange Act of 1934, and regarding our Audit Committee is included under the captions "Directors and Executive Officers" and "Section 16(a) Beneficial Ownership Reporting Compliance," and "—Role of the Audit Committee" in our Proxy Statement related to the 2018 Annual Meeting of Shareholders and is incorporated herein by reference.

Pursuant to General Instruction G(3) of Form 10-K, the information required by this item relating to our executive officers is included under the caption "Executive Officers of the Company" in Part I of this report.

We have adopted a code of ethics that applies to our principal executive officer and all members of our finance department, including the principal financial officer and principal accounting officer. This code of ethics is posted on our website. The Internet address for our website is www.walkerinnovation.com, and the code of ethics may be found from our main web page by clicking first on "Investor Relations" and then on "Corporate Governance" under "Investor Relations," next on "Code of Ethics" under "Governance Documents."

We intend to satisfy any disclosure requirement under Item 5.05 of Form 8-K regarding an amendment to, or waiver from, a provision of this code of ethics by posting such information on our website, on the web page found by clicking through to "Code of Ethics" as specified above.

Item 11. Executive Compensation

The information appearing under the headings "Director Compensation" and "Executive Compensation" which is hereby incorporated by reference from our definitive Proxy Statement relating to the 2018 Annual Meeting of Stockholders, which Proxy Statement is anticipated to be filed with the SEC within 120 days of December 31, 2017.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item relating to security ownership of certain beneficial owners and management is included under the caption "Security Ownership of Management and Certain Beneficial Owners," and the information required by this item relating to securities authorized for issuance under equity compensation plans is included under the caption "Executive Compensation," is hereby incorporated by reference from our definitive Proxy Statement relating to the 2018 Annual Meeting of Stockholders, which Proxy Statement is anticipated to be filed with the SEC within 120 days of December 31, 2017.

Item 13. Certain Relationships and Related Transactions, Director Independence

The information appearing under the headings "Certain Relationships and Related Transactions" is hereby incorporated by reference from our definitive Proxy Statement relating to the 2018 Annual Meeting of Shareholders, which Proxy Statement is anticipated to be filed with the SEC within 120 days of December 31, 2017.

Item 14. Principal Accountant Fees and Services

The information required by this item is included under the captions "Item 2: Ratification of Appointment of Marcum LLP, as Independent Auditors — Audit Fees" and "—Pre-Approval Policies and Procedures" is hereby incorporated by reference from our definitive Proxy Statement relating to the 2018 Annual Meeting of Stockholders, which Proxy Statement is anticipated to be filed with the SEC within 120 days of December 31, 2017.

PART IV

Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

We have filed the following documents as part of this Form 10-K:

1. Consolidated Financial Statements:

2. Financial Statement Schedules

All schedules have been omitted because they are not required, not applicable, not present in amounts sufficient to require submission of the schedule, or the required information is otherwise included.

3. Exhibits

Exhibit No.	Description
2.1	Agreement and Plan of Merger, dated July 11, 2013, by and among GlobalOptions Group, Inc., GO Merger Sub, LLC, Walker Digital, LLC and Walker Digital Holdings, LLC (filed as Exhibit 2.1 to our Current Report on Form 8-K filed on July 15, 2013).*
2.1a	First Amendment to Agreement and Plan of Merger dated as of September 18, 2013, by and among GlobalOptions Group, Inc., GO Merger Sub LLC, Walker Digital, LLC and Walker Digital Holdings, LLC (filed as Exhibit 2.2 to our Current Report on Form 8-K filed on September 24, 2013).*
2.2	Certificate of Merger of Walker Digital Holdings, LLC (filed as Exhibit 2.3 to our Current Report on Form 8-K filed on September 24, 2013).*
3.1	Certificate of Incorporation (filed as Exhibit 3.1 to our Current Report on Form 8-K filed on September 24, 2013).*
3.1a	Certificate of Amendment to Certificate of Incorporation (filed as Exhibit 3.2 to our Current Report on Form 8-K filed on September 24, 2013).*
3.1b	Certificate of Elimination of the Series D Convertible Preferred Stock (filed as Exhibit 3.3 to our Current Report on Form 8-K filed on July 15, 2013).*
3.1c	Certificate of Elimination of the Series A Junior Participating Preferred Stock. (filed as Exhibit 3.1 to our Current Report on Form 8-K filed on September 23, 2013).*
3.1d	Certificate of Designation of Series B Convertible Preferred Stock (filed as Exhibit 3.5 to our Current Report on Form 8-K filed on September 24, 2013).*
3.1e	Amendment to Certificate of Incorporation dated November 12, 2013 (filed as Exhibit 3.10 to Amendment No. 3 to our Registration Statement on Form S-1 (No. 333-191783) filed on February 7, 2014).*
3.1f	Amendment to Certificate of Incorporation effective July 31, 2015 (filed as Exhibit 3.3 to our Quarterly Report on Form 10-Q filed on August 6, 2015).*
3.3	Amended and Restated Bylaws (filed as Exhibit A to our Form DEF14A (other definitive proxy statements) filed on April 12, 2016).*
4.1	Rights Agreement, dated as of September 7, 2010, between GlobalOptions Group, Inc. and Continental Transfer & Trust Company (filed as Exhibit 4.1 to our Current Report on Form 8-K filed on September 8, 2010).*
4.1a	Amendment No. 1 to Rights Agreement, dated as of March 26, 2012 between GlobalOptions Group, Inc. and Continental Transfer & Trust Company (filed as Exhibit 4.2 to our Annual Report on Form 10-K filed on March 30, 2012).*
4.1b	Amendment No. 2 to Rights Agreement, dated as of March 26, 2012 between GlobalOptions Group, Inc. and Continental Transfer & Trust Company (filed as Exhibit 4.1 to our Current Report on Form 8-K filed on September 9, 2013).*
4.1c	Amendment No. 3 to Rights Agreement, dated as of March 26, 2012 between GlobalOptions Group, Inc. and Continental Transfer & Trust Company (filed as Exhibit 4.1 to our Current Report on Form 8-K filed on September 23, 2013).*

4.2	Restricted Stock Agreement, dated July 11, 2013, by and between GlobalOptions Group, Inc. and Broadband Capital Management LLC (filed as Exhibit 4.1 to our Current Report on Form 8-K filed on July 15, 2013).*
4.3	Restricted Stock Agreement dated as of September 18, 2013, by and between IP Navigation Group, LLC, and GlobalOptions Group, Inc. (filed as Exhibit 4.10 to our Current Report on Form 8-K filed on September 24, 2013).*
4.4	Lock-Up Agreement dated September 18, 2013, by and between IP Navigation Group, LLC and GlobalOptions Group, Inc. (filed as Exhibit 4.9 to our Current Report on Form 8-K filed on September 24, 2013).*
4.5	Revolving Promissory Note between Walker Innovation Inc. and Walker Digital, LLC, dated as of July 19, 2016 (filed as Exhibit 4.1 to our Current Report on Form 8-K filed on July 20, 2016).*
10.1	Amended and Restated 2006 Long-Term Incentive Plan (filed as Exhibit 10.1 to our Current Report on Form 8-K filed on July 30, 2008).* †
10.2	The Patent Properties, Inc. Amended and Restated Long-term Incentive Plan, effective March 2, 2015 (filed as Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on May 13, 2015).* †
10.3	Form of Option Grant Agreement under the Patent Properties Inc. Amended and Restated 2006 Long-term Incentive Plan (filed as Exhibit 10.4 to our Annual Report on Form 10-K filed on March 15, 2016).* †
10.4	Form of Option Grant Agreement under The Patent Properties, Inc. Amended and Restated Long-term Incentive Plan, effective March 2, 2015 (filed as Exhibit 10.2 to our Quarterly Report on Form 10-Q filed on May 13, 2015).* †
10.5	Employment Agreement and Non-Competition and Confidentiality Agreement, dated as of September 18, 2013, between Jonathan Ellenthal and GlobalOptions Group, Inc. (filed as Exhibit 10.24 to our Current Report on Form 8-K filed on September 24, 2013).* †
10.5a	Termination Agreement, dated as of February 3, 2017, between Jonathan Ellenthal and Walker Innovation Inc. (filed as Exhibit 10.6a to our Annual Report on Form 10-K filed on February 7, 2017).* †
10.6	Executive Employment Agreement, dated as of February 10, 2014, between Jonathan Siegel and Patent Properties, Inc. (filed as Exhibit 10.41 to Amendment No. 5 to our Registration Statement on Form S-1 (No. 333-191783) filed on February 13, 2014).* †
10.7	Executive Employment Agreement, dated as of May 27, 2014, between Kara B. Jenny and Patent Properties, Inc. (filed as Exhibit 10.42 to our Current Report on Form 8-K filed on May 28, 2014).* †
10.8	Shared Services Agreement, dated as of July 11, 2013, by and between GlobalOptions Group, Inc. and Walker Digital Management, LLC (filed as Exhibit 10.8 to our Current Report on Form 8-K filed on July 15, 2013).*
10.9	Form of Indemnification Agreement between GlobalOptions Group, Inc. and its new directors and officers (filed as Exhibit 10.30 to our Current Report on Form 8-K filed on September 24, 2013).*
10.10	Registration Rights Agreement, dated September 18, 2013, by and between GlobalOptions Group, Inc. and the holders party thereto (filed as Exhibit 10.31 to our Current Report on Form 8-K filed on September 24, 2013).*
10.11	Bill of Sale, Assignment and Assumption Agreement dated as of September 18, 2013, by and between Walker Digital, LLC, and Walker Digital Holdings, LLC (filed as Exhibit 10.33 to our Current Report on Form 8-K filed on September 24, 2013).*
10.12	Invention Assignment Agreement dated as of January 20, 2014 by an among Patent Properties, Inc., Investor Holdings LLC and Jay Walker (filed as Exhibit 10.35 to Amendment No. 2 to our Registration Statement on Form S-1 (No. 333-191783) filed on January 22, 2014).*
10.13	Registration Rights Agreement, dated as of February 10, 2014, by and between Patent Properties, Inc. and the holders party thereto (filed as Exhibit 10.39 to Amendment No. 4 to our Registration Statement on Form S-1 (No. 333-191783) filed on February 11, 2014).*

10.14	Registration Rights Indemnification Agreement, dated as of February 10, 2014, by and between Patent Properties, Inc. and Walker Digital, LLC (filed as Exhibit 10.40 to Amendment No. 4 to our Registration Statement on Form S-1 (No. 333-191783) filed on February 11, 2014).*
10.15	Engagement Agreement between Walker Innovation Inc. and Walker Digital, LLC, dated as of August 20, 2015 (filed as Exhibit 10.1 to our Current Report on Form 8-K filed on August 24, 2015).*
10.16	Shared Services Agreement between Walker Innovation Inc. and Flexible Travel Company, LLC, dated as of December 4, 2015. (filed as Exhibit 10.1 to our Current Report on Form 8-K filed on December 10, 2015).*
10.16a	Amendment to Shared Services Agreement between Walker Innovation Inc. and Flexible Travel Company, LLC, dated as of March 4, 2016. (filed as Exhibit 10.1 to our Current Report on Form 8-K filed on March 31, 2016)*
10.17	Warrant dated as of December 4, 2015 among Jay S. Walker, Walker Innovation Inc. and Flexible Travel Company, LLC (filed as Exhibit 10.2 to our Current Report on Form 8-K filed on December 10, 2015).*
10.17a	Amendment to Warrant Agreement dated as of November 29, 2016 among Jay S. Walker, Walker Innovation Inc. and The Upside Commerce Group, LLC. (filed as Exhibit 10.23a to our Annual Report on Form 10-K filed on February 7, 2017).*
10.17b	Amendment to Warrant Agreement dated as of December 5, 2016 among Jay S. Walker, Walker Innovation Inc. and The Upside Commerce Group, LLC. (filed as Exhibit 10.23b to our Annual Report on Form 10-K filed on February 7, 2017).*
10.18	Pledge Agreement between Walker Innovation Inc. and Walker Digital, LLC, dated as of July 19, 2016 (filed as Exhibit 10.1 to our Current Report on Form 8-K filed on July 20, 2016).*
10.18a	Termination of Revolving Promissory Note and Pledge Agreement between Walker Innovation Inc. and Walker Digital, LLC, dated as of December 5, 2016 (filed as Exhibit 10.2 to our Current Report on Form 8-K filed on December 6, 2016).*
10.19	Securities Purchase Agreement by and among Walker Innovation Inc., Jay S. Walker, Zwieg-Dimenna International Limited and Zwieg-Dimenna Partners, L.P., dated as of November 21, 2016 (filed as Exhibit 10.1 to our Current Report on Form 8-K filed on November 28, 2016).*
10.20	Release and Agreement by and among Walker Innovation Inc., Inventor Holdings, LLC, Certified Measurement, LLC, Walker Digital, LLC and Jay S. Walker, dated as of November 28, 2016 (filed as Exhibit 10.2 to our Current Report on Form 8-K filed on November 28, 2016).*
10.21	Securities Purchase Agreement by and among Walker Innovation Inc., Jay S. Walker and Leucadia National Corporation, dated as of December 5, 2016 (filed as Exhibit 10.1 to our Current Report on Form 8-K filed on December 6, 2016).*
21.1	Subsidiaries of Walker Innovation Inc.
23.1	Consent of Marcum LLP
31.1	Certification of Jonathan Siegel, Chief Executive Officer, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Kara B. Jenny, Chief Financial Officer, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Jonathan Siegel, Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Kara B. Jenny, 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 Taxonomy Schema.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase.
101.DEF	XBRL Taxonomy Extension Definition Linkbase.
101.LAB	XBRL Taxonomy Extension Label Linkbase.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase.

* Incorporated herein by reference.

† Indicates a management contract or compensatory plan.

Table of Contents

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

WALKER INNOVATION INC.

February 2, 2018	By:	/s/ Jonathan Siegel
(Date Signed)		Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

Signature	Title	Date
/s/ Jay Walker **Jay Walker**	Executive Chairman of the Board of Directors	February 2, 2018
/s/ Jonathan Siegel **Jonathan Siegel**	Chief Executive Officer (Principal Executive Officer) and Director	February 2, 2018
/s/ Jonathan Ellenthal **Jonathan Ellenthal**	Vice Chairman of the Board of Directors	February 2, 2018
/s/ Nathaniel J. Lipman **Nathaniel J. Lipman**	Director	February 2, 2018
/s/ Richard J. Salute **Richard J. Salute**	Director	February 2, 2018
/s/ Kara B. Jenny **Kara B. Jenny**	Chief Financial Officer (Principal Financial Officer and Accounting Officer)	February 2, 2018

WALKER INNOVATION INC. AND SUBSIDIARIES
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of
Walker Innovation Inc.

Opinion on the Financial Statements
We have audited the accompanying consolidated balance sheets of Walker Innovation Inc. and Subsidiaries (the "Company") as of December 31, 2017 and 2016, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the two years in the period ended December 31, 2017, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion
These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Marcum LLP

/S/ MARCUM LLP

We have served as the Company's auditor since 2013.

New York, NY
February 2, 2018

WALKER INNOVATION INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands except share and per share amount)

	December 31,	
	2017	**2016**
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 24,041	$ 10,285
Short-term investment	25	25
Prepaid expenses and other current assets	73	398
Total current assets	24,139	10,708
Property and equipment, net	—	9
Other Assets:		
Investment, at fair value	—	14,621
Investment, at cost	—	250
TOTAL ASSETS	**$ 24,139**	**$ 25,588**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 121	$ 214
Accrued expenses	229	461
Deferred revenue	—	316
Total current liabilities	350	991
TOTAL LIABILITIES	**350**	**991**
COMMITMENTS AND CONTINGENCIES (NOTE 8)		
STOCKHOLDERS' EQUITY		
Preferred stock, $0.001 par value, 15,000,000 shares authorized	—	—
Series B Convertible Preferred stock, $0.001 par value, 14,999,000 shares designated, issued and outstanding	15	15
Common stock, $0.001 par value, 100,000,000 shares authorized; 21,184,744 and 21,134,744 shares issued and 20,094,314 and 20,741,572 outstanding as of December 31, 2017 and 2016 respectively	21	21
Treasury stock, 1,090,430 and 393,172 shares, at cost as of December 31, 2017 and 2016, respectively	(1,122)	(840)
Additional paid-in capital	47,350	46,985
Accumulated deficit	(22,475)	(21,584)
TOTAL STOCKHOLDERS' EQUITY	**23,789**	**24,597**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 24,139**	**$ 25,588**

The accompanying notes are an integral part of these consolidated financial statements.

