

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

(Mark One)

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended March 31, 2020
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: 001-33304



FINJAN HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

20-4075963
(I.R.S. Employer
Identification No.)

2000 University Ave., Suite 600
East Palo Alto, CA 94303
650-282-3228

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

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 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 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 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	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

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

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock, par value \$0.0001 per share	FNJN	NASDAQ Capital Market

As of May 5, 2020, 27,703,002 shares of the registrant's common stock, par value \$0.0001 per share, were outstanding.

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PART I - FINANCIAL INFORMATION
Item 1. Financial Information

FINJAN HOLDINGS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except shares and par value)

	<u>March 31, 2020</u>	<u>December 31, 2019</u>
	<u>(Unaudited)</u>	
Assets		
Current assets:		
Cash and cash equivalents	\$ 18,706	\$ 18,304
Short term investments	13,302	17,779
Accounts receivable	570	—
Prepaid expenses and other current assets	3,445	288
Total current assets	36,023	36,371
Property and equipment, net	437	462
Intangible assets, net	3,064	3,552
Deferred income taxes	4,042	7,267
Right of use assets	2,095	2,227
Other assets, non-current	214	214
Total Assets	<u>\$ 45,875</u>	<u>\$ 50,093</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 4,044	\$ 4,481
Accounts payable - related parties	13	88
Accrued expenses	522	260
Lease liability	566	522
Other liabilities, current	2,000	2,000
Total current liabilities	7,145	7,351
Lease liability, non-current	1,611	1,786
Other liabilities, non-current	1,865	1,799
Total Liabilities	10,621	10,936
Commitments and contingencies (Note 3)		
Stockholders' equity		
Preferred stock - \$0.0001 par value; 10,000,000 shares authorized; no shares issued and outstanding at March 31, 2020 and December 31, 2019	—	—
Common stock - \$0.0001 par value; 80,000,000 shares authorized; 27,685,554 and 27,650,926 shares issued and outstanding at March 31, 2020 and December 31, 2019, respectively	3	3
Additional paid-in capital	29,788	29,502
Retained earnings	5,463	9,652
Total Stockholders' Equity	35,254	39,157
Total Liabilities and Stockholders' Equity	<u>\$ 45,875</u>	<u>\$ 50,093</u>

The accompanying notes are an integral part of the condensed consolidated financial statements

FINJAN HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except share and per share amounts)
(Unaudited)

	March 31,	
	2020	2019
Revenues	\$ 3,800	\$ —
Cost of revenues	900	—
Gross profit	2,900	—
Research and development expense	391	476
Selling, general and administrative expenses	6,710	7,945
Total operating expenses	7,101	8,421
Loss from operations	(4,201)	(8,421)
Other income (expense)		
Interest and other expense	(77)	(118)
Interest and other income	130	204
Loss before income taxes	(4,148)	(8,335)
Provision (benefit) for income taxes	41	(2,333)
Net loss	(4,189)	(6,002)
Net loss to common stockholder	\$ (4,189)	\$ (6,002)
Net loss per share, basic and diluted	\$ (0.15)	\$ (0.22)
Net loss per share applicable to common stockholders, basic and diluted	\$ (0.15)	\$ (0.22)
Weighted-average common shares outstanding, basic	27,677,579	27,594,372
Weighted-average common shares outstanding, diluted	27,677,579	27,594,372

The accompanying notes are an integral part of the condensed consolidated financial statements

FINJAN HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(In thousands, except share data)
(Unaudited)

Three Months Ended March 31, 2020 and 2019

	Common Stock		Additional Paid- In Capital	Retained Earnings	Total
	Shares	Amount			
Balance - December 31, 2019	27,650,926	\$ 3	\$ 29,502	\$ 9,652	\$ 39,157
Stock-based compensation expense	—	—	266	—	266
Exercise of stock options and vesting of RSUs	34,628	—	20	—	20
Net loss	—	—	—	(4,189)	(4,189)
Balance - March 31, 2020	<u>27,685,554</u>	<u>\$ 3</u>	<u>\$ 29,788</u>	<u>\$ 5,463</u>	<u>\$ 35,254</u>
Balance - December 31, 2018	27,568,656	\$ 3	\$ 28,534	\$ 26,142	\$ 54,679
Stock-based compensation expense	—	—	246	—	246
Vesting of RSUs	27,184	—	—	—	—
Net loss	—	—	—	(6,002)	(6,002)
Balance - March 31, 2019	<u>27,595,840</u>	<u>\$ 3</u>	<u>\$ 28,780</u>	<u>\$ 20,140</u>	<u>\$ 48,923</u>

The accompanying notes are an integral part of the condensed consolidated financial statements

FINJAN HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Three Months Ended	
	March 31,	
	2020	2019
Cash flows from operating activities:		
Net loss	\$ (4,189)	\$ (6,002)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	513	497
Non-cash lease expense	132	119
Stock-based compensation	266	246
Deferred income taxes	3,225	(2,337)
Amortization of discount and premium on investments	(13)	(79)
Changes in operating assets and liabilities:		
Accounts receivable	(570)	2,550
Prepaid expenses and other assets	(3,157)	767
Lease liability	(131)	(110)
Accounts payable	(437)	162
Accounts payable - related parties	(75)	(138)
Accrued expenses	262	1,321
Other liabilities	66	118
Net cash used in operating activities	<u>(4,108)</u>	<u>(2,886)</u>
Cash flows from investing activities:		
Purchase of marketable securities	(3,010)	(3,763)
Redemptions and maturities of marketable securities	7,500	1,797
Leasehold improvements	—	(31)
Net cash provided by (used in) investing activities	<u>4,490</u>	<u>(1,997)</u>
Cash flows from financing activities		
Proceeds from exercise of stock options	20	—
Net cash provided by financing activities	<u>20</u>	<u>—</u>
Net increase (decrease) in cash and cash equivalents	402	(4,883)
Cash and cash equivalents - beginning	18,304	32,011
Cash and cash equivalents - ending	<u>\$ 18,706</u>	<u>\$ 27,128</u>

The accompanying notes are an integral part of the condensed consolidated financial statements

FINJAN HOLDINGS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

Finjan Holdings, Inc. (the “Company” or “Finjan Holdings”), a Delaware corporation, and its wholly owned subsidiaries, Finjan, Inc. (“Finjan”), Finjan Blue, Inc. (“Finjan Blue”) and Finjan Mobile, Inc. (“Finjan Mobile”) operates a cybersecurity business focused on three business lines: intellectual property licensing and enforcement, mobile security application development and investing in cybersecurity technologies and intellectual property. Licensing and enforcement of the Company's cybersecurity patent portfolio is operated through its wholly-owned subsidiaries Finjan and Finjan Blue. Revenues and operations are concentrated in Finjan; other subsidiaries were immaterial to the condensed consolidated financial statements for the three months ended March 31, 2020 and 2019. The Company's common stock has been trading on the NASDAQ Capital Market (“NASDAQ”) since May 2014.

BASIS OF PRESENTATION

These unaudited condensed consolidated financial statements have been prepared following the requirements of the Securities and Exchange Commission (“SEC”), for interim reporting. As permitted under those rules, certain footnotes and other financial information that are normally required by accounting principles generally accepted in the United States of America (“U.S. GAAP”) can be condensed or omitted. The condensed consolidated balance sheet for the year ended December 31, 2019 was derived from the Company's audited financial statements, but does not include all disclosures required by U.S. GAAP. The information included in this quarterly report on Form 10-Q should be read in conjunction with the consolidated financial statements and notes thereto of the Company for the year ended December 31, 2019 which were included in the annual report on Form 10-K filed by the Company on March 4, 2020.

In the opinion of management, these condensed consolidated financial statements have been prepared on the same basis as the annual consolidated financial statements and notes thereto of the Company and include all adjustments, consisting only of normal recurring adjustments, considered necessary for the fair presentation of the Company's financial position and operating results. The results for the three months ended March 31, 2020 are not necessarily indicative of the operating results for the year ending December 31, 2020, or any other interim or future periods.

USE OF ESTIMATES

The preparation of financial statements in conformity with U.S. GAAP requires management 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 financial statements and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, the Company evaluates its estimates, including those related to stock-based compensation, investments, the determination of the economic useful life of property and equipment, income taxes and valuation allowances against net deferred tax assets. Management bases its estimates on historical experience or on various other assumptions that it believes to be reasonable under the circumstances. Actual results could differ from those estimates.

PRINCIPLES OF CONSOLIDATION

The condensed consolidated financial statements include the accounts of Finjan Holdings and its wholly-owned subsidiaries. All intercompany transactions and balances have been eliminated in consolidation.

REVENUE RECOGNITION

Revenue from the Company's cybersecurity business results from grants of licenses to its patented cybersecurity technology and settlements reached from legal enforcement of the Company's patent rights. Revenue is recognized when the arrangement with the licensee has been signed and the license has been delivered and made effective, provided the license fees are fixed or determinable and collectability is reasonably assured.

The total amount of the consideration received upon any settlement or judgment is allocated to each element based on the fair value of each element. Elements provided in either settlement agreements or judgments include the value of a license, legal release and interest. Fair value of licensing agreements and royalty revenues are recognized as revenues in the condensed

consolidated statement of operations. Elements not related to license agreements and royalty revenue in nature will be reflected in other income (expense), net in the condensed consolidated statements of operations. Legal release as part of a settlement agreement is recognized as a separate line item in the condensed consolidated statements of operations when value can be allocated to the legal release. When the Company reaches a settlement with a defendant, no value is allocated to the legal release since the existence of a settlement removes legal standing to bring a claim of infringement, and without a legal claim, the legal release has no economic value. The element that is applicable to interest income will be recorded in other income (expense), net.

When settlements or judgments are achieved at discounts to the fair value of a license, the Company allocates the full settlement or judgment, excluding specifically named elements as mentioned above, to the value of the license agreement or royalty revenue under the residual method relative to full license fair value prior to the discount.

CASH AND CASH EQUIVALENTS

The Company considers all highly liquid instruments with original maturities of three months or less when purchased to be cash equivalents. Included in cash and cash equivalents are demand deposits and money market accounts.

SHORT TERM INVESTMENTS

Investments consist of U.S. Treasury Bills, which are classified as held-to-maturity, Certificates of Deposit and other Corporate Debt Securities. The Company determines the appropriate balance sheet classification of its investments at the time of purchase and evaluates the classification at each balance sheet date. All of the Company's investments mature within the next twelve months. Unrealized gains and losses are *de minimis*. As of March 31, 2020 and December 31, 2019, the carrying value of the Company's U.S. Treasury Bills approximates their fair value due to their short-term maturities.

NET LOSS PER COMMON SHARE

Basic net loss per common share is based upon the weighted-average number of common shares outstanding. Diluted net income loss per common share is based on the weighted-average number of common shares outstanding and potentially dilutive common shares outstanding and computed as follows:

	Three Months ended	
	March 31,	
	2020	2019
	(In thousands, except share and per share data)	
Numerator:		
Net loss to common stockholders	\$ (4,189)	\$ (6,002)
Denominator:		
Weighted-average common shares, basic	27,677,579	27,594,372
Weighted-average common shares, diluted*	27,677,579	27,594,372
Net loss per common share:		
Basic:	\$ (0.15)	\$ (0.22)
Diluted:	\$ (0.15)	\$ (0.22)

* For the three months ended March 31, 2020 and 2019, the securities would be anti-dilutive and therefore were excluded.

Potentially dilutive common shares from employee equity plans and warrants are determined by applying the treasury stock method assumed exercise of warrants and share options and were excluded from the computation of diluted net loss per share because their inclusion would be anti-dilutive and consist of the following:

	Three Months ended March 31,	
	2020	2019
Stock options	2,339,013	2,486,646
Restricted stock units	538,691	288,108
Warrants	2,355,506	2,355,506
Total	<u>5,233,210</u>	<u>5,130,260</u>

INCOME TAXES

The Company accounts for income taxes pursuant to the asset and liability method which requires deferred income tax assets and liabilities to be computed annually for temporary differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. The income tax expense or benefit is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities.

RECENT ACCOUNTING PRONOUNCEMENTS

Recently adopted accounting pronouncements

In August 2018, the FASB issued ASU 2018-13, Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurements (“ASU 2018-13”), which eliminates, adds and modifies certain disclosure requirements for fair value measurements as part of the FASB’s disclosure framework project. The Company adopted ASU 2018-13 on January 1, 2020, the impact on the Company’s condensed consolidated financial statements of this adoption is immaterial.

Recently issued accounting pronouncements not yet adopted

Other recent accounting standards that have been issued or proposed by FASB or other standards-setting bodies that do not require adoption until a future date are not expected to have a material impact on the Company’s condensed consolidated financial statements upon adoption.

NOTE 2 - SHORT TERM INVESTMENTS, PREPAID EXPENSES AND OTHER CURRENT ASSETS

Short Term Investments

The Company’s short term investments are classified as below with maturities of twelve months or less, unrealized gains and losses were immaterial for the periods presented:

Security Type	Fair Value	
	March 31, 2020	December 31, 2019
	(in thousands)	
Government	\$ 1,027	\$ 1,012
Asset Backed	2,895	4,854
Industrial	4,443	5,034
Financial	4,937	6,879
	<u>\$ 13,302</u>	<u>\$ 17,779</u>

Prepaid Expenses and Other Current Assets

The components of prepaid expenses and other current assets are as presented below:

	March 31, 2020	December 31, 2019
	(in thousands)	
Prepaid income tax	\$ 3,182	\$ —
Other prepaid expenses and other current assets	263	288
	<u>\$ 3,445</u>	<u>\$ 288</u>

NOTE 3 – COMMITMENTS AND CONTINGENCIES

Operating Leases

On July 19, 2018, the Company entered into an office lease agreement for its headquarters through June 30, 2023. The annual rent is approximately \$0.7 million, payable in equal monthly installments, unless earlier terminated by either party in accordance with the lease. The annual rent is subject to an approximate 3.5% increase at each anniversary of the commencement date during the term of the agreement.

The Company has a sub-lease with a related party that has lease terms that are month-to-month based on the legally enforceable terms of the agreement as of January 1, 2019. In accordance with ASC 842-10-55-12, leases between related parties should be classified in accordance with the lease classification criteria applicable to all other leases on the basis of the legally enforceable terms and conditions of the lease. As a result, the Company elected not to apply the recognition requirements of ASC 842 for short-term leases, however, the lease costs that pertain to the short-term leases are disclosed in the components of lease costs table below.

The balance sheet classification of the Company's right-of-use asset and lease liabilities was as follows (in thousands):

	March 31, 2020	December 31, 2019
Operating lease right of use assets	\$ 2,095	\$ 2,227
Operating lease liabilities		
Current portion included in current liabilities	566	522
Long Term portion included in non-current liabilities	1,611	1,786
Total Operating lease liabilities	<u>\$ 2,177</u>	<u>\$ 2,308</u>

The components of lease expenses, net which were included in total expenses in the Company's condensed consolidated statements of operations, were as follows (in thousands):

	Three Months ended March 31	
	2020	2019
Operating lease cost	\$ 198	\$ 198
Variable lease cost	—	—
Short term lease income	(14)	(60)
	<u>\$ 184</u>	<u>\$ 138</u>

Cash paid for amounts included in the measurement of lease liabilities for the three months ended March 31, 2020 and 2019 were \$0.2 million and \$0.1 million, respectively, and were included in net cash used in operating activities in the Company's condensed consolidated statement of cash flows. A non-cash lease expense of \$0.1 million for three months ended March 31, 2020 and 2019 was included in net adjustments to reconcile net loss to net cash used in operating activities in the Company's condensed consolidated statement of cash flows.

As of March 31, 2020, the maturities of the Company’s operating lease liabilities were as follows (in thousands):

For the year ending December 31,		
2020, remainder	\$	582
2021		801
2022		829
2023		425
Total lease payments	\$	2,637
Less: present value adjustment		(460)
Operating lease liabilities	\$	2,177

Operating lease liabilities are based on the net present value of the remaining lease payments over the remaining lease term. In determining the present value of lease payments, the Company used its incremental borrowing rate based on the information available at the date of adoption of ASC 842. As of March 31, 2020, the weighted average remaining lease term is 3.25 years and the weighted average discount rate used to determine the operating lease liabilities was 1%.

Contractual Commitments

Finjan Mobile

On April 21, 2017, the Company and Finjan Mobile, a wholly-owned subsidiary of the Company, entered into a Confidential Avira VPN Platform Distribution Agreement (the “Distribution Agreement”) with Avira, Inc., a Delaware corporation (“Avira”). Pursuant to the Distribution Agreement, Avira will provide its Virtual Private Network (“VPN”) platform and technical support (“VPN Platform”) to Finjan Mobile, and Finjan Mobile will utilize the VPN Platform as part of its VitalSecurity™ suite of product offerings. Avira also granted Finjan Mobile related license rights in connection with the Distribution Agreement and starting July 1, 2017, Finjan Mobile began paying Avira \$ 3.9 million in fees under the Distribution Agreement, payable in 12 quarterly installments of \$0.3 million over the subsequent 3 years. The Company has analyzed the terms of the agreement and has accounted for the transaction as a service agreement, to be expensed over the period of service. As of March 31, 2020, the Company has a \$0.3 million contractual obligation due April 2020.

Finjan Blue

The Company and Finjan Blue entered into a Patent Assignment Agreement with IBM effective as of August 24, 2017. Pursuant to the Patent Assignment Agreement, Finjan Blue acquired 41 select issued and pending IBM Security Patents in exchange for \$8.5 million cash, payable as follows: (i) \$2.0 million upon execution of the Patent Assignment Agreement and (ii) \$6.5 million over the subsequent four years. The Company made its second payment of \$1.0 million on August 24, 2018 and a third payment of \$1.5 million on September 9, 2019. As of March 31, 2020, the Company has a remaining balance due of \$4.0 million.

The IBM Security Patents from the Patent Assignment Agreement have been recorded at their present value of \$7.0 million in the first quarter of 2018, recognizing a present value adjustment of \$1.4 million. Accretion related to the present value and amortization expense is recognized over the expected useful life. Accretion and amortization expense was \$0.1 million and \$0.5 million for the three months ended March 31, 2020, respectively and \$0.1 million and \$0.4 million for the three months ended March 31, 2019, respectively.

IBM will support Finjan Blue in its development and licensing of the IBM Security Patents and provide assistance for such efforts as needed for the term of the Agreement and Finjan Blue will reimburse IBM for reasonable time and out of pocket costs for such assistance, however IBM will not receive further proceeds from such efforts. IBM does have reservation of rights with respect to the IBM Security Patents for its current licensees and open source initiatives.

NOTE 4 - ACCRUED EXPENSES
Accrued Expenses

The components of accrued expenses are as presented below:

	March 31, 2020	December 31, 2019
	(in thousands)	
Legal - litigation / licensing	\$ 250	\$ —
Compensation	250	250
Other	22	10
	<u>\$ 522</u>	<u>\$ 260</u>

NOTE 5 - LICENSE, SETTLEMENT AND RELEASE AGREEMENT

On January 23, 2020, the Company and each of its subsidiaries entered into a Confidential Patent License and Settlement Agreement (collectively, the “2020 License Agreements”) with Bitdefender Inc., a Florida Corporation and Bitdefender S.R.L., a Romanian corporation (collectively, “Bitdefender”). As part of the 2020 License Agreements, Bitdefender will obtain a license to, among others, the patents of Finjan, Finjan Mobile, and Finjan Blue, and pay Finjan \$3.8 million in cash, of which \$3.2 million was received during the quarter ended March 31, 2020, the remaining \$0.6 million is currently being withheld for tax purposes and will be remitted upon delivery of FORM 6166 (Tax Residency Certificate). We await receipt of FORM 6166 from the US Department of Treasury. The Company recognized \$ 3.8 million as revenues as of January 23, 2020, in accordance with the Company’s revenue recognition policy as described in Note 1. Further, upon acquisition of Bitdefender or acquisitions by Bitdefender, additional one-time license fees may be due to Finjan. The remaining terms of the License Agreements are confidential.

NOTE 6 - STOCKHOLDERS' EQUITY
Stock Repurchase Program

On May 2, 2018, the Company’s board of directors authorized the repurchase of issued and outstanding shares of the Company’s common stock having an aggregate value of up to \$10.0 million pursuant to a share repurchase program. The authorization did not specify an expiration date. The repurchases under the share repurchase program were made in the open market or in privately negotiated transactions and were funded from the Company’s working capital. As of March 31, 2020, the Company has a remaining authorization of \$8.0 million for future share repurchases.

Warrants

During the issuance of the Series A-1 Preferred Stock in June 2017, the Company issued a fully vested common stock warrant (the “Warrant”), to initially purchase 2,000,000 shares of common stock, \$0.0001 par value per share at an exercise price of \$3.18 per share, which increased to 2,355,506 shares in accordance with its terms. The Warrant has a term of three years, expiring June 2020.

As of March 31, 2020 the aggregate intrinsic value of the warrant was \$0, with a weighted average contracted term of 0.2 years.

NOTE 7 – STOCK BASED COMPENSATION

On June 21, 2017, at the annual meeting of stockholders, the Company’s shareholders approved (i) an increase of 1,000,000 shares to the Finjan Holdings, Inc. 2014 Plan and (ii) the addition of an “evergreen” feature which provides for the annual replenishment of shares to the Restated 2014 Plan share reserve without stockholder approval, which represented an additional 1,385,366 shares as of January 1, 2018, 1,378,432 shares as of January 1, 2019 and 1,382,546 shares as of January 1, 2020 (equal to 5.0% of our outstanding shares of Common Stock as of the end of our immediately preceding fiscal year). As of March 31, 2020, the Company has 4,133,416 shares available for issuance under the 2014 Plan.

During the three months ended March 31, 2020 and 2019, the Company incurred \$0.3 million and \$0.2 million, respectively, of stock-based compensation in the condensed consolidated statements of operations. All stock-based compensation expenses were related to selling, general and administration.

Stock Options

The following table is a summary of stock option activity during the three months ended March 31, 2020:

	Number of Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding 2013 & 2014 Plans – December 31, 2019	2,356,197	\$ 1.89	5.93	\$ 628
Options granted	—	—	—	—
Options exercised	(17,184)	1.20	6.09	—
Options forfeited	—	—	—	—
Outstanding – March 31, 2020	2,339,013	\$ 1.89	5.68	\$ —
Exercisable – March 31, 2020	1,906,107	\$ 1.78	5.19	\$ —

The Company estimates the fair values of stock options using the Black-Scholes option-pricing model. The assumptions used in the Black-Scholes option-pricing model and the weighted-average grant date fair value of the option awards for the periods presented were as follows:

	Three Months ended March 31	
	2020	2019
Volatility	NA	104.99%
Expected term (in years)	NA	6
Risk-free rate	NA	2.24%
Expected dividend yield	NA	—
Weighted-average grant date fair value per option	NA	\$ 2.24

The risk-free interest rate is the United States Treasury rate for the day of the grant having a term equal to the life of the equity instrument. The volatility is a measure of the amount by which the Company's share price has fluctuated or is expected to fluctuate; the Company used its common stock volatility along with the average of historic volatilities of comparative companies. The dividend yield is zero as the Company has not made any dividend payment and has no plans to pay dividends in the foreseeable future. The Company determines the expected term of its stock option awards by using the simplified method, which assumes each vesting tranche of the award has a term equal to average of the contractual term and the vesting period.

Restricted Stock Units

The following table is a summary of restricted stock units award activity during the three months ended March 31, 2020:

	Number of Shares	Weighted Average Grant Date Fair Value
Non-vested at beginning of period	486,135	2.53
Shares granted	70,000	2.01
Shares vested	(17,444)	1.69
Non-vested at end of period	538,691	\$ 2.18

The aggregate intrinsic value of the unvested RSU's was \$0.5 million as of March 31, 2020.

As of March 31, 2020, total compensation cost not yet recognized related to unvested restricted stock awards and stock options was approximately \$.5 million, which is expected to be recognized over a weighted-average period of 1.9 years.

NOTE 8 – RELATED PARTY TRANSACTIONS

In the course of business, the Company obtains legal services from a firm in which the Company's Chairman is a partner. The Company incurred approximately \$8,000 in legal fees to the firm for the three months ended March 31, 2020 and 2019, respectively. As of March 31, 2020 and December 31, 2019, the Company had balances due to this firm of approximately \$13,000 and \$88,000 respectively. Such amounts are included as part of accounts payable - related parties on the accompanying condensed consolidated balance sheets.

The Company entered into a sublease agreement at its headquarters, effective July 1, 2018 with Benhamou Global Ventures, a company in which one of the Company's Directors serves as Managing Director. Rental income from the sublease is approximately \$15,000 quarterly for an undefined term.

NOTE 9 - LITIGATION, CLAIMS AND ASSESSMENTS

Finjan recognizes that the dynamic nature of the COVID-19 Pandemic requires flexibility in its normal business activities particularly with respect to ongoing litigation. Most courts have postponed long-set trials and hearings, or are conducting them via virtual meeting platforms. We report below those cases and activities that have been directly impacted by the Pandemic, while noting that other normal business activities are ongoing remotely.

A. United States District Court Actions

Finjan, Inc. v. Palo Alto Networks, