DAILY JOURNAL CORP
Form 10-Q
February 08, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period 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 0-14665

DAILY JOURNAL CORPORATION

(Exact name of registrant as specified in its charter)

South Carolina	95-4133299
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

915 East First Street Los Angeles, California	90012-4050
(Address of principal executive offices)	(Zip code)

(213) 229-5300

(Registrant's telephone number, including area code)

None

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes: X No:

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes: X No:

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.

Large Accelerated Filer:	Accelerated Filer: X
Non-accelerated Filer:	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: X

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date.

Class	Outstanding at January 31, 2018
Common Stock, par value $ .01 per share	1,380,746 shares

1

DAILY JOURNAL CORPORATION

INDEX

	Page Nos.
PART I Financial Information	
Item 1. Financial Statements	
Consolidated Balance Sheets - December 31, 2017 and September 30, 2017	3
Consolidated Statements of Comprehensive Income - Three months ended December 31, 2017 and 2016	4
Consolidated Statements of Cash Flows - Three months ended December 31, 2017 and 2016	5
Notes to Consolidated Financial Statements	6
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	14
Item 3. Quantitative and Qualitative Disclosures about Market Risk	20
Item 4. Controls and Procedures	20
Part II Other Information	
Item 6. Exhibits	21

PART I

Item 1. FINANCIAL STATEMENTS

DAILY JOURNAL CORPORATION

CONSOLIDATED BALANCE SHEETS

(Unaudited)

	December 31 2017	September 30 2017
ASSETS		
Current assets		
Cash and cash equivalents	$2,508,000	$3,384,000
Marketable securities at fair value, including common stocks of $236,387,000 and bonds of $8,547,000 at December 31, 2017 and common stocks of $220,973,000 and bonds of $8,292,000 at September 30, 2017	244,934,000	229,265,000
Accounts receivable, less allowance for doubtful accounts of $200,000 at December 31, 2017 and September 30, 2017	4,192,000	5,358,000
Inventories	40,000	40,000
Prepaid expenses and other current assets	641,000	798,000
Income tax receivable	987,000	909,000
Total current assets	253,302,000	239,754,000
Property, plant and equipment, at cost		
Land, buildings and improvements	16,396,000	16,396,000
Furniture, office equipment and computer software	2,724,000	2,724,000
Machinery and equipment	1,818,000	1,799,000
	20,938,000	20,919,000
Less accumulated depreciation	(9,433,000)	(9,292,000)
	11,505,000	11,627,000
Intangibles, net	1,996,000	3,058,000
Goodwill	13,400,000	13,400,000
Deferred income taxes - Federal	7,436,000	10,652,000
Deferred income taxes - States	2,251,000	2,217,000
	$289,890,000	$280,708,000
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$2,951,000	$3,049,000
Accrued liabilities	2,411,000	3,112,000
Note payable collateralized by real estate	117,000	115,000

Deferred subscriptions	*3,135,000*	*3,284,000*
Deferred installation contracts	*4,364,000*	*5,072,000*
Deferred maintenance agreements and others	*10,040,000*	*9,442,000*
Total current liabilities	*23,018,000*	*24,074,000*
Long term liabilities		
Investment margin account borrowings	*29,493,000*	*29,493,000*
Note payable collateralized by real estate	*1,926,000*	*1,956,000*
Deferred maintenance agreements	*580,000*	*759,000*
Accrued liabilities	*135,000*	*135,000*
Deferred income taxes, net	*48,140,000*	*64,550,000*
Total long term liabilities	*80,274,000*	*96,893,000*
Commitments and contingencies (Notes 10 and 11)	---	---
Shareholders' equity		
Preferred stock, \$.01 par value, 5,000,000 shares authorized and no shares issued	---	---
Common stock, \$.01 par value, 5,000,000 shares authorized; 1,805,053 shares issued, including 424,307 treasury shares, at December 31, 2017 and September 30, 2017	*14,000*	*14,000*
Additional paid-in capital	*1,755,000*	*1,755,000*
Retained earnings	*71,889,000*	*57,150,000*
Accumulated other comprehensive income	*112,940,000*	*100,822,000*
Total shareholders' equity	*186,598,000*	*159,741,000*
	$ *289,890,000*	$ *280,708,000*

See accompanying Notes to Consolidated Financial Statements

DAILY JOURNAL CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

	Three months ended December 31	
	2017	2016
Revenues		
Advertising	$2,116,000	$2,310,000
Circulation	1,363,000	1,449,000
Advertising service fees and other	602,000	638,000
Licensing and maintenance fees	4,350,000	3,966,000
Consulting fees	995,000	848,000
Other public service fees	826,000	779,000
	10,252,000	9,990,000
Costs and expenses		
Salaries and employee benefits	8,197,000	7,641,000
Outside services	1,039,000	980,000
Postage and delivery expenses	217,000	278,000
Newsprint and printing expenses	212,000	209,000
Depreciation and amortization	1,218,000	1,392,000
Other general and administrative expenses	2,814,000	2,343,000
	13,697,000	12,843,000
Loss from operations	(3,445,000)	(2,853,000)
Other income (expense)		
Dividends and interest income	1,483,000	1,171,000
Gain on sale of capital asset	2,000	-
Other income	9,000	15,000
Interest expense on note payable collateralized by real estate	(24,000)	(26,000)
Interest expense on margin loans	(136,000)	(79,000)
Interest accrual for uncertain and unrecognized tax benefits	-	(9,000)
Loss before income taxes	(2,111,000)	(1,781,000)
Benefit from income taxes	16,850,000	310,000
Net income (loss)	$14,739,000	$(1,471,000)
Weighted average number of common shares outstanding - basic and diluted	1,380,746	1,380,746
Basic and diluted net income (loss) per share	$10.67	$(1.07)

Comprehensive income

Net income (loss)	$*14,739,000*	$*(1,471,000*)
Net increase in unrealized appreciation of marketable securities (net of taxes)	*12,118,000*	*15,019,000*
	$*26,857,000*	$*13,548,000*

See accompanying Notes to Consolidated Financial Statements.

DAILY JOURNAL CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Three months ended December 31	
	2017	2016
Cash flows from operating activities		
Net income (loss)	$14,739,000	$(1,471,000)
Adjustments to reconcile net income (loss) to net cash used in operations		
Depreciation and amortization	1,218,000	1,392,000
Deferred income taxes	(16,778,000)	(917,000)
Discounts earned on bonds	(1,000)	(1,000)
Changes in operating assets and liabilities		
(Increase) decrease in current assets		
Accounts receivable, net	1,166,000	(891,000)
Inventories	---	(9,000)
Prepaid expenses and other assets	157,000	5,000
Income tax receivable	(78,000)	645,000
Increase (decrease) in liabilities		
Accounts payable	(98,000)	18,000
Accrued liabilities	(701,000)	(373,000)
Income taxes	---	(68,000)
Deferred subscriptions	(149,000)	(106,000)
Deferred maintenance agreements and others	419,000	678,000
Deferred installation contracts	(708,000)	(213,000)
Net cash used in operating activities	(814,000)	(1,311,000)
Cash flows from investing activities		
Purchases of marketable securities	---	(5,013,000)
Purchases of property, plant and equipment	(34,000)	(187,000)
Net cash used in investing activities	(34,000)	(5,200,000)
Cash flows from financing activities		
Payment of real estate loan principal	(28,000)	(27,000)
Net cash used in financing activities	(28,000)	(27,000)
Decrease in cash and cash equivalents	(876,000)	(6,538,000)
Cash and cash equivalents		
Beginning of period	3,384,000	11,411,000
End of period	$2,508,000	$4,873,000
Interest paid during period	$169,000	$111,000

Net income taxes paid during period	$*6,000*	$*3,000*

See accompanying Notes to Consolidated Financial Statements.

DAILY JOURNAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note *1* - The Corporation and Operations

Daily Journal Corporation (the "Company") publishes newspapers and web sites covering California and Arizona and produces several specialized information services. It also serves as a newspaper representative specializing in public notice advertising.

Journal Technologies, Inc. ("Journal Technologies"), a wholly-owned subsidiary, supplies case management software systems and related products to courts, prosecutor and public defender offices, probation departments and other justice agencies, including administrative law organizations, city and county governments and bar associations. These organizations use the Journal Technologies family of products to help manage cases and information electronically, to interface with other critical justice partners and to extend electronic services to the public, including efiling and a website to pay traffic citations online, and bar members. These products are licensed to more than *500* organizations in *42* states and internationally.

Essentially all of the Company's operations are based in California, Arizona, Colorado and Utah.

Note *2* - Basis of Presentation

In the opinion of the Company, the accompanying interim unaudited consolidated financial statements contain all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of its financial position as of *December 31, 2017,* its results of operations and cash flows for the *three*-month periods ended *December 31, 2017* and *2016.* The results of operations for the *three* months ended *December 31, 2017* are *not* necessarily indicative of the results to be expected for the full year.

The consolidated financial statements included herein have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented *not* misleading. These financial statements should be read in conjunction with the financial statements and the notes thereto included in the Company's Annual Report on Form *10*-K for the fiscal year ended *September 30, 2017*.

Certain reclassifications of previously reported amounts have been made to conform to the current year’s presentation.

Note *3* - Accounting Standards Adopted in Fiscal *2018* and Recent Accounting Pronouncements

Accounting Standards Adopted in Fiscal 2018

In *November 2015,* the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) *No. 2015-17, Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes*. This update requires deferred tax liabilities and assets to be classified as noncurrent in the consolidated balance sheet. The Company has adopted this guidance effective *October 1, 2017* and concluded that it has *no* significant impact on the Company’s financial condition, results of operations or disclosures because it is simply a reclassification of current deferred taxes to non-current deferred taxes with an itemization of federal and state deferred taxes.

In *May 2014,* the FASB issued ASU *No. 2014-09, Revenue from Contracts with Customers (ASC Topic 606)* which requires that revenues be recognized in an amount reflecting the consideration an entity expects to receive in exchange for those goods or services when a customer obtains control of promised goods or services. The Company elected to adopt early the ASC Topic *606* effective *October 1, 2017* using the modified retrospective method.

The Company has concluded that the adoption of the ASC Topic *606* in fiscal *2018* has *no* significant impact on the Company's financial condition or results of operations. The Company's traditional publishing business revenue recognition related to advertising, circulation, and public fees remains unchanged. For the software business, the Company previously utilized the completed performance method of accounting, pursuant to which the Company did *not* recognize revenues for implementation services or licenses, maintenance, support and hosting services until after the services were performed and accepted by the customer (go-live), due to the fact that the customer's acceptance was typically unpredictable and reliable estimates of the progress towards completion could *not* be made. Thus, the Company's past revenue recognition policy was already in conformity with ASU Topic *606,* which calls for revenue recognition at the point of delivery when a performance obligation is fulfilled. Consequently, the Company believes there are *no* required material retrospective or accumulated catch-up adjustments with respect to prior years' financial figures, as revenues have been recognized consistently in the same manner throughout the comparative reporting periods.

The adoption of ASC *606* also requires the capitalization of certain costs of obtaining contracts, specifically sales commissions which are to be amortized over the expected term of the contracts. The Company incurs an immaterial amount of sales commission costs for its software contracts which have *no* significant impact on the Company's financial condition and results of operations.   In addition, the Company's implementation and fulfillment costs do *not* meet all criteria required for capitalization.

Other Recent Accounting Pronouncements

The Company will continue to evaluate the other new accounting pronouncements as detailed in its Annual Report on Form *10*-K for the year ended *September 30, 2017.*

Note *4* – Revenue Recognition

The Company recognizes revenues in accordance with the provisions of ASU *No. 2014-09, Revenue from Contracts with Customers (ASC Topic 606).*

For the Company's traditional publishing business, proceeds from the sale of subscriptions for newspapers, court rule books and other publications and other services are recorded as deferred revenue and are included in earned revenue only when the services are provided, generally over the subscription term. Advertising revenues are recognized when advertisements are published and are net of agency commissions.

Journal Technologies contracts *may* include several products and services, which are generally distinct and include separate transaction pricing and performance obligations. Most are *one*-transaction contracts. These current subscription-type contract revenues include (i) implementation consulting fees to configure the system to go live and (ii) subscription license, maintenance, including updates and upgrades, and support fees, and *third*-party hosting fees when used. Revenues for consulting are recognized at point of delivery (go-live) upon completion of services and customer acceptance, and subscription fees are recognized ratably (using the output method based on time-elapsed) after the go-live. These contracts include assurance warranty provisions for limited periods and do *not* include financing terms. For some contracts, the Company acts as a principal with respect to certain services, such as data conversion, interfaces and hosting that are provided by *third*-parties, and recognizes such revenues on a gross basis. For legacy contracts with perpetual license arrangements, licenses and consulting services are recognized at point of delivery (go-live), and maintenance revenues are recognized ratably after the go-live. (See Note *12* for additional disclosures related to ASC Topic *606* adoption.)

Other public service fees are earned and recognized as revenues when the Company processes credit card payments on behalf of the courts via its websites through which the public can efile cases and pay traffic citations and other fees.

The Company recognizes revenues when it can invoice the customer pursuant to the contract for the value of completed performance. As a practical expedient and because reliable estimates cannot be made, it has elected *not* to include the transaction price allocated to unsatisfied performance obligations. Also, as a practical expedient, the Company has elected *not* to include its evaluation of variable consideration of certain usage based fees (i.e. public service fees) that are included in some contracts. Furthermore, there are *no* fulfillment costs to be capitalized for the software contracts because these costs do *not* generate or enhance resources that will be used in satisfying future performance obligations.

Note *5* - Basic and Diluted Income Per Share

The Company does *not* have any common stock equivalents, and therefore basic and diluted income (loss) per share are the same.

Note *6* - Investments in Marketable Securities

Investments in marketable securities categorized as “available-for-sale” are stated at fair value. The Company uses quoted prices in active markets for identical assets (consistent with the Level *1* definition in the fair value hierarchy) to measure the fair value of its investments on a recurring basis pursuant to ASC *820, Fair Value Measurement*. As of *December 31, 2017* and *September 30, 2017,* unrealized gains of *$181,540,000* and *$165,872,000,* respectively, were recorded before taxes of *$48,140,000* and *$64,550,000,* respectively, in “Accumulated other comprehensive income” in the accompanying Consolidated Balance Sheets. Most of the unrealized gains were in the common stocks of *three* U.S. financial institutions and *one* foreign manufacturer.

Investments in equity securities and securities with fixed maturity as of *December 31, 2017* and *September 30*, *2017* are summarized below.

December 31, 2017			September 30, 2017		
Aggregate	(Unaudited)	Pretax	Aggregate	Amortized/	Pretax

	fair value	Amortized/ Adjusted cost basis	unrealized gains	fair value	Adjusted cost basis	unrealized gains
Marketable securities						
Common stocks	$*236,387,000*	$*58,449,000*	$*177,938,000*	$*220,973,000*	$*58,449,000*	$*162,524,000*
Bonds	*8,547,000*	*4,945,000*	*3,602,000*	*8,292,000*	*4,944,000*	*3,348,000*
	$*244,934,000*	$*63,394,000*	$*181,540,000*	$*229,265,000*	$*63,393,000*	$*165,872,000*

All investments are classified as “Current assets” because they are available for sale at any time. The bonds mature in *2039.*

As of *December 31, 2017,* the Company performed an evaluation for an equity security with a fair value below cost to determine if the unrealized loss was other-than-temporary. This evaluation considers a number of factors including, but *not* limited to, the length of time and extent to which the fair value has been less than cost, the financial condition and near term prospects of the issuer and the Company's ability and intent to hold the security until fair value recovers. The assessment of the ability and intent to hold this security to recovery focuses on liquidity needs, asset/liability management objectives and security portfolio objectives. Based on the result of the evaluation, the Company concluded that as of *December 31, 2017,* the unrealized loss related to an equity security it owns was temporary.

Note *7* - Intangible Assets

Intangible Assets

	December 31, 2017			September 30, 2017		
	Customer Relationships	Developed Technology	Total	Customer Relationships	Developed Technology	Total
Gross intangibles	$*21,950,000*	$*2,525,000*	$*24,475,000*	$*21,950,000*	$*2,525,000*	$*24,475,000*
Accumulated amortization	*(20,130,000*)	*(2,349,000*)	*(22,479,000*)	*(19,174,000*)	*(2,243,000*)	*(21,417,000*)
	$*1,820,000*	$*176,000*	$*1,996,000*	$*2,776,000*	$*282,000*	$*3,058,000*

These intangible assets are being amortized over *five* years for financial statement purposes due to the short life cycle of technology on which customer relationships depend and over *15* years on a straight-line basis for tax purposes. The intangible amortization expenses were *$1,062,000* for the *three*-month period ended *December 31, 2017,* as compared with *$1,224,000* in the prior year period, primarily because the intangibles of *one* of the *two* acquisitions in fiscal *2013* were fully amortized during this quarter.

Note *8* – Goodwill

The Company accounts for goodwill in accordance with Accounting Standards Codification (ASC) *350, Intangibles — Goodwill and Other*. Goodwill, which is *not* amortized for financial statement purposes, is amortized over a *15*-year period for tax purposes, but evaluated for impairment annually, or whenever events or changes in circumstances indicate that the value *may not* be recoverable. Considered factors for potential goodwill impairment evaluation with respect to Journal Technologies include, among other things, the current year's business profitability before intangible amortization, fluctuations of revenues, changes in the marketplace, the status of deferred installation contracts and new business.

In addition, ASU *2011-08, Intangible – Goodwill and Others -- Testing Goodwill for Impairment*, allows for the option of performing a qualitative assessment before calculating the fair value of a reporting unit. If it is determined based on qualitative factors that there is *no* impairment to goodwill, then the fair value of a reporting unit is *not* needed. If a quantitative analysis is required and the unit's carrying amount exceeds its fair value, then the *second* step is performed to measure the amount of potential impairment. The Company's annual goodwill impairment analysis in fiscal *2017* did *not* result in an impairment charge based on the qualitative assessment. There was *no* indicator of impairment during the *three*-month periods ended *December 31, 2017* and *2016*.

Note *9* - Income Taxes

The *December 2017* Tax Cuts and Jobs Act ("Tax Act") reduced the maximum corporate tax rate from *35%* to *21%* effective *January 1, 2018.* The Company has completed its review of the Tax Act. The impact to its financial statements is as follows: (i) current income tax expense or benefit is calculated on a blended rate of *24.28%* pursuant to IRC Section *15,* (ii) deferred tax expense includes a discrete net tax benefit of approximately *$16* million resulting from a revaluation of deferred tax assets and liabilities to the expected tax rate that will be applied when temporary differences are expected to reverse, (iii) items that are expected to reverse during fiscal *2018* are valued at the blended rate of *24.28%* while temporary differences that will reverse after fiscal *2018* are valued at *21%,* and (iv) approximately *$20* million of the revaluation of deferred taxes relates to items that were initially recorded as accumulated other comprehensive income ("AOCI"). This revaluation is recorded as a component of income tax expense or benefit in continuing operations.

For the *three* months ended *December 31, 2017,* the Company recorded an income tax benefit of *$16,850,000* on pretax loss of *$2,111,000.* The income tax benefit was the result of applying the effective tax rate anticipated for fiscal *2018* to pretax loss for the *three*-month period ended *December 31, 2017.* The effective tax rate (before the discrete item discussed above) was greater than the statutory rate primarily due to the dividends received deduction which increases the loss for tax purposes. On pretax loss of *$1,781,000* for the *three* months ended *December 31, 2016,* the Company recorded an income tax benefit of *$310,000* which was the net result of applying the effective tax rate anticipated for fiscal *2017* to pretax loss for the *three* months ended *December 31, 2016.* The effective tax rate was greater than the statutory rate mainly resulting from the dividends received deduction. The Company's effective tax rate was *798%* and *17%* for the *three* months ended *December 31, 2017* and *2016,* respectively.

The Company files consolidated federal income tax returns in the United States and with various state jurisdictions and is *no* longer subject to examinations for fiscal years before fiscal *2015* with regard to federal income taxes and fiscal *2013* for state income taxes.

Note *10* - Debt and Commitments

During fiscal *2013,* the Company borrowed from its investment margin account the aggregate purchase price of *$29.5* million for *two* acquisitions, in each case pledging its marketable securities as collateral. The interest rate for these investment margin account borrowings fluctuates based on the Federal Funds Rate plus *50* basis points with interest only payable monthly. The interest rate as of *December 31, 2017* was *2%.* These investment margin account borrowings do *not* mature.

In fiscal *2015,* the Company purchased a *30,700* square foot office building constructed in *1998* on about *3.6* acres in Logan, Utah that had been previously leased by Journal Technologies. The Company paid *$1.24* million and financed the balance with a real estate bank loan of *$2.26* million which bears a fixed interest rate of *4.66%* and is repayable in equal monthly installments of about *$17,600* through *2030.* This loan is secured by the Logan facility and can be paid off at any time without prepayment penalty. This real estate loan had a balance of approximately *$2.04* million as of *December 31, 2017.*

The Company also owns its facilities in Los Angeles and leases space for its other offices under operating leases which expire at various dates through fiscal *2021.* During fiscal *2014,* the Company renewed its office lease for its San Francisco office for *five* years (expiring in *October 2019)* with a current monthly rent of approximately *$25,000* for about *6,200* square feet. In fiscal *2017,* the Company leased approximately *9,800* square feet of office space (expiring in *August 2020)* in Englewood, Colorado.

The Company is responsible for a portion of maintenance, insurance and property tax expenses relating to the leased properties. Rental expenses were *$237,000* for the *three*-month period ended *December 31, 2017,* as compared with *$174,000* in the prior year period.

Note *11* - Contingencies

From time to time, the Company is subject to contingencies, including litigation, arising in the normal course of its business. While it is *not* possible to predict the results of such contingencies, management does *not* believe the ultimate outcome of these matters will have a material effect on the Company's financial position or results of operations or cash flows.

Note *12* - Operating Segments

The Company's reportable segments are: (i) the Traditional Business and (ii) Journal Technologies. All inter-segment transactions were eliminated. Summarized financial information regarding the Company's reportable segments is shown in the following table:

	Reportable Segments			
	Traditional Business	Journal Technologies	Corporate income and expenses	Total
Three months ended December 31, 2017				
Revenues				
Advertising	$*2,116,000*	$---	$ ---	$*2,116,000*
Circulation	*1,363,000*	---	---	*1,363,000*
Advertising service fees and other	*602,000*	---	---	*602,000*
Licensing and maintenance fees	---	*4,350,000*	---	*4,350,000*
Consulting fees	---	*995,000*	---	*995,000*
Other public service fees	---	*826,000*	---	*826,000*
Operating expenses	*4,314,000*	*9,383,000*	---	*13,697,000*
Loss from operations	*(233,000*)	*(3,212,000*)	---	*(3,445,000*)
Dividends and interest income	---	---	*1,483,000*	*1,483,000*
Gain on sale of capital asset	---	---	*2,000*	*2,000*
Other income	---	---	*9,000*	*9,000*
Interest expenses on note payable collateralized by real estate	*(24,000*)	---	---	*(24,000*)
Interest expenses on margin loans	---	---	*(136,000*)	*(136,000*)
Pretax (loss) income	*(257,000*)	*(3,212,000*)	*1,358,000*	*(2,111,000*)
Income tax benefit (expense)	*(680,000*)	*(2,185,000*)	*19,715,000*	*16,850,000*
Net income (loss)	*(937,000*)	*(5,397,000*)	*21,073,000*	*14,739,000*
Total assets	*18,188,000*	*26,768,000*	*244,934,000*	*289,890,000*
Capital expenditures	*34,000*	---	---	