WALKER INNOVATION INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands except per share amounts)

	December 31,	
	2017	**2016**
Revenues:		
Licensing fees	$ 300	$ 1,642
Subscription revenue	—	75
Custom innovation – related party	—	2,561
Total revenues	300	4,278
Cost of Revenues:		
Legal and consulting contingency fees	—	35
Cost of subscription revenue	—	200
Cost of custom innovation	—	1,572
Total cost of revenues	—	1,807
Net revenue	300	2,471
Operating expenses:		
Other legal and consulting fees	374	1,427
Patent prosecution and maintenance fees	87	164
Compensation and benefits, includes non cash compensation of $0.4 million and $1.7 million, for 2017 and 2016, respectively	1,722	3,793
Professional fees	769	969
General and administrative	493	814
Restructuring expenses	--	575
Total operating expenses	3,445	7,742
Operating loss	(3,145)	(5,271)
Other income – related party	386	917
Unrealized gain on investment	--	14,103
Realized gain on sales of investment	2,189	7,121
Interest income	45	7
Net (loss) income before taxes	**$ (525)**	**$ 16,877**
Provision for income taxes	(366)	--
Net (loss) income	**$ (891)**	**$ 16,877**
Net (loss) income per common share		
Basic	$ (0.04)	$ 0.81
Diluted	$ (0.04)	$ 0.47
Weighted average common shares outstanding		
Basic	20,528	20,742
Diluted	20,528	35,973

The accompanying notes are an integral part of these consolidated financial statements.

WALKER INNOVATION INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands)

	Series B Convertible Preferred Stock		Common Stock		Treasury Stock		Additional Paid-In	Accumulated	Total Stockholders'
	Shares	Amount	Shares	Amount	Shares	Amount	Capital	Deficit	Equity
Balance January 1, 2016	**14,999**	**15**	**21,135**	**$ 21**	**394**	**$ (840)**	**$ 45,136**	**$ (38,461)**	**$ 5,871**
Stock based compensation	—	—	—	—	—	—	1,849	—	1,849
Net income for the year ended December 31, 2016	—	—	—	—	—	—	—	16,877	**16,877**
Balance December 31, 2016	**14,999**	**15**	**21,135**	**21**	**394**	**(840)**	**46,985**	**(21,584)**	**24,597**
Stock based compensation	—	—	—	—	—	—	344	—	344
Options exercised	—	—	50	—	—	—	21	—	21
Net loss for the year ended December 31, 2017	—	—	—	—	—	—	—	(891)	(891)
Related party payment in shares	—	—	—	—	696	(282)	--	--	(282)
Balance December 31, 2017	**14,999**	**15**	**21,185**	**$ 21**	**1,090**	**$ (1,122)**	**$ 47,350**	**$ (22,475)**	**$ 23,789**

The accompanying notes are an integral part of these consolidated financial statements.

WALKER INNOVATION INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	December 31, 2017	December 31, 2016
Cash Flows from Operating Activities		
Net income (loss)	$ (891)	$ 16,877
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Unrealized gain on investment	--	(14,103)
Realized gain on investment	(2,189)	(7,121)
Stock-based compensation	344	1,849
Depreciation and amortization	9	36
Accelerated amortization related to write off of Haystack IQ asset	--	213
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Accounts receivable and other receivable	(6)	858
Prepaid and other current assets	48	236
Increase (decrease) in:		
Accounts payable	(93)	(209)
Accrued expenses	(231)	(105)
Deferred expenses and deferred revenue	(316)	(1,404)
Net cash used in operating activities	**(3,325)**	**(2,873)**
Cash Flows from Investing Activities:		
Proceeds from sales of investments in Tagged and Upside	18,362	7,500
Exercise of Upside Warrant	(759)	(225)
Commission in connection with the sale of Upside Warrant	(543)	—
Net change in short-term investment	--	25
Net cash provided by investing activities	**17,060**	**7,300**
Cash Flows from Financing Activities:		
Proceeds from exercise of options	21	—
Net cash provided by financing activities	**21**	**—**
Net increase in cash and cash equivalents	**$ 13,756**	**$ 4,427**
Cash and cash equivalents		
Beginning	$ 10,285	$ 5,858
Ending	**$ 24,041**	**$ 10,285**
Supplemental disclosure of non-cash investing and financing transactions		
Reclassification as treasury stock of shares received in connection with settlement of related party matter (Note 9)	**$ 282**	$ —

The accompanying notes are an integral part of these consolidated financial statements.

WALKER INNOVATION INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in thousands of dollars, except for share and per share amounts)

NOTE 1. THE COMPANY

Walker Innovation Inc., a Delaware corporation (collectively, with its subsidiaries, the “Company” or “Walker Innovation”), seeks to develop and commercialize its unique portfolio of intellectual property assets through licensing and enforcement operations (“Licensing and Enforcement”). In response to challenging developments in the patent licensing and enforcement environment and the cessation of the Company’s custom innovation work described below, the Company’s current plan of operations includes a carefully focused Licensing and Enforcement program, and an effort to acquire, through merger, share exchange, asset acquisition, plan of arrangement, recapitalization, reorganization or similar business combination, one or more operating businesses, either within its current verticals or in new industry segments, or control of such operating businesses through contractual arrangements. An investment bank has been retained to advise the Company on its acquisition process and other opportunities to create shareholder value.

Walker Digital, LLC (“Walker Digital”), a related party, is the owner of approximately 82% of the voting interest in the Company and owns approximately 48% of the economic interest in the Company (42% on a fully diluted basis).

NOTE 2. BUSINESS

Nature of Business

Licensing and Enforcement

The Company seeks to develop, license and otherwise enforce patented technologies through its wholly owned subsidiaries. Historically, the Company generated revenues from the granting of intellectual property rights for the use of, or pertaining to, its patented technologies. The Company may also monetize its intellectual property through the sale of select patent assets. Patent protection is a key part of the Company’s business model, because it provides the Company with a period of exclusive ownership during which the Company has the opportunity to recoup risk capital and generate a profit from inventions. The Company’s recent Licensing and Enforcement efforts have focused on a specific family of patents. The Company continues to investigate other potential infringers of its patents and may undertake additional licensing and enforcement activities against unlicensed users of its patents.

Innovation Business

Prior to 2017, the Company had focused on helping companies innovate more effectively and efficiently. The Company accomplished this by offering custom innovation services to large companies and by offering a product for small and medium businesses called “Haystack IQ”. In the first quarter of 2016 the Company ceased operations of Haystack IQ and recorded a one-time non-recurring charge of $575.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements of the Company were prepared in accordance with accounting principles generally accepted in the United States (“US GAAP”) and include the assets, liabilities, revenues and expenses of the Company’s wholly-owned subsidiaries over which the Company exercises control. Intercompany transactions and balances were eliminated in consolidation.

Use of Estimates

The preparation of Consolidated Financial Statements in conformity with US GAAP requires management of the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Consolidated Financial Statements. Actual results could differ from these estimates. The Company’s significant estimates and assumptions include stock-based compensation and the valuation allowance related to the Company’s deferred tax assets, and revenue recognition. Certain of the Company’s estimates could be affected by external conditions, including those unique to the Company and general economic conditions. It is reasonably possible that these external factors could have an effect on the Company’s estimates and could cause actual results to differ from those estimates and assumptions.

Cash and Cash Equivalents

The Company maintains its cash in bank deposit and money market accounts that, at times, may exceed federally insured limits. The Company considers money market accounts that have maturity dates of three months or less from the purchase date to be cash equivalents.

Short term Investments

The Company classifies its investment consisting of a certificate of deposit with a maturity greater than three months but less than one year as a short-term investment.

Earnings (Loss) per Share

Basic earnings (loss) per share ("EPS") is computed by dividing net income (loss) applicable to common stock by the weighted-average number of shares of common stock outstanding. Diluted EPS reflects the potential dilution that could occur if securities or other instruments that are convertible into common stock were exercised or could result in the issuance of common stock. As of December 31, 2017 and 2016, the following common stock equivalents were outstanding:

	2017	2016
Common Stock options	4,928,832	4,745,500
Convertible Preferred Stock	14,999,000	14,999,000
Potentially dilutive securities	19,927,832	19,744,500

A reconciliation of basic and diluted EPS is given in the following table:

Year ended December 31, 2017		Net Income (loss)	Shares		Amount per Share
Basic EPS	$	(891)	20,527,624	$	(0.04)
No effect of Dilutive Securities: anti dilutive		--	--		
Diluted EPS	$	(891)	20,527,624	$	(0.04)
Year ended December 31, 2016					
Basic EPS	$	16,877	20,741,572	$	0.81
Effect of Dilutive Securities		—	15,231,659		—
Diluted EPS	$	16,877	35,973,231	$	0.47

Revenue Recognition

Licensing and Enforcement

The Company derives its revenue from patent licensing and enforcement. In general, these revenue arrangements provide for the payment of contractually determined fees in consideration for the grant of certain intellectual property rights for patented technologies owned or controlled by the Company. A significant number of the patent licenses are granted on the entire portfolio rather than individual patents. Most of the intellectual property rights granted are perpetual in nature, extending until the expiration of the related patents, although they can be granted for a defined, relatively short period of time. The Company recognizes licensing and enforcement fees when there is persuasive evidence of a licensing arrangement, fees are fixed or determinable, delivery has occurred and collectability is reasonably assured.

Haystack IQ

On March 31, 2016, the Company ceased operations of its Haystack IQ product, and recorded a one-time non-recurring charge of approximately $575. Prior to that revenues were derived from month-to-month subscriptions to services, some of which were billed annually in advance. Subscription revenue was earned each month as the service was rendered to subscribers on a monthly basis.

Custom Innovation

Revenues were recognized as services were performed using the percentage of completion method for fixed price contracts. Revenues were determined by multiplying the estimated margin at completion for each contract by the project's percentage of completion to date, adding costs incurred to date, and subtracting revenues recognized in prior periods. In applying the percentage-of-completion method to these contracts, the Company measured the extent of progress toward completion as the ratio of costs incurred to date over total estimated costs at completion. As work was performed under contracts, estimates of the costs to complete were regularly reviewed and updated. As changes in estimates of total costs at completion on projects were identified, appropriate earnings adjustments were recorded using the cumulative catch-up method. Provisions for estimated losses on uncompleted contracts were recorded during the period in which such losses become evident. Profit incentives and/or award fees were recorded as revenues when the amounts were both probable and reasonably estimable.

Costs Associated with Revenue

Licensing and Enforcement

Contingent legal and consulting fees are expensed in the Consolidated Statements of Operations in the period that the related revenues are recognized. In instances where there are no recoveries from potential infringers, no contingent legal and consulting fees are required to be paid; however, the Company may be liable for certain out of pocket legal and consulting costs incurred pursuant to the underlying legal and consulting services agreement. Legal fees advanced to contingent law firms, if any, that are required to be paid in the event that no license recoveries are obtained are expensed as incurred and included in liabilities in the accompanying Consolidated Balance Sheets.

Haystack IQ

Cost of services was comprised of compensation for Company employees within the software and systems engineering groups in addition to data costs and amortization expenses. The expenses related to hosted software applications were affected by the number of customers who subscribed to our products and the complexity and redundancy of our software applications and hosting infrastructure. The Company expensed these costs as they were incurred. On March 31, 2016, the Company ceased operations of its Haystack IQ product, and recorded a one-time non-recurring charge of approximately $575.

Custom Innovation

Costs represented the staff and related other costs associated with any of the services provided.

Fair Value Measurements

The carrying amounts of cash and cash equivalents, the short term investment, accounts receivable, accounts payable approximate fair value due to the short-term nature of these instruments.

Fair value is defined as an exit price, representing the amount that would be received upon the sale of an asset or payment to transfer a liability in an orderly transaction between market participants. Fair value is a market-based measurement that is determined based on assumptions that market participants would use in pricing an asset or liability. A three-tier fair value hierarchy is used to prioritize the inputs in measuring fair value as follows:

Level 1. Quoted prices in active markets for identical assets or liabilities.

Level 2. Quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable, either directly or indirectly.

Level 3. Significant unobservable inputs that cannot be corroborated by market data.

These valuation techniques involve some level of management estimation and judgment, the degree of which is dependent on the price transparency of the asset, liability or market and the nature of the asset or liability.

Investment

In cases where the Company's investment is less than 20% of the outstanding voting stock and significant influence does not exist, the investment is carried at cost, and evaluated for impairment at each reporting period.

The Company elected the fair value option for its investment in The Upside Commerce Group, LLC, formerly known as Flexible Travel Company, LLC ("Upside"). The investment was classified as a Level 3 financial instrument at December 31, 2016 and until its disposal in June 2017.

On June 2, 2017, the Company entered into a Redemption Agreement (the "Redemption Agreement") with Upside, a company affiliated with Walker Digital, LLC, to redeem 12,650,000 Upside Class A Common Shares. Simultaneously with the redemption on June 2, 2017, the Company acquired the Upside Class A Common Shares at a price of $0.06 per share pursuant to a warrant (the "Upside Warrant") previously granted to the Company by Jay S. Walker, the controlling stockholder of Walker Digital. The Upside Class A Common Shares were redeemed at $1.43182745 per share as approved by the Company's Audit Committee. Net proceeds from the transaction after giving effect to fees and the exercise price was approximately $16.8 million. After giving effect to the transaction described above, the Company no longer retains an equity interest in Upside.

The fair value of this investment was approximately $14,621 as of December 31, 2016 (see Note 6).

The following table sets forth a summary of the changes in the fair value of the Company's Level 3 financial liabilities that are measured at fair value on a recurring basis:

	For the Years Ended December 31,	
	2017	2016
Beginning balance	$ 14,621	$ 672
Change in fair value of Upside Warrant	3,491	18,283
Exercise and sale of Upside Warrant	(18,112)	(4,334)
Ending balance	$ --	$ 14,621

While the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The decision to elect the fair value option, which is irrevocable once elected, is determined on an instrument by instrument basis and applied to an entire instrument. The net gains or losses, if any, on an investment for which the fair value option has been elected, are recognized as an unrealized gain on investment in the Consolidated Statements of Operations.

Revenue Concentrations

The Company considers significant revenue concentrations to be counterparties or customers who account for 10% or more of the total revenues generated by the Company during the period. For the year ended December 31, 2017, revenue was $300 and was from one counterparty. For the year ended December 31, 2016, 93% of the Company's revenue was derived from three counterparties, one of whom was revenue from Walker Digital in connection with custom innovation subcontracted to the Company.

Stock Based Compensation

The Company measures the cost of services received in exchange for an award of equity instruments based on the fair value of the award. For employees and directors, the fair value of the award is measured on the grant date and for non-employees, the fair value of the award is generally measured on the measurement date and re-measured on each financial reporting date and vesting date until the service period is complete. The fair value amount is then recognized over the period services are required to be provided in exchange for the award, usually the vesting period. The Company recognizes employee stock-based compensation expense on a straight line basis over the requisite service period for each separately vesting tranche of each award. Stock-based compensation expense is reflected within operating expenses and cost of sales in the Consolidated Statements of Operations.

Property and Equipment, net

Property and equipment consist primarily of computer and network hardware and are stated at cost net of accumulated depreciation and amortization expenses. Leasehold improvements are amortized over the shorter of their estimated useful lives or the remaining term of the lease. Lease amortization is included in depreciation expense. Equipment and software are depreciated on a straight-line basis over two to five years. Costs related to maintenance and repairs are expensed as incurred.

Deferred Revenue

Deferred revenue represents amounts to be recognized in connection with the amortization of the Upside Warrant (See Note 6 below).

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in operations in the period that includes the enactment date. A valuation allowance is provided when it is more likely than not that some portion or all of a deferred tax asset will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income and the reversal of deferred tax liabilities during the period in which related temporary differences become deductible. The benefit of tax positions taken or expected to be taken in the Company's income tax returns are recognized in the Consolidated Financial Statements if such positions are more likely than not of being sustained.

On December 22, 2017, new tax legislation known as the Tax Cuts and Jobs Act (the "Act") was signed into law. The law change will result in many tax accounting issues as its most significant change relates to a significant corporate rate reduction. The Act reduces the corporate tax rate to 21 percent, effective January 1, 2018. Under ASC 740, the effects of new legislation are recognized upon enactment, which is the date the president signs a bill into law. Accordingly, recognition of the tax effect of the rate reduction of the Act has been accounted for in the computation of the Company's federal deferred tax asset and liability balances, which are computed utilizing the new rates in the period for which the tax law was enacted with a corresponding net adjustment to deferred income tax expense (or benefit) and the effect to the valuation allowance. The change in the federal rate as a result the Act is reflected as a discreet item within the rate reconciliation and the effect of the remeasurement of the deferred taxes is also included in the deferred tax and valuation allowance disclosure.

Recent Accounting Pronouncements

In May 2014, as part of its ongoing efforts to assist in the convergence of US GAAP and International Financial Reporting Standards, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers, which is a new standard related to revenue recognition. Under the new standard, recognition of revenue occurs when a customer obtains control of promised services or goods in an amount that reflects the consideration to which the entity expects to receive in exchange for those goods or services. In addition, the standard requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts. The standard must be adopted using either a full retrospective approach for all periods presented in the period of adoption or a modified retrospective approach. In July 2015, the FASB issued ASU No. 2015-14, Revenue from Contracts with Customers - Deferral of the Effective Date, which defers the implementation of this new standard to be effective for fiscal years beginning after December 15, 2017. Early adoption is permitted effective January 1, 2017. In March 2016, the FASB issued ASU No. 2016-08, Principal versus Agent Considerations, which clarifies the implementation guidance on principal versus agent considerations in the new revenue recognition standard pursuant to ASU 2014-09. In April 2016, the FASB issued ASU No. 2016-10, Identifying Performance Obligations and Licensing, and in May 2016, the FASB issued ASU No. 2016-12, Narrow-Scope Improvements and Practical Expedients, which amend certain aspects of the new revenue recognition standard pursuant to ASU No. 2014-09. ASU 2016-20 "Technical Corrections and Improvements to Topic 606, Revenue From Contracts with Customers", was issued in December 2016, and provides elections regarding the disclosures required for remaining performance obligations in certain cases and also makes other technical corrections and improvements to the standard. In February 2017, the FASB issued ASU No. 2017-05, Other Income-Gains and Losses from the Derecognition of Nonfinancial Assets (subtopic 610.20), which clarifies the scope of asset derecognition and accounting for partial sales of nonfinancial assets pursuant to ASU No. 2014-09.

The Company has completed its analysis of the new revenue standards, which were adopted on January 1, 2018, and has determined that they will not have any effect on the way in which revenue is recognized from its Licensing and Enforcement Activities. The Company's Licensing and Enforcement contracts with its customers have a single performance obligation – the transfer of a license to functional intellectual property – and therefore, revenue would be recognized at the point in time when license is transferred. Contract consideration is generally in the form of a fixed, non-refundable, upfront cash payment received shortly after contracts are signed. The Company has decided to adopt the modified retrospective method on January 1, 2018. However, because the Company's revenue in 2017 was limited to revenue from Licensing and Enforcement activities, which is not changing under the new standard, adoption via the full retrospective approach or the modified retrospective approach on January 1, 2018 would not have any impact on the Company's consolidated financial position, consolidated results of operations, or consolidated cash flows.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments* ("ASU No. 2016-13"). ASU 2016-13 requires that expected credit losses relating to financial assets measured on an amortized cost basis and available-for-sale debt securities be recorded through an allowance for credit losses. ASU No. 2016-13 limits the amount of credit losses to be recognized for available-for-sale debt securities to the amount by which carrying value exceeds fair value and also requires the reversal of previously recognized credit losses if fair value increases. The new standard will be effective for the Company on January 1, 2020. Early adoption will be available on January 1, 2019. The Company is currently evaluating the effect that the updated standard will have on its Consolidated Financial Statements and related disclosures.

In August 2016, FASB issued ASU No. 2016-15, *Classification of Certain Cash Receipts and Cash Payments* ("ASU No. 2016-15"). This ASU addresses eight specific cash flow issues with the objective of reducing the existing diversity in practice. The guidance is to be applied using a retrospective transition method to each period presented and is effective for annual periods beginning after December 15, 2017, including interim periods within those annual periods. The Company is currently assessing the impact this ASU will have on its Consolidated Financial Statements.

In October 2016, the FASB issued ASU No. 2016-16, *Income Taxes: Intra-Entity Transfers of Assets Other than Inventory* (“ASU No. 2016-16”). The amendments in this ASU remove the prohibition against the recognition of current and deferred income tax effects of intra-entity transfers of assets other than inventory until the asset has been sold to an outside party. The ASU is effective for fiscal years and interim periods within those years beginning after December 15, 2017. The Company does not expect the adoption of this ASU to have a material impact on its Consolidated Financial Statements.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows: Restricted Cash* (“ASU No. 2016-18”). The amendments address diversity in practice that exists in the classification and presentation of changes in restricted cash and require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. This ASU is effective retrospectively for fiscal years and interim periods within those years beginning after December 15, 2017. The Company does not expect the adoption of this ASU to have a material impact on its consolidated financial statements.

In January 2017, the FASB issued an ASU 2017-01, *Business Combinations (Topic 805) Clarifying the Definition of a Business*. The Amendments in this Update is to clarify the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The definition of a business affects many areas of accounting including acquisitions, disposals, goodwill, and consolidation. The guidance is effective for annual periods beginning after December 15, 2017, including interim periods within those periods. The Company is currently evaluating the impact of adopting this guidance.

In May 2017, the FASB issued ASU 2017-09, “Compensation—Stock Compensation (Topic 718): Scope of Modification Accounting” to provide clarity and reduce both (1) diversity in practice and (2) cost and complexity when applying the guidance in Topic 718, Compensation—Stock Compensation, to a change to the terms or conditions of a share-based payment award. The amendments in this Update provide guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. The amendments in this Update are effective for all entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. Early adoption is permitted. This ASU is not expected to have a material impact on the Company’s financial statements.

In July 2017, the FASB issued ASU 2017-11, Earnings per Share (Topic 260), Distinguishing Liabilities from Equity (Topic 480), Derivatives and Hedging (Topic 815). ASU 2017-11 consists of two parts. The amendments in Part I of this Update change the classification analysis of certain equity-linked financial instruments (or embedded features) with down round features. When determining whether certain financial instruments should be classified as liabilities or equity instruments, a down round feature no longer precludes equity classification when assessing whether the instrument is indexed to an entity’s own stock. The amendments also clarify existing disclosure requirements for equity-classified instruments. As a result, a freestanding equity-linked financial instrument (or embedded conversion option) no longer would be accounted for as a derivative liability at fair value as a result of the existence of a down round feature. For freestanding equity classified financial instruments, the amendments require entities that present earnings per share (EPS) in accordance with Topic 260 to recognize the effect of the down round feature when it is triggered. That effect is treated as a dividend and as a reduction of income available to common shareholders in basic EPS. Convertible instruments with embedded conversion options that have down round features are now subject to the specialized guidance for contingent beneficial conversion features (in Subtopic 470-20, Debt—Debt with Conversion and Other Options), including related EPS guidance (in Topic 260). The amendments in Part II of this Update re-characterize the indefinite deferral of certain provisions of Topic 480 that now are presented as pending content in the Codification, to a scope exception. Those amendments do not have an accounting effect. For public business entities, the amendments in Part I of this Update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. For all other entities, the amendments in Part I of this Update are effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early adoption is permitted for all entities, including adoption in an interim period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. The amendments in Part II of this Update do not require any transition guidance because those amendments do not have an accounting effect. The adoption of this ASU is not expected to have a material impact on the Company’s consolidated financial position and results of operations.

Subsequent Events

Subsequent events have been evaluated through the date of filing.

NOTE 4. PREPAID EXPENSES AND OTHER CURRENT ASSETS

As of December 31, 2017 and 2016 prepaid expenses and other current assets consist of the following:

	2017	2016
Prepaid insurance	$ 42	$ 61
Prepaid patent costs	3	11
Due from Walker Digital and Upside	1	301
Other prepaid expenses	27	25
Total prepaid expenses and other current assets	$ 73	$ 398

NOTE 5. PROPERTY AND EQUIPMENT

As of December 31, 2017 and 2016 property and equipment, net, consist of the following:

	2017	2016
Computer equipment and software	$ 9	$ 30
Less: Accumulated Depreciation [1]	(9)	(21)
Total property and equipment, net	$ —	$ 9

(1) Excludes $213 of accelerated depreciation recorded in connection with the Haystack IQ restructuring charge in 2016.

NOTE 6. INVESTMENTS

Investment in Tagged

The Company received 57,000 shares of common stock in Tagged, Inc. (“Tagged”) as partial payment in connection with a license agreement. If on liquidation date (i.e. public offering or change of control), the then current fair value of the stock is less than $250 (“floor value”), Tagged will pay the Company the difference between the $250 floor value and the then current fair value. The investment is carried at cost. In April 2017, Tagged was the subject of an acquisition pursuant to which the Company received $244 in exchange for its shares in Tagged and expects to receive an additional $6 (the difference between the $250 floor value and the acquisition proceeds) within one year and has included this amount in Other current assets on its Consolidated Balance Sheet.

Investment in The Upside Commerce Group, LLC

The Company entered into a Shared Services Agreement (the “Upside Services Agreement,”) dated as of December 4, 2015, with Upside, a company affiliated with Walker Digital, the Company’s controlling stockholder, regarding the provision of executive management, marketing, innovation, legal and financial consulting services. There are no set deliverables contemplated by the Upside Services Agreement, although the hourly rates the Company expects to charge Upside (approximately equal to the Company’s cost) are specified and under certain circumstances could require audit committee approval.

In connection with the Upside Services Agreement, the Company was granted a warrant to purchase limited liability company interests in Upside at an exercise price of $0.06 per Class A Common Share, (the “Upside Warrant”) which amount has been determined to equal the fair market value of such shares as of the date of issuance of the Upside Warrant. The Upside Warrant was issued to the Company by Mr. Walker. As of December 31, 2015, Mr. Walker beneficially owned approximately 37% of the aggregate outstanding limited liability company interests of Upside on a fully diluted basis, and the total Class A Common Shares that could have been purchased pursuant to the exercise of the Upside Warrant was 16,400,000 shares, equal to approximately 16% of the aggregate outstanding limited liability company interests of Upside on a fully diluted basis as of December 31, 2015. The transfer of such shares to the Company is subject to certain requirements, including the provision of an opinion of counsel that such would not result in Upside being deemed to be a publicly traded partnership for purposes of U.S. federal income tax law.

On November 21, 2016 the Company entered into a Securities Purchase Agreement (the “November Purchase Agreement”) in connection with the sale of an aggregate of 2,500,000 Class A Common Shares (the “November Shares”) of Upside, at $2.00 per share to a group of accredited investors (the “Investors”) in private resales not requiring registration under the Securities Act of 1933. The November Shares were issued upon exercise of the Upside Warrant to purchase Class A Common Shares at a price of $0.06 per share, granted to the Company by Mr. Walker, the controlling stockholder of the Company, Walker Digital and Upside. The sale of the November Shares to the Investors was consummated concurrently with entering into the November Purchase Agreement and the Company realized a gain of $4.7 million upon the sale.

The Company entered into a Securities Purchase Agreement dated as of December 5, 2016 (the “December Purchase Agreement” and, together with the November Purchase Agreement, the “Purchase Agreements”) in connection with the sale of an aggregate of 1,250,000 Class A Common Shares of Upside, at $2.00 per share to an existing investor in Upside in a private resale not requiring registration under the Securities Act of 1933. The December Shares were issued upon exercise of the Upside Warrant at a price of $0.06 per share, and the Company recorded a realized gain of $2.4 million on the sale. After giving effect to the Purchase Agreements, the Company may now purchase 12,650,000 Shares of Upside pursuant to the Upside Warrant, equal to approximately 11% of the current aggregate outstanding limited liability company interests of Upside on a fully diluted basis.

In connection with the November and December Purchase Agreements, the Company recorded realized gains of $7.1 million for the year ended December 31, 2016. Unrealized gains of $14.1 million were recognized for the year ended December 31, 2016 based on the change in the fair value of the investment.

The fair value of the Upside Warrant at December 31, 2016 was approximately $14.6 million and was determined using the Black-Scholes model with the following assumptions: risk free interest rate – 1.93%, stock volatility – 66.0%, expected term - 5 years, expected dividends - N/A. The underlying stock price of the Upside Warrant was estimated to be $1.16 per share based on both the Company’s and Upside's fundraising activity and the Option Pricing Method Backsolve in accordance with the guidelines outlined in the American Institute of Certified Public Accountants Practice Aid, *Valuation of Privately-Held-Company Equity Securities Issues as Compensation.* The valuation of the underlying shares included the following assumptions: risk-free rate – 1.79%, company volatility - 50%, expected term or time to maturity - 5 years.

On June 2, 2017, the Company entered into a Redemption Agreement with Upside to redeem 12,650,000 Upside Class A Common Shares. Simultaneously with the redemption on June 2, 2017, the Company acquired the Upside Class A Common Shares at a price of $0.06 per share pursuant to a Warrant previously granted to the Company. The Upside Class A Common Shares were redeemed at $1.43182745 per share as approved by the Company’s Audit Committee. Net proceeds from the transaction after giving effect to fees and the exercise price was approximately $16.8 million and in connection with the transaction the company realized a gain of $2,189. After giving effect to the transaction described above, the Company no longer retains an equity interest in Upside.

In connection with the issuance of the Upside Warrant, the Company recorded deferred revenue of $671 and has amortized $316 and $330 of this deferred revenue into other income during the years ended December 31, 2017 and 2016, respectively.

NOTE 7. SHARED SERVICES AGREEMENT

Walker Digital Management, LLC

The Company has a Shared Services Agreement (“WDM Shared Services Agreement”) with Walker Digital Management, LLC (“WDM”). The cost of such services varies monthly based on the terms of the WDM Shared Services Agreement. The incurred expenses include but are not limited to executive compensation, information technology services and supplies, administrative and general services and supplies and rent and utilities, are based either on specific attribution of those expenses or, where necessary and appropriate, based on the Company’s best estimate of an appropriate proportional allocation.

The following table represents operating expenses contributed by WDM on behalf of the Company and expenses incurred under the WDM Shared Services Agreement for the years ended December 31, 2017 and 2016:

	2017	2016
Compensation Expenses (1)	$ 7	$ (27)
Rent and Utilities	131	174
Office Services and Supplies	17	36
Telephone	4	39
Other	44	74
Total Operating Expenses	$ 203	$ 296

(1) Compensation expenses are net of services charged to WDM. During the years ended December 31, 2017 and 2016, the Company charged approximately $0 and $41 of expenses, respectively, related to such services.

As of December 31, 2017 and 2016, due from WDM in the amount of $0 and $283, respectively, and these amounts were included in prepaid and other current assets. In addition there was $12, and $59, as of December 31, 2017 and 2016 due to WDM included in accounts payable and accrued expenses.

The Upside Commerce Group, LLC

In December 2015, the Company entered into the Upside Services Agreement with Upside to provide executive management, marketing, legal, innovation and financial consulting services. For the years ended December 31, 2017 and 2016 the Company provided approximately $70 and $461 of services, respectively, and these amounts are included in Other Income on the Consolidated Statements of Operations. Receivables of $1 and $18 related to the agreement were included in prepaid and other current assets on the Consolidated Balance Sheets at December 31, 2017 and 2016, respectively.

NOTE 8. COMMITMENTS AND CONTINGENCIES

Leases

The Company's corporate headquarters is located at Two High Ridge Park, Stamford, Connecticut. The Company leases space pursuant to the WDM Shared Services Agreement. The lease will expire in September of 2018. The annual rent for the office space occupied by the Company is approximately $103.

Litigation

The Company is subject to claims, counterclaims and legal actions that arise in the ordinary course of business. The plaintiff in each patent suit may have defenses to any counterclaim. In addition, the defendants in certain of the patent suits may file motions seeking costs and fees against the plaintiff, which may be opposed. The Company recognizes a liability for a contingency when it is probable that liability has been incurred and when the amount of loss can be reasonably estimated. When a range of probable loss can be estimated, the Company accrues the most likely amount of such loss, at no less than the minimum of the range. As of December 31, 2017 and 2016, the litigation accrual was not material.

Accrued Bonuses

As of December 31, 2017 and 2016, accrued bonuses included in accrued expenses on the Consolidated Balance Sheets were $18 and $100, respectively. Accrued bonuses are primarily discretionary in nature.

NOTE 9. EQUITY

The Company has authorized and issued an aggregate of 100,000,000 shares of common stock, par value $0.001 per share. The Company has authorized and issued an aggregate of 15,000,000 shares of preferred stock, par value $0.001 per share, 14,999,000 shares of which have been designated Series B Convertible Preferred Stock. As of December 31, 2017 and 2016, there were 21,184,744 and 21,134,744 shares of the Company's common stock issued, respectively, and 20,094,314 and 20,741,572 outstanding, respectively, and 14,999,000 shares of the Company's Series B Convertible Preferred Stock were issued and outstanding.

Common Stock

The holders of our common stock are entitled to one vote per share. Our Certificate of Incorporation does not provide for cumulative voting. The holders of our common stock are entitled to receive ratably such dividends, if any, as may be declared by the Board of Directors out of legally available funds *pari passu* with the holders of our Series B Convertible Preferred Stock, on an as-converted to common stock basis.

Upon liquidation, dissolution or winding-up of the Company the holders of the common stock and the holders of the Series B Convertible Preferred Stock, based on the number of shares of the Company's common stock into which the Series B Convertible Preferred Stock is convertible, are entitled to share ratably in all assets of the Company which are legally available for distribution, after payment of or provision for all actual and potential liabilities and the liquidation preference of any outstanding preferred stock bearing such a preference, of which currently there are none. The holders of the common stock have no preemptive, subscription, redemption or conversion rights.

Series B Convertible Preferred Stock

Holders of the Series B Convertible Preferred Stock are entitled at any time to convert their shares of Series B Convertible Preferred Stock into an equal number of shares of the Company's common stock, subject to adjustment in the event of a stock dividend, subdivision or combination of the Company's common stock. Upon liquidation, dissolution or winding-up of the Company, the holders of our common stock and the holders of the Series B Convertible Preferred Stock, based on the number of shares of the Company's common stock into which the Series B Convertible Preferred Stock is convertible, are entitled to share ratably in all assets of the Company which are legally available for distribution, after payment of or provision for all actual and potential liabilities and the liquidation preference of any outstanding preferred stock bearing such a preference, of which currently there are none. In the event of any liquidation, dissolution or winding up of the Company, the assets legally available for distribution will be distributed ratably among the holders of the Series B Convertible Preferred Stock and the common stock, based on the number of shares of the Company's common stock into which the Series B Convertible Preferred Stock is convertible. The holders of our Series B Convertible Preferred Stock are entitled to receive ratably such dividends, if any, as may be declared by the Board of Directors out of legally available funds, *pari passu* on an as-converted to common stock basis with the amount of such dividends to be distributed to the holders of our common stock immediately prior to the declaration of such dividend or distribution. The shares of Class B Convertible Preferred Stock will vote together with the Company's common stock on all matters where stockholders are entitled to vote. The holders of shares of Series B Convertible Preferred Stock are entitled to cast an aggregate of 80.0% of the total votes that may be cast with respect to any such matter, including the election of all directors.

Treasury Shares

On November 28, 2016, the Company entered into a Release and Settlement Agreement with Walker Digital (the "Settlement Agreement") relating to rights to indemnification from Walker Digital as a consequence of a settlement with a third party. The Settlement Agreement required Walker Digital to pay the Company $125 in cash, or to return to the Company shares of its common stock having a value of $125 within six months following the date of the Settlement Agreement. On May 24, 2017, Walker Digital returned to the Company shares of its Common Stock having a value of $125. On December 18, 2017, pursuant to an agreement, Walker Digital returned to the Company shares of its Common Stock having a value of $157, in reimbursement of legal fees and expenses paid by the company on behalf of Walker Digital in connection with the matter that was the subject of the Settlement Agreement. The shares that were surrendered have been reclassified as Treasury Shares.

NOTE 10 – STOCK-BASED COMPENSATION

Option Repricing

On January 12, 2017, the compensation committee of the Company's Board of Directors, and Walker Digital, a stockholder entitled to vote 2,358,500 shares of the Company's Common Stock and 14,999,000 shares of Series B Preferred Stock, representing, collectively, approximately 82.3% of the outstanding voting stock of the Company entitled to vote on such date with respect to such corporate actions, approved a one-time Stock Option Repricing program (the "Option Repricing") to permit the Company to reprice certain options to purchase the Company's common stock held by its then current directors, officers and employees (the "Eligible Options"), which actions became effective on February 19, 2017. Under the Option Repricing, as of the date the Option Repricing became effective, Eligible Options with an exercise price at or above $1.37 per share (representing an aggregate of 2,743,000 options, or 58% of the total outstanding) were amended to reduce such exercise price to $0.43.

The impact of the repricing was a one time incremental non cash charge of approximately $216, of which $114 was expensed in the first quarter of 2017 and an additional $102 of expense will be charged to operations over the remaining term of the options.

Stock-based Compensation

Total stock-based compensation to employees and non-employees for the years ended December 31, 2017 and 2016 is presented in the following table:

	2017	2016
Employee Option Awards	$ 343	$ 1,771
Non-employee Compensation Expense	1	78
Total Compensation Expense	$ 344	$ 1,849

Primarily all of the stock-based compensation incurred in 2017 was incurred in connection with employee awards, and accordingly is included in Compensation expense in the Consolidated Statement of Operations for the year ended December 31, 2017. During 2016, stock-based compensation incurred in connection with awards to employees was included in compensation expense and in cost of revenue. Non-employee stock based compensation expense was included in professional fees. For the year ended December 31, 2016, $42 of the employee option awards expense was included in cost of revenue, while non-employee compensation expense of $78, was included in professional fees in the Consolidated Statement of Operations.

Stock-Based Compensation Plans

The Company's Board of Directors has adopted two stock-based employee compensation plans, the Amended and Restated 2006 Long-Term Incentive Plan and the Amended and Restated 2015 Long-Term Incentive Plan collectively referred to as our "Long-term Incentive Plans". The Long-Term Incentive Plans, which provide for the granting of restricted stock awards, deferred stock unit awards, stock option awards and other equity and cash awards, were adopted for the purpose of encouraging key employees, consultants and directors who are not employees to acquire a proprietary interest in the growth and performance of the Company. The Compensation Committee had the authority to determine the amount, type and terms of each award, but may not grant awards under the Long Term Incentive Plans, in any combination, for more than 1,000,000 shares of the Company's common stock to any individual during any calendar year.

As of December 31, 2017, 678,510 shares of common stock remain eligible to be issued under the Long-Term Incentive Plans.

Stock Option Awards

The following table summarizes the Company's stock option award activity:

	Number of Shares	Weighted Average Exercise Price
Outstanding at January 1, 2016	**4,263,166**	**$ 3.01**
Options Granted	1,160,000	0.33
Options Exercised	—	—
Options Cancelled	(372,497)	3.22
Options Forfeited	(305,169)	2.29
Outstanding at December 31, 2016	**4,745,500**	$ 2.38
Options Granted	640,000	0.39
Options Exercised	(50,000)	0.42
Options Cancelled/Forfeited	(406,668)	2.16
Outstanding at December 31, 2017	**4,928,832**	**$ 0.64**
Options Vested and Exercisable at December 31, 2017	**4,076,155**	**$ 0.70**

The stock option awards are exercisable at various times through 2020. Additional information with respect to the outstanding stock option awards as of December 31, 2017, is as follows:

	Options Outstanding			Options Exercisable		
Range of Exercise Prices	Options Outstanding	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price Per Share	Options Exercisable	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Life
$0.00 - 0.50	4,516,332	6.92	$ 0.39	3,663,655	$ 0.40	6.46
$0.51 - 1.00	—	—	—	—	—	—
$1.01 - 1.50	40,000	0.44	1.37	40,000	1.37	0.44
$1.51 - 2.00	--	--	--	--	--	--
$2.01 - 2.50	—	—	—	—	—	—
$2.51 – 3.00	47,500	6.73	2.66	47,500	2.66	6.73
$3.01 – 3.50	125,000	6.41	3.18	125,000	3.18	6.41
$3.51 – 4.00	--	--	--	--	--	--
$4.01 – 4.50	200,000	5.88	4.05	200,000	4.05	5.88
Total	**4,928,832**	**6.81**	**$ 0.64**	**4,076,155**	**$ 0.70**	**6.37**

As of December 31, 2017, the Company had unrecognized stock-based compensation expense related to all unvested stock options of $139 which is expected to be recognized over the remaining weighted-average vesting period of 2.1 years.

The total fair value of the 400,161 stock option awards that vested during the year was approximately $5.18 million. At December 31, 2017, the aggregate intrinsic value of the fully vested stock option awards was $187 and the weighted average remaining contractual life of the stock option awards was 6.8 years. The Company has not capitalized any compensation cost, or modified any of its stock option awards and no cash was used to settle equity instruments granted under the Company's Incentive Plan for the years ended December 31, 2017 and 2016 (other than those repriced and described above). There were 50,000 and zero stock option awards exercised during the years ended December 31, 2017 and 2016, respectively.

Other selected information is as follows:

	2017	2016
Aggregate intrinsic value of outstanding options at December 31	$ 251	$ 85
Weighted average fair value per share of options granted during year	$ 0.09	$ 0.15
Total intrinsic value of options exercised during the year	7	--

The fair value of stock option awards granted is estimated on the date of grant using a Black-Scholes option pricing model. The expected life of the options was calculated using the simplified method, using the average of the contractual term and the vesting period and the Company used historical volatility rates to calculate the expected volatility used to calculate the fair value of options granted. Management monitors stock option exercises and employee termination patterns to estimate forfeiture rates within the valuation model. The expected holding period of options represents the period of time that options granted are expected to be outstanding. The risk-free interest rate for periods within the expected life of the option is based on the interest rate of the U.S. Treasury note in effect on the date of the grant.

The table below presents the weighted average assumptions used to calculate the fair value of stock option awards granted during the years ended December 31, 2017 and 2016, respectively:

	2017	2016
Risk Free Interest Rate	1.37 – 2.03%	0.74 – 1.49%
Expected Volatility	98.9 – 102.2%	91.1% – 91.8%
Dividend Yield	0%	0%
Expected Life in Years	6.0	6.0

Stock-based Compensation to Non-employees

Stock-based compensation expense related to stock-based awards to non-employees is recognized as the stock-based awards are earned, generally through the provision of services. The Company believes that the fair value of the stock-based awards is more reliably measurable than the fair value of the services received. The fair value of the granted stock-based awards is remeasured at each reporting date.

NOTE 11 —INCOME TAXES

The Company's deferred tax assets consisted of the effects of temporary differences attributable to the following:

	As of December 31,	
	2017	2016
Deferred Tax Asset		
Net-operating loss carryforward	$ 4,350	$ 9,648
Unrealized gain on investment	—	(5,633)
Stock-based compensation	1,433	2,532
Others	(25)	(40)
Total Deferred Tax Assets	5,758	6,507
Valuation Allowance	(5,758)	(6,507)
Deferred Tax Asset, Net of Allowance	$ —	$ —

As of December 31, 2017, the Company had federal and state net operating loss carryovers of approximately $10.2, which will begin to expire in 2033. The Tax Reform Act of 1986, and certain state tax statutes, limit the utilization of net operating loss and tax credit carryforwards to offset future taxable income and tax, if there has been a "change of ownership" as defined within Section 382 of the Internal Revenue Code ("IRC"), and under similar state provisions. The effect of an ownership change would be the imposition of an annual limitation on the use of net operating loss carryforwards attributable to periods before the change. We will continue to evaluate future events that could limit our ability to utilize our net operating losses and tax credit carryforwards in future years. The Company has performed an analysis of ownership pursuit to the guidance issued under Section 382 of the IRC though December 31, 2016. Based on the analysis, the Company has not experienced a "change of ownership" as of the year ended December 31, 2016. The Company utilized the analysis methodology related to its 2017 stock activity and determined that such activity also did not cause a "change of ownership", effective through December 31, 2017, and therefore, utilization of the Company losses and credits will not be limited. Management will continue to evaluate future events that could limit our ability to utilize our net operating losses and tax credit carryforwards in future years.

In assessing the realization of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the period in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax assets, projected future taxable income and taxing strategies in making this assessment. The Company has determined that, based on objective evidence currently available, it is more likely than not that the deferred tax assets will not be realized in future periods. Accordingly, the Company has provided a valuation allowance for the full amount of the deferred tax assets at December 31, 2017 and 2016. Tax years ended December 31, 2014, 2015 and 2016, remain open to examination by the Internal Revenue Service.

The expected tax expense (benefit) based on the U.S. federal statutory rate is reconciled with actual tax expense (benefit) as follows:

	For the Years Ended December 31,	
	2017	**2016**
Statutory Federal Income Tax Rate	34.0%	34.0%
State Taxes, Net of Federal Tax Benefit	(9.4)%	5.9%
Change in Federal Rate	(213.4)%	—
Return to Provision	(1.4)%	—
Change in Valuation Reserve	117.1%	(39.9)%
Permanent items and other	3.2%	—
Income Tax Provision	(69.9)%	0.0%

	For the Years Ended December 31,	
	2017	**2016**
Federal		
Current	$ 273	$ —
Deferred	1,753	5,660
State		
Current	93	—
Deferred	(1,010)	1,005
Income Tax Provision (Benefit)	1,109	6,665
Valuation allowance	(743)	(6,665)
Income Tax Provision (Benefit), net of valuation allowance	$ 366	$ —

The Company accounts for uncertain tax positions in accordance with the provisions of ASC 740. When uncertain tax positions exist, the Company recognizes the tax benefit of tax positions to the extent that the benefit will more likely than not be realized. The determination as to whether the tax benefit will more likely than not be realized is based upon the technical merits of the tax position, as well as consideration of the available facts and circumstances. As of December 31, 2017 and 2016, the Company does not have any significant uncertain tax positions. The Company recognizes interest and penalties related to uncertain tax positions in income tax expense.

The Act signed into law in December 2017, makes broad and complex changes to the U.S. tax code including, but not limited to: (1) reducing the U.S. rate from 35% to 21% (2) eliminating the corporate minimum tax (AMT) and changing how the credits can be realized and (3) creating new limitations on deductions for interest expense and (4) changing rules related to limitations of net operating loss carryforwards for years beginning after December 31, 2017. The law change will also result in many tax accounting issues as its most significant change relates to a significant corporate rate reduction. The Act reduces the corporate tax rate to 21%, effective January 1, 2018. Under ASC 740, the effects of new legislation are recognized upon enactment, which is the date the president signs a bill into law. Accordingly, recognition of the tax effects of the Act is required in the interim and annual periods that include December 22, 2017.

After enactment, the SEC issued SAB 118, which provides guidance on accounting for the Act's income tax reporting impact. Under SAB 118, an entity would be required to include qualitative information about the income tax effects of the Act and disclose existing current or deferred tax amounts also effected. Management has reviewed the effect of the new law and the implementation of SAB 118 and has recorded the remeasurements of deferred taxes and the valuation allowance and other tax liabilities and are included in the provision amounts. The change in the Federal rate as a result of the Act is reflected as a discrete item within the rate reconciliation and the effect of the deferred taxes is also included in the deferred tax and valuation allowance.