Fluent, Inc.
Form 10-Q
November 08, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549
FORM 10-Q

(Mark One)
x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2018
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 001-37893
FLUENT, INC.
(Exact Name of Registrant as Specified in Its Charter)

Delaware	77-0688094
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

33 Whitehall Street, 15th Floor
New York, New York 10004
(Address of Principal Executive Offices) (Zip Code)
(646) 669-7272
(Registrant's Telephone Number, Including Area Code)

(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. x YES ¨ NO
Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). x YES ¨ 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	x
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

As of November 5, 2018, the registrant had 75,291,330 shares of common stock outstanding.

FLUENT, INC.
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PART I - FINANCIAL INFORMATION

Unless otherwise indicated or required by the context, all references in this Quarterly Report on Form 10-Q to "we," "us," "our," "Fluent," or the "Company," refer to Fluent, Inc., formerly known as Cogint, Inc., and its consolidated subsidiaries. Effective April 16, 2018, Cogint, Inc. changed its name to Fluent, Inc.

ITEM 1. FINANCIAL STATEMENTS.

FLUENT, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Amounts in thousands, except share and per share data)
(unaudited)

	September 30, 2018	December 31, 2017
ASSETS:		
Current assets:		
Cash and cash equivalents	$17,361	$16,564
Accounts receivable, net of allowance for doubtful accounts of $1,751 and $1,624 at September 30, 2018 and December 31, 2017, respectively	39,726	36,278
Prepaid expenses and other current assets	1,779	1,865
Current assets of discontinued operations	—	2,274
Total current assets	58,866	56,981
Property and equipment, net	421	687
Intangible assets, net	66,065	74,354
Goodwill	159,791	159,791
Other non-current assets	564	1,097
Non-current assets of discontinued operations	—	24,089
Total assets	$285,707	$316,999
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Current liabilities:		
Accounts payable	$7,249	$7,408
Accrued expenses and other current liabilities	15,395	14,967
Deferred revenue	714	265
Current portion of long-term debt	7,227	2,750
Current liabilities of discontinued operations	—	7,389
Total current liabilities	30,585	32,779
Promissory notes payable to certain shareholders, net	—	10,837
Long-term debt, net	52,463	49,376
Total liabilities	83,048	92,992
Shareholders' equity:		
Preferred stock - $0.0001 par value, 10,000,000 shares authorized; 0 shares issued and outstanding at September 30, 2018 and December 31, 2017	—	—
Common stock - $0.0005 par value, 200,000,000 shares authorized; 76,516,415 and 61,631,573 shares issued at September 30, 2018 and December 31, 2017, respectively; and 75,291,330 and 61,279,050 shares outstanding at September 30, 2018 and December 31, 2017, respectively	38	31
Treasury stock, at cost, 1,225,085 and 352,523 shares at September 30, 2018 and December 31, 2017, respectively	(3,253)	(1,274)
Additional paid-in capital	392,886	392,687
Accumulated deficit	(187,012)	(167,437)
Total shareholders' equity	202,659	224,007

Total liabilities and shareholders' equity	$285,707	$316,999

See notes to condensed consolidated financial statements

FLUENT, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Amounts in thousands, except share and per share data)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Revenue	$66,535	$54,942	$179,459	$155,167
Costs and expenses:				
Cost of revenue (exclusive of depreciation and amortization)	39,090	35,732	108,646	104,310
Sales and marketing expenses	4,186	5,105	11,870	13,478
General and administrative expenses	13,563	19,143	33,456	45,788
Depreciation and amortization	3,352	3,297	10,021	9,736
Write-off of long-lived assets	—	—	—	3,626
Spin-off transaction costs	—	—	7,708	—
Total costs and expenses	60,191	63,277	171,701	176,938
Income (loss) from operations	6,344	(8,335)	7,758	(21,771)
Interest expense, net	(1,882)	(2,426)	(6,209)	(7,098)
Income (loss) before income taxes from continuing operations	4,462	(10,761)	1,549	(28,869)
Income taxes	—	—	—	—
Net income (loss) from continuing operations	4,462	(10,761)	1,549	(28,869)
Discontinued operations:				
Loss from operations of discontinued operations, net of $0 income taxes	—	(3,334)	(2,084)	(18,360)
Loss on disposal of discontinued operations, net of $0 income taxes	—	—	(19,040)	—
Net loss from discontinued operations	—	(3,334)	(21,124)	(18,360)
Net income (loss)	$4,462	$(14,095)	$(19,575)	$(47,229)
Basic and diluted earnings (loss) per share:				
Continuing operations	$0.06	$(0.19)	$0.02	$(0.53)
Discontinued operations	$—	$(0.06)	$(0.29)	$(0.34)
Net income (loss)	$0.06	$(0.25)	$(0.26)	$(0.86)
Weighted average number of shares outstanding:				
Basic and diluted	78,199,579	55,390,247	73,941,595	54,665,776

See notes to condensed consolidated financial statements

FLUENT, INC.
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(Amounts in thousands, except share data)
(unaudited)

	Common stock		Treasury stock		Additional paid-in capital	Accumulated deficit	Total shareholders' equity
	Shares	Amount	Shares	Amount			
Balance as at December 31, 2017	61,631,573	$ 31	352,523	$ (1,274)	$ 392,687	$ (167,437)	$ 224,007
Issuance of common stock upon a direct offering to certain investors, net of issuance costs of $108	2,700,000	1	—	—	13,391	$ —	13,392
Vesting of restricted stock units and issuance of restricted stock	12,184,842	6	—	—	(6)	—	—
Increase in treasury stock resulting from shares withheld to pay statutory taxes in connection with the vesting of restricted stock units	—	—	872,562	(1,979)	—	—	(1,979)
Reduction in value of puttable option classified as liability	—	—	—	—	200	—	200
Share-based compensation	—	—	—	—	28,114	—	28,114
Net loss	—	—	—	—	—	(19,575)	(19,575)
Spin-off of red violet	—	—	—	—	(41,500)	—	(41,500)
Balance as at September 30, 2018	76,516,415	$ 38	1,225,085	$ (3,253)	$ 392,886	$ (187,012)	$ 202,659

See notes to condensed consolidated financial statements

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FLUENT, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in thousands)
(unaudited)

	Nine Months Ended September 30,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$(19,575)	$(47,229)
Net loss from discontinued operations	21,124	18,360
Adjustments to reconcile net loss from continuing operations to net cash provided by operating activities:		
Depreciation and amortization	10,021	9,736
Non-cash interest expense and related amortization	1,491	2,268
Share-based compensation expense	11,855	25,456
Write-off of long-lived assets	—	3,626
Provision for bad debts	462	2,175
Allocation of expenses to red violet	(325)	(2,849)
Changes in assets and liabilities:		
Accounts receivable	(3,910)	(7,708)
Prepaid expenses and other current assets	(112)	(528)
Other non-current assets	533	71
Accounts payable	(159)	(7,464)
Accrued expenses and other current liabilities	628	8,900
Deferred revenue	449	154
Net cash provided by operating activities from continuing operations	22,482	4,968
Net cash used in operating activities from discontinued operations	(5,835)	(7,902)
Net cash provided by (used in) operating activities	16,647	(2,934)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(107)	(668)
Capitalized costs included in intangible assets	(995)	(694)
Capital contributed to red violet	(19,728)	—
Net cash used in investing activities from continuing operations	(20,830)	(1,362)
Net cash used in investing activities from discontinued operations	(1,386)	(5,294)
Net cash used in investing activities	(22,216)	(6,656)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of shares, net of issuance costs	13,392	—
Proceeds from debt obligations, net of debt costs	67,182	14,039
Repayments of long-term debt	(72,229)	(3,472)
Taxes paid related to net share settlement of vesting of restricted stock units	(1,979)	(743)
Net cash provided by financing activities from continuing operations	6,366	9,824
Net increase in cash and cash equivalents	$797	$234
Cash and cash equivalents at beginning of period	16,564	10,089
Cash and cash equivalents at end of period	$17,361	$10,323
SUPPLEMENTAL DISCLOSURE INFORMATION		
Cash paid for interest	$4,931	$4,940
Cash paid for income taxes	$—	$—
Share-based compensation capitalized in intangible assets	$364	$373
Reduction in value of puttable common stock classified as liability	$(200)	$—

See notes to condensed consolidated financial statements

FLUENT, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands, except share data)
(unaudited)

1. Summary of significant accounting policies

(a) Basis of preparation and liquidity

The accompanying unaudited condensed consolidated financial statements have been prepared by Fluent, Inc., formerly known as Cogint, Inc., a Delaware corporation (the "Company" or "Fluent"), in accordance with accounting principles generally accepted in the United States ("US GAAP") and applicable rules and regulations of the Securities and Exchange Commission (the "SEC") regarding interim financial reporting. Certain information and note disclosures normally included in annual financial statements prepared in accordance with US GAAP have been condensed or omitted pursuant to those rules and regulations.

The accompanying unaudited condensed consolidated financial statements reflect all normal recurring adjustments necessary to present fairly the financial position, results of operations, and cash flows for the interim periods, but are not necessarily indicative of the results of operations to be anticipated for any future interim periods or for the full year ending December 31, 2018.

The information included in this quarterly report on Form 10-Q should be read in conjunction with the consolidated financial statements and accompanying notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2017 ("2017 Form 10-K") filed with the SEC on March 14, 2018.

The condensed consolidated balance sheet as of December 31, 2017 included herein was derived from the audited financial statements as of that date included in the 2017 Form 10-K, but does not include all disclosures required by US GAAP.

Principles of consolidation

The condensed consolidated financial statements include the financial statements of the Company and its subsidiaries. All significant transactions among the Company and its subsidiaries have been eliminated upon consolidation.

Spin-off of red violet

On March 26, 2018, Fluent completed the previously announced spin-off (the "Spin-off") of its risk management business from its digital marketing business by way of a distribution of all the shares of common stock of Fluent's wholly-owned subsidiary, Red Violet, Inc. ("red violet"), to Fluent's stockholders of record as of March 19, 2018 (the "Record Date") and certain warrant holders. The distribution occurred by way of a pro rata distribution to such common stock and warrant holders, each of whom received one share of red violet's common stock for every 7.5 shares of Fluent's common stock held on the Record Date or to which they were entitled under their warrants.

Following the Spin-off of red violet, Fluent common stock continued trading on The NASDAQ Stock Market ("NASDAQ"), and red violet became an independent public company, also listed on NASDAQ. red violet owns all of the former Fluent subsidiaries that operated the Company's former risk management business.

In accordance with Accounting Standards Codification ("ASC") 205-20, "Discontinued Operations," the results of red violet are reflected in Fluent's condensed consolidated financial statements as discontinued operations and, therefore, are presented as assets and liabilities of discontinued operations on the condensed consolidated balance sheet, loss from discontinued operations on the condensed consolidated statements of operations and cash activity from discontinued operations on the condensed consolidated statements of cash flows. See Note 3, "Discontinued operations," for details.

Reclassifications

Certain amounts in the prior year's condensed consolidated financial statements and related footnotes thereto have been reclassified to conform with the current year presentation as a result of the Spin-off of red violet. See Note 3, "Discontinued operations," for details.

The Company has reclassified certain trade-related accruals from accounts payable (previously trade accounts payable) into accrued expenses and other current liabilities. As a result, accounts payable decreased by $3,258 to $7,408, and accrued expenses and other current liabilities increased by $3,258 to $14,967 as of December 31, 2017 in the condensed consolidated financial statements. Additionally, within cash flows from operating activities on the condensed consolidated statements of cash flows, for the nine months

ended September 30, 2017, the decrease in accounts payable increased by $5,043 to $7,464, and the increase in accrued expenses and other current liabilities increased by $5,043 to $8,900.
In addition, the Company has reclassified the cost of revenue (exclusive of depreciation and amortization) amounts from the gross profit section, as presented in previous filings, to the costs and expenses section of the condensed consolidated statements of operations for each period presented and the gross profit subtotal has been removed. As a result, total costs and expenses have increased by $35,732, to $63,277, for the three months ended September 30, 2017 and by $104,310, to $176,938, for the nine months ended September 30, 2017.
(b) Recently issued and adopted accounting standards
In May 2014, Financial Accounting Standards Board ("FASB") issued ASU No. 2014-9 ("ASU 2014-9"), "Revenue from Contracts with Customers (Topic 606)" and additional changes, modifications, clarifications or interpretations thereafter. The standard's core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The guidance includes indicators to assist an entity in evaluating whether it controls the good or service before it is transferred to the customer. The new revenue recognition standard is effective for public entities for annual reporting periods beginning after December 15, 2017, and interim periods therein. The new standard also permits two methods of adoption: retrospectively to each prior reporting period presented (full retrospective method), or retrospectively with the cumulative effect of initially applying the guidance recognized at the date of initial application (the modified retrospective method). The Company adopted Topic 606 as of January 1, 2018 using the modified retrospective method, and the adoption did not have a material impact on the consolidated balance sheets, statements of operations, or cash flows. Refer to Note 1(c) below for further details.

In February 2016, FASB issued ASU No. 2016-2 ("ASU 2016-2"), "Leases (Topic 842)" and additional changes, modifications, clarifications or interpretations thereafter, which generally require companies to recognize operating and financing lease liabilities and corresponding right-of-use assets on the balance sheet. This guidance will be effective in the first quarter of 2019 on a modified retrospective basis and early adoption is permitted. Upon adoption of this standard, the Company expects to recognize, on a discounted basis, its minimum commitments under noncancelable operating leases on its consolidated balance sheets, resulting in the recording of right-of-use assets and lease obligations.

In August 2016, FASB issued ASU No. 2016-15 ("ASU 2016-15"), "Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments," which provides guidance for certain cash flow issues, including contingent consideration payments made after a business combination and debt prepayment or debt extinguishment costs, among other areas. The guidance is effective for public entities for fiscal years beginning after December 15, 2017 and interim periods therein, and early adoption is permitted. The Company adopted ASU 2016-15 during the first quarter of 2018, noting no material impact to its condensed consolidated financial statements.
In March 2018, the FASB issued ASU No. 2018-5 ("ASU 2018-5"), "Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118." ASU 2018-5 amended ASC Topic 740, Income Taxes ("ASC 740"), to reflect SEC Staff Accounting Bulletin No. 118 ("SAB 118"), which provides guidance on accounting for the impact of the tax reform legislation commonly known as the Tax Cuts and Jobs Act of 2017 (the "Tax Act"). The amendments in ASU 2018-5 are effective upon issuance.
The Company adopted SAB 118 in the fourth quarter of 2017, and therefore the Company's subsequent adoption of ASU 2018-5 in the first quarter of 2018 had no impact on its accounting for income taxes in the first quarter of 2018. Additional information regarding the accounting for income taxes for the effects of the Tax Act is contained in Note 7, "Income Taxes."

In June 2018, the FASB issued ASU 2018-7 ("ASU 2018-7"), Compensation-Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting, expanding the scope of employee share-based payment guidance under ASC Topic 718, to include share-based payments to nonemployees for goods and services. The guidance is effective for public entities for fiscal years beginning after December 15, 2018 and interim periods therein, and early adoption is permitted. The Company adopted ASU 2018-7 during the second quarter of 2018 on a modified retrospective basis, noting no material impact to its condensed consolidated financial statements.

(c) Revenue recognition

On January 1, 2018, the Company adopted ASU 2014-09, Revenue from Contracts with Customers (Topic 606), using the modified retrospective method applied to all contracts that were not completed contracts at the date of initial application. There was no impact on the opening balance of accumulated deficit on the condensed consolidated balance sheet and statement of changes in shareholders' equity as of January 1, 2018 due to the adoption of Topic 606.

Revenue is recognized when control of goods or services is transferred to customers, in amounts that reflect the consideration the Company expects to be entitled to in exchange for those goods or services. The Company's performance obligation is typically to (a) deliver data records, based on predefined qualifying characteristics specified by the customer or (b) generate conversions, based on predefined user actions (for example, a click, a registration, the installation of an app or the printing of a coupon) and subject to certain qualifying characteristics specified by the customer.

The Company has applied the portfolio approach practical expedient in accounting for customer revenue as one collective group, rather than individual contracts. Based on historical knowledge of the contracts contained in this portfolio and the similar nature and characteristics of the customers, the Company has concluded the financial statement effects are not materially different than accounting for revenue on a contract-by-contract basis.

Revenue is recognized upon satisfaction of the associated performance obligations. The Company's customers simultaneously receive and consume the benefits provided by the performance as the Company performs. Furthermore, the Company elected the "right to invoice" practical expedient available within ASC 606-10-55-18 as the measure of progress, since the Company has a right to payment from a customer in an amount that corresponds directly with the value of the performance completed to date. The Company's revenue arrangements do not contain significant financing components.

If a customer pays consideration before the Company's performance obligations are satisfied, those amounts are classified as deferred revenue. As of September 30, 2018 and December 31, 2017, the balance of deferred revenue was $714 and $265, respectively. The deferred revenue balance as of December 31, 2017 was fully recognized into revenue during the first quarter of 2018.

If there is a delay between the period in which revenue is recognized and when customer invoices are issued, revenue is recognized and related amounts are recorded as unbilled revenue in accounts receivable. As of September 30, 2018 and December 31, 2017, unbilled revenue included in accounts receivable totaled $20,242 and $16,238, respectively. In line with industry practice, the unbilled revenue balance is recorded based on the Company's internally tracked conversions, net of estimated variances between this amount and the amount tracked and subsequently confirmed by customers. The majority of invoices included within the unbilled revenue balance are issued within the month directly following the period of service.

Sales commissions are recorded at the time revenue is recognized and recorded in sales and marketing expenses.

In addition, the Company elected the practical expedient to not disclose the value of unsatisfied performance obligations for (i) contracts with an original expected length of one year or less and (ii) contracts for which revenue is recognized at the amount to which the Company has the right to invoice for services performed.

2. Earnings (Loss) per share

Basic earnings (loss) per share is computed by dividing net income (loss) by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock and is calculated using the treasury stock method for stock options, restricted stock units ("RSUs"), restricted stock, warrants and deferred common stock. Common equivalent shares are excluded from the calculation in loss periods, as their effects would be anti-dilutive.

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FLUENT, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(Amounts in thousands, except share data)
(unaudited)

The information related to basic and diluted earnings (loss) per share for the three and nine months ended September 30, 2018 and 2017 is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands, except share data)	2018	2017	2018	2017
Numerator:				
Net income (loss) from continuing operations	$4,462	$(10,761)	$1,549	$(28,869)
Net loss from discontinued operations	—	(3,334)	(21,124)	(18,360)
Net income (loss)	$4,462	$(14,095)	$(19,575)	$(47,229)
Denominator:				
Weighted average number of shares outstanding:				
Basic and diluted	78,199,579	55,390,247	73,941,595	54,665,776
Basic and diluted earnings (loss) per share: (1)				
Continuing operations	$0.06	$(0.19)	$0.02	$(0.53)
Discontinued operations	$—	$(0.06)	$(0.29)	$(0.34)
Net income (loss)	$0.06	$(0.25)	$(0.26)	$(0.86)

(1)Earnings (loss) per share tables may contain summation differences due to rounding.

The following potentially dilutive securities were excluded from the calculation of diluted earnings (loss) per share because their effect would have been anti-dilutive for the periods presented:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Restricted stock, restricted stock units and deferred common stock	3,842,631	16,524,140	3,842,631	16,524,140
Warrants	2,623,776	2,220,102	2,623,776	2,220,102
Stock options	112,000	222,000	112,000	222,000
Total anti-dilutive securities	6,578,407	18,966,242	6,578,407	18,966,242

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FLUENT, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(Amounts in thousands, except share data)
(unaudited)

3. Discontinued operations

As discussed in Note 1(a), "Spin-off of red violet," on March 26, 2018, the Company completed the Spin-off of red violet.

The results of red violet are reflected in Fluent's condensed consolidated financial statements as discontinued operations and, therefore, are presented as assets and liabilities of discontinued operations on the condensed consolidated balance sheets, loss from discontinued operations on the condensed consolidated statements of operations and cash activity from discontinued operations on the condensed consolidated statements of cash flows. As a result of the Spin-off, the Company's additional paid-in capital was decreased by the net assets of red violet of $41,500, as of the effective date of the Spin-off.

The following financial information presents the results of operations of red violet for the three and nine months ended September 30, 2018 and 2017:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	2018	2017	2018	2017
Major classes of line items constituting loss from discontinued operations:				
Revenue	—	$2,306	$3,325	$5,871
Cost of revenue (exclusive of depreciation and amortization)	—	1,955	2,017	5,199
Sales and marketing expenses	—	1,175	1,089	3,158
General and administrative expenses	—	2,222	1,852	15,150
Depreciation and amortization	—	288	451	724
Loss from operations of discontinued operations, net of $0 income taxes	—	(3,334)	(2,084)	(18,360)
Loss on disposal of discontinued operations, net of $0 income taxes	—	—	(19,040)	—
Net loss from discontinued operations	$—	$(3,334)	$(21,124)	$(18,360)

Included in the net loss from discontinued operations is a loss on disposal of discontinued operations of $19,040 for the nine months ended September 30, 2018, as presented below. Of this amount, an aggregate of $16,030 represents non-cash charges.

(In thousands)	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2018
Share-based compensation expense (1)	$ —	$ 15,548
Write-off of unamortized debt costs (2)	—	284
Write-off of certain prepaid expenses	—	198
	—	2,012

Spin-off related professional fees				
Spin-off related employee compensation	—		998	
Loss on disposal of discontinued operations	$	—	$	19,040

(1) As discussed and defined in Note 9, "Share-based compensation," share-based compensation expense represents non-cash expense in connection with the Acceleration of certain previously outstanding but unvested stock options, RSUs and restricted stock and additional Spin-off Grants, in connection with the Spin-off.

(2) As discussed in Note 6, "Long-term debt, net," in connection with the Spin-off, the Company repaid the Promissory Notes to certain shareholders, which resulted in a write-off of unamortized debt costs of $284.

In addition, during the first quarter of 2018, in connection with the Spin-off of red violet, an aggregate of $7,708 was recognized in costs and expenses from continuing operations as spin-off transaction costs, including non-cash share-based compensation expense of $5,409 as a result of 2,041,000 shares of Transaction Grants (as defined in Note 9, "Share-based compensation"), and employee cash compensation of $2,299.

FLUENT, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(Amounts in thousands, except share data)
(unaudited)

The Company reclassified carrying amounts of assets and liabilities of red violet into corresponding assets and liabilities of discontinued operations as of December 31, 2017. A reconciliation is shown below:

(In thousands)	December 31, 2017
Carrying amounts of the major classes of assets included in discontinued operations:	
Cash and cash equivalents	$ 65
Accounts receivable, net	1,650
Prepaid expenses and other current assets	559
Current assets of discontinued operations	2,274
Property and equipment, net	1,091
Intangible assets, net	15,353
Goodwill	6,465
Other non-current assets	1,180
Non-current assets of discontinued operations	24,089
Total assets of discontinued operations	$ 26,363
Carrying amounts of the major classes of liabilities included in discontinued operations:	
Trade accounts payable	$ 919
Accrued expenses and other current liabilities	6,437
Deferred revenue	33
Total liabilities of discontinued operations	$ 7,389

FLUENT, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(Amounts in thousands, except share data)
(unaudited)

4. Intangible assets, net
Intangible assets, other than goodwill, consist of the following:

(In thousands)	Amortization period	September 30, 2018	December 31, 2017
Gross amount:			
Software developed for internal use	3 years	$ 4,254	$ 2,972
Acquired proprietary technology	5 years	11,459	11,382
Customer relationships	7-10 years	34,986	34,986
Trade names	20 years	16,357	16,357
Domain names	20 years	191	191
Databases	5-10 years	31,292	31,292
Non-competition agreements	2-5 years	1,768	1,768
Total gross amount		100,307	98,948
Accumulated amortization:			
Software developed for internal use		(1,001)	(490)
Acquired proprietary technology		(6,411)	(4,693)
Customer relationships		(13,220)	(9,628)
Trade names		(2,300)	(1,686)
Domain names		(27)	(20)
Databases		(9,670)	(6,964)
Non-competition agreements		(1,613)	(1,113)
Total accumulated amortization		(34,242)	(24,594)
Net intangible assets:			
Software developed for internal use		3,253	2,482
Acquired proprietary technology		5,048	6,689
Customer relationships		21,766	25,358
Trade names		14,057	14,671
Domain names		164	171
Databases		21,622	24,328
Non-competition agreements		155	655
Total net intangible assets		$ 66,065	$ 74,354

The gross amounts associated with software developed for internal use primarily represent capitalized costs of internally developed software. The amounts relating to acquired proprietary technology, customer relationships, trade names, domain names, databases and non-competition agreements primarily represent the fair values of intangible assets acquired as a result of the acquisition of Fluent, LLC ("Fluent LLC") effective on December 8, 2015 (the "Fluent LLC Acquisition") and the acquisition of Q Interactive, LLC ("Q Interactive") effective on June 8, 2016 (the "Q Interactive Acquisition").

On January 18, 2017, the Company's management and Board of Directors approved a plan to merge and fully integrate Q Interactive's business into Fluent LLC (the "Q Interactive Integration"). As a result, the remaining balance of long-lived assets of $3,626, relating primarily to the acquired proprietary technology and trade names acquired in the Q Interactive Acquisition, was written off to costs and expenses as a write-off of long-lived assets during the first quarter of 2017.

Amortization expense of $3,228 and $3,146 for the three months ended and $9,653 and $9,404 for the nine months ended September 30, 2018 and 2017, respectively, were included in depreciation and amortization expenses. As of September 30, 2018, intangible assets with the carrying amount of $2,101, included in the gross amount of software developed for internal use, have not started amortization, as they are not ready for their intended use.

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As of September 30, 2018, estimated amortization expenses related to the Company's intangible assets for the remainder of 2018 through 2023 and thereafter are as follows:

(In thousands)

Year	September 30, 2018
Remainder of 2018	$ 3,271
2019	13,083
2020	12,331
2021	9,190
2022	8,009
2023 and thereafter	20,181
Total	$ 66,065

5. Goodwill

Goodwill represents the cost in excess of fair value of net assets acquired in a business combination. Prior to the Spin-off of red violet, the total balance of goodwill was $166,256, as a result of the acquisition of Interactive Data, LLC effective on October 2, 2014, the Fluent LLC Acquisition and the Q Interactive Acquisition.

In connection with the Spin-off of red violet, goodwill of $6,465 was derecognized, based on the relative fair value of red violet's portion of the Information Services reporting unit as compared to the total estimated fair value of the Information Services reporting unit. As of December 31, 2017, the amount was reclassified into non-current assets of discontinued operations in the condensed consolidated balance sheets.

In accordance with ASC Topic 350, "Intangibles - Goodwill and Other," goodwill is tested at least annually for impairment, or when events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable, by assessing qualitative factors or performing a quantitative analysis in determining whether it is more likely than not that its fair value exceeds the carrying value. The measurement date of the Company's annual goodwill impairment test is October 1.

For the nine months ended September 30, 2018, there were no events or changes in circumstances to indicate that goodwill is impaired.

6. Long-term debt, net

Long-term debt, net, as of September 30, 2018, consists of the following:

(In thousands)	Refinanced Term Loan due 2023
Principal amount	$ 64,921
Less: Unamortized debt issuance costs	(5,231)
Long-term debt, net	59,690
Less: Current portion of long-term debt	(7,227)
Long-term debt, net (non-current)	$ 52,463

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Long-term debt, net, including promissory notes payable to certain shareholders, net, as of December 31, 2017, consisted of the following:

(In thousands)	Term Loan due 2020	Incremental Term Loan due 2020	Promissory Notes due 2021	Total
Principal amount	$40,688	$ 14,312	$ 10,000	$65,000
Less: Unamortized debt issuance costs	(2,753)	(672)	(312)	(3,737)
Add: PIK interest accrued to the principal balance	542	9	1,149	1,700
Long-term debt, net	38,477	13,649	10,837	62,963
Less: Current portion of long-term debt	(2,062)	(688)	—	(2,750)
Long-term debt, net (non-current)	$36,415	$ 12,961	$ 10,837	$60,213

Term Loans

On December 8, 2015, Fluent LLC entered into an agreement ("Credit Agreement") with certain financial institutions and the administrative agent (collectively, "Whitehorse") for a term loan in the amount of $45.0 million ("Term Loan").

The Credit Agreement provided for certain customary mandatory prepayments upon certain events as well as certain prepayment premiums during the first four years of the Term Loan, provided that the prepayment premiums were not applicable to scheduled payments of principal, the required excess cash flow payments (as defined in the Credit Agreement) and certain other required prepayments.

On January 19, 2017, Fluent LLC entered into Amendment No. 3 to Credit Agreement ("Amendment No. 3"), amending the Term Loan. Amendment No. 3, among other things, provided for a new term loan in the principal amount of $15.0 million ("Incremental Term Loan"), subject to the terms and conditions of Amendment No. 3, and modified certain other Credit Agreement provisions, including certain financial covenants and related definitions. The entire Incremental Term Loan of $14,039, net of debt issuance costs of $961, was received on February 1, 2017.

The Term Loan and Incremental Term Loan (collectively, the "Term Loans") were guaranteed by the Company and all of its direct and indirect subsidiaries and were secured by substantially all of the assets of the Company and its direct and indirect subsidiaries, including Fluent LLC, in each case, on an equal and ratable basis. The Term Loans accrued interest at the rate of: (a) either, at Fluent's option, LIBOR (subject to a floor of 0.50%) plus 10.5% per annum, or base rate (generally equivalent to the U.S. prime rate) plus 9.5% per annum, payable in cash, plus (b) 1% per annum, payable, at Fluent's option, either in cash or in-kind. Payments of principal on the Term Loans were $688 per quarter, payable at the end of each calendar quarter, commencing on March 31, 2017. The Term Loans were scheduled to mature on December 8, 2020.

On March 26, 2018, the remaining principal amount of the Term Loans was prepaid through the Refinancing, as defined below, in connection with the Spin-off of red violet.

Promissory Notes

On December 8, 2015, the Company entered into and consummated the promissory notes financing (the "Promissory Notes") with each of Frost Gamma Investment Trust ("Frost Gamma"), an affiliate of Phillip Frost, M.D., the Vice Chairman of the Company's Board of Directors prior to the Spin-off, Michael Brauser, the then Executive Chairman of the Board of Directors, and another investor, pursuant to which the Company issued Promissory Notes of $5.0 million to Frost Gamma, $4.0 million to Michael Brauser, and $1.0 million to another investor, for an aggregate financing in the amount of $10.0 million. The Promissory Notes carried an interest rate of 10% per annum, which was capitalized monthly and added to the outstanding principal amount of such Promissory Notes.

Under the terms of the Promissory Notes, the Company was required to repay the principal and all accrued interest six months after the repayment of all amounts due under the Credit Agreement, except that the Company had the option to repay the Promissory Notes earlier from the proceeds of a public equity financing. During the first quarter of 2017, the Company made a cash payment of accrued paid-in-kind ("PIK") interest of $533, $426, and $107 to Frost Gamma, Michael Brauser and another investor, respectively.

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The net balance of Promissory Notes was presented as promissory notes payable to certain shareholders, net, on the condensed consolidated balance sheet as of December 31, 2017. On March 26, 2018, the remaining principal amount plus accrued PIK interest of the Promissory Notes was fully repaid through the Refinancing, as discussed below, in connection with the Spin-off of red violet. The unamortized debt costs of $284 pertaining to the Promissory Notes as of March 26, 2018 were written off into loss on disposal of discontinued operations. See Note 3, "Discontinued operations," for details.

Refinanced Term Loan

In connection with the Spin-off of red violet, Fluent LLC refinanced and fully repaid the Term Loans and Promissory Notes with a new term loan in the amount of $70.0 million ("Refinanced Term Loan"), pursuant to a Limited Consent and Amendment No. 6 to the Credit Agreement effective on March 26, 2018 (the "Amendment No. 6") (the "Refinancing").

The Refinanced Term Loan is guaranteed by the Company and its direct and indirect subsidiaries, and secured by substantially all of the assets of the Company and its direct and indirect subsidiaries, including Fluent LLC, in each case, on an equal and ratable basis. The Refinanced Term Loan accrues interest at the rate of either, at Fluent's option, (a) LIBOR (subject to a floor of 0.50%) plus 7.00% per annum, or (b) base rate plus 6.0% per annum, payable in cash. Interest under the Refinanced Term Loan is payable monthly. The fair value of the Company's debt will generally fluctuate with movements of interest rates, increasing in periods of declining rates of interest and declining in periods of rising rates of interest. Scheduled principal amortization of the Refinanced Term Loan is $875 per quarter, commencing with the fiscal quarter ended June 30, 2018. The Refinanced Term Loan matures on March 26, 2023.

On March 26, 2018, the Refinanced Term Loan was utilized to repay in full the outstanding principal amount plus accrued PIK interest of the Term Loans and Promissory Notes of $55,586 and $11,425, respectively. Prepayment premiums and unamortized debt costs associated with the Term Loans of $2,818 and $3,136, respectively, were capitalized in the balance of the Refinanced Term Loan and are being amortized over the remaining period of the Refinanced Term Loan. In addition, refinancing costs paid to third parties of $193 were recognized in loss on disposal of discontinued operations. See Note 3, "Discontinued operations," for details.

The Credit Agreement, as amended, requires the Company to maintain and comply with certain financial and other covenants, commencing with the fiscal quarter ended June 30, 2018. In addition, the Credit Agreement, as amended, includes certain prepayment provisions, including mandatory quarterly principal prepayments of the Refinanced Term Loan with a portion of the Company's excess cash flow, as defined in the Credit Agreement. For the three months ended September 30, 2018, the quarterly prepayment resulting from excess cash flow was $3,727. As of September 30, 2018, this amount was reclassified to the current portion of long-term debt and will be paid during the fourth quarter. As long as the Refinanced Term Loan remains outstanding, the restrictive covenants, including prepayment penalties, and mandatory quarterly prepayment provisions could impair the Company's ability to expand or pursue its business strategies or obtain additional funding. As of September 30, 2018, the Company was in compliance with all of the financial and other covenants under the Credit Agreement.

Maturities

Including the required principal prepayment on the Refinanced Term Loan based on a portion of the Company's quarterly excess cash flow of $3,727 for the third quarter of 2018 and excluding potential future additional principal prepayments, scheduled future maturities of total debt as of September 30, 2018 were as follows:

(In thousands)	
Year	
Remainder of 2018	$4,602
2019	3,500

2020	3,500
2021	3,500
2022	3,500
2023 and thereafter	46,319
Total maturities	$64,921

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Fair value
The Refinanced Term Loan accrues interest at the rate of either, at Fluent's option, (a) LIBOR (subject to a floor of 0.50%) plus 7.00% per annum, or (b) base rate (generally equivalent to the U.S. prime rate) plus 6.0% per annum, payable in cash. As the Refinanced Term Loan was effective on March 26, 2018 and has a variable interest rate, the fair value of long-term debt is considered to approximate its carrying amount as of September 30, 2018. This fair value assessment represents Level 2 measurements.

7. Income taxes

The Company is subject to federal and state income taxes in the United States. The tax provision for interim periods is determined using an estimate of the Company's annual effective tax rate. The Company updates its estimated annual effective tax rate on a quarterly basis and, if the estimate changes, makes a cumulative adjustment.

The Company recorded a full valuation allowance against net deferred tax assets as of September 30, 2018 and December 31, 2017 and intends to continue maintaining a full valuation allowance on these net deferred tax assets until there is sufficient evidence to support the release of all or some portion of these allowances. Based on current income (loss) from continuing operations and anticipated future earnings, the Company believes there is a reasonable possibility that within the next 12 months sufficient positive evidence may become available to allow a conclusion to be reached that a significant portion, if not all, of the valuation allowance will be released. Release of some or all of the valuation allowance would result in the recognition of certain deferred tax assets and an increase in deferred tax benefit for any period in which such a release may be recorded, however, the exact timing and amount of any valuation allowance release are subject to change, depending upon the level of profitability that the Company is able to achieve and the net deferred tax assets available.

The Company's effective income tax rate differed from the statutory federal income tax rate of 21% for the three and nine months ended September 30, 2018 and 34% for the three and nine months ended September 30, 2017. For the three and nine months ended September 30, 2018 and 2017, the Company's effective income tax rate was 0%, with such differences resulting from the application of the full valuation allowance against the Company's deferred tax assets.

On December 22, 2017, the United States enacted tax reform legislation through the Tax Act, which significantly changed the pre-existing U.S. tax laws. The Tax Act includes a reduction in the U.S. corporate tax rate from 34% to 21%, among other changes. In response to the Tax Act, the SEC staff issued Staff Accounting Bulletin No. 118, which allows registrants to record provisional amounts during a measurement period, not to extend beyond one year. Pursuant to SAB 118, the Company will complete the accounting for the tax effects of all of the provisions of the Tax Act within the required measurement period. As a result of the full valuation allowance at September 30, 2018 and December 31, 2017, the Tax Act did not have any material impact on the Company's condensed consolidated financial statements. There have been no changes in estimates or additional guidance issued during the nine months ended September 30, 2018 which would change the Company's assessment of the tax impacts recorded as of the year ended December 31, 2017. The Company is continuing to analyze both the federal and state impacts of the Tax Act, as additional future guidance is issued and information becomes available. Any revisions to the initial estimates will be applied in accordance with the measurement period guidance as outlined in SAB 118.

The Company assesses its income tax positions and records tax benefits for all years subject to examination based upon its evaluation of the facts, circumstances and information available at the reporting dates. For those tax positions where it is more-likely-than-not that a tax benefit will be sustained, the Company has recorded the largest amount of tax benefit with a greater than 50% likelihood of being realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. For those income tax positions where it is not more-likely-than-not that a tax benefit will be sustained, no tax benefit has been recognized in the Company's financial statements.

The balance of unrecognized tax benefits as of September 30, 2018 and December 31, 2017 was $1,079 and $1,134, respectively. The decrease in the balance during this period is due to a decrease in the Company's effective state tax rate for the year, as a result of the Spin-off of red violet, which reduced the Company's state tax footprint. In the Company's tax return filed for the year ended December 31, 2015, a loss of $4,375 resulting from the disposal of all assets and liabilities related to the Company's former Chinese and British Virgin Islands based subsidiaries was included for that fiscal year. This uncertain tax position is reflected as a reduction in deferred tax assets. Based on management's assessment, no tax benefit has been recognized for this loss. This unrecognized tax benefit, if recognized, would favorably affect the Company's annual effective tax rate before application of any valuation allowance. The Company has not accrued any interest or penalties as of September 30, 2018 with respect to its uncertain tax positions.

The Company does not anticipate a significant increase or reduction in unrecognized tax benefits within the next twelve months.

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8. Common stock, treasury stock and warrants
Common stock

As of September 30, 2018 and December 31, 2017, the number of issued shares of common stock was 76,516,415 and 61,631,573, respectively, which included shares of treasury stock of 1,225,085 and 352,523, respectively.

The change in the number of issued shares of common stock during the nine months ended September 30, 2018 was a result of the following issuances:

- An aggregate of 12,184,842 shares of common stock were issued as a result of the vesting of RSUs, including 872,562 shares of common stock withheld to cover withholding taxes upon such vesting, which are reflected in treasury stock.

- An aggregate of 2,700,000 shares of common stock were issued in a registered direct offering ("Registered Direct Offering") to certain investors with a purchase price of $5.00 per share, pursuant to a definitive securities purchase agreement entered into on January 10, 2018, for net proceeds of $13,392, net of issuance costs of $108.

Concurrent with the Registered Direct Offering, the Company issued such institutional buyers, for no additional consideration, warrants to purchase an aggregate of 1,350,000 shares of common stock. The warrants have an exercise price of $6.00 per share and are exercisable for two years from the date of issuance.
Treasury stock
As of September 30, 2018 and December 31, 2017, the Company held shares of treasury stock of 1,225,085 and 352,523, with a cost of $3,253 and $1,274, respectively.
This increase in treasury stock during the nine months ended September 30, 2018 was due to shares withheld to cover withholding taxes upon the vesting of RSUs, including a purchase on April 9, 2018 by the Company of 729,167 shares of treasury stock for $1,581, representing the aggregate shares red violet employees had elected to sell to cover the withholding of taxes on the accelerated vesting of RSUs related to the Spin-off.
Warrants
As of September 30, 2018 and December 31, 2017, warrants to purchase an aggregate of 2,623,776 and 1,273,776 shares of common stock were outstanding, respectively, with exercise prices ranging from $3.75 to $8.00 per share. The increase in warrants was a result of the issuance of warrants to purchase an aggregate of 1,350,000 shares of common stock, with an exercise price of $6.00 per share, concurrent with the Registered Direct Offering, as discussed above.
On July 9, 2018 the Company entered into First Amendments (the "First Amendments") to the Amendments to Warrants and Agreements to Exercise ("Amended Whitehorse Warrants") with (i) H.I.G. Whitehorse SMA ABF, L.P. regarding 46,667 warrants to purchase common stock of the Company, par value $0.0005 per share, at an exercise price of $3.00 per share; (ii) H.I.G. Whitehorse SMA Holdings I, LLC regarding 66,666 warrants to purchase common stock of the Company at an exercise price of $3.00 per share; and (iii) Whitehorse Finance, Inc. regarding 186,667 warrants to purchase common stock of the Company at an exercise price of $3.00 per share. In November 2017, the Amended Whitehorse Warrants were exercised and the Company issued an aggregate of 300,000 shares of common stock of the Company (the "Warrant Shares") to the warrant holders. Pursuant to the First Amendments, the parties agreed to reduce the price per share at which the warrant holders have the right, but not the obligation, to require the Company to purchase from the warrant holders the Warrant Shares (the "Put Right") to $3.8334 per share, to modify the period during which the Put Right can be exercised to the period commencing January 1, 2019 and ending December 15, 2019, and to modify the minimum price that the warrant holders can transfer any of the Warrant Shares

to no less than $3.8334 per share. The reduction in the Put Right price from $4.50 per share to $3.8334 per share was a result of the receipt by the warrant holders of 40,000 shares of red violet common stock in the Spin-off and the warrant holders' subsequent sale of those shares for $200 in a private transaction. During the third quarter of 2018, the change in the value of the Put Right price resulted in a reduction to the puttable option classified within accrued expenses and other current liabilities and a corresponding increase to additional paid-in-capital of $200.

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9. Share-based compensation

As of September 30, 2018, the Company maintains three share-based incentive plans: the 2008 Share Incentive Plan (the "2008 Plan"), the Cogint, Inc. 2015 Stock Incentive Plan (the "2015 Plan") which, combined, authorized the issuance of 13,500,000 shares of common stock, and the Fluent, Inc. 2018 Stock Incentive Plan (the "2018 Plan"), which authorizes the issuance of ten percent of the Company's issued and outstanding shares of common stock, as may be adjusted from time to time.

The 2018 Plan was approved by the board of directors in April 2018 and subsequently approved by stockholders at the Annual Meeting of Stockholders held on June 6, 2018. The primary purpose of the 2018 Plan is to attract, retain, reward, and motivate certain individuals by providing them with an opportunity to acquire or increase an ownership interest in the Company.

As of September 30, 2018, there were 310,568, 303,074 and 7,529,133 shares of common stock reserved for issuance under the 2008 Plan, the 2015 Plan and the 2018 Plan, respectively.

Shares issued outside of the equity plans

The following RSUs were issued outside of the aforementioned equity plans:

Pursuant to a business consulting agreement effective October 14, 2014 (the "Business Consulting Agreement"), Marlin Capital Investments, LLC ("Marlin Capital"), a company of which Michael Brauser, the Company's Executive Chairman prior to the Spin-off, owned 50% and was one of two managers, held RSUs representing the right to receive 2,000,000 shares of the Company's common stock, for consulting services provided by Marlin Capital. These RSUs were to vest annually beginning from October 13, 2015 only if certain performance goals of the Company were met. The shares underlying such RSUs would not have been delivered until October 13, 2018, unless there was a change of control of the Company, termination of the agreement by the Company without cause, or termination of the agreement by Marlin Capital for good reason. The Company determined the performance goals were met as of December 31, 2015. On March 12, 2018, the Company terminated the Business Consulting Agreement. The unvested 500,000 shares were accelerated and related share-based compensation expense of $906 was recognized fully in loss on disposal of discontinued operations during the first quarter of 2018.

Effective November 16, 2015, the Company entered into an employment agreement with Michael Brauser (the "Brauser Employment Agreement") relating to his service as Executive Chairman of the Board of Directors, pursuant to which Mr. Brauser would receive an annual base salary of $25 payable in accordance with the Company's general payroll practices and RSUs outside of the 2008 Plan and 2015 Plan representing the right to receive 5,000,000 shares of common stock. These RSUs were to vest ratably over a four-year period; provided, however, that no portion of the RSUs were to vest unless and until the Company had met certain vesting conditions during the vesting period. In addition, such RSUs were to vest in full upon a Company change in control, termination of Mr. Brauser without cause, termination by Mr. Brauser for good reason, or Mr. Brauser's death or disability. Effective March 14, 2017, the Company determined that the performance vesting conditions were met. Effective June 23, 2017, the Brauser Employment Agreement was terminated. Mr. Brauser continued to serve as Chairman of the Board of Directors prior to the Spin-off. On September 6, 2017, the Company entered into a consulting services agreement with Mr. Brauser, effective June 23, 2017, for a term of four years (the "Consulting Agreement"). In consideration for Mr. Brauser's services, the Consulting Agreement provided for continued vesting of all outstanding RSUs previously granted to Mr. Brauser. Among the total 5,000,000 shares granted pursuant to the RSUs, 1,250,000 shares were delivered in December 2017 and 1,250,000 shares were delivered in January 2018, and on March 12, 2018, the unvested 2,500,000 shares were accelerated and related share-based compensation expense of $6,468 was recognized in loss on disposal of discontinued operations during the first quarter of 2018.

On December 8, 2015, when Phillip Frost, M.D. joined the Board of Directors of the Company as Vice Chairman, Frost Gamma was granted 3,000,000 RSUs, outside of the 2008 Plan and 2015 Plan. This grant was fully vested and related share-based compensation expense was recognized on December 8, 2015, but Frost Gamma elected to defer delivery of any vested RSUs until Dr. Frost's separation from service from the Company or death or disability. Dr. Frost resigned as Vice Chairman effective on March 8, 2018 and the 3,000,000 shares were delivered during the first quarter of 2018.

Spin-off of red violet

On March 8, 2018, the Company's Compensation Committee approved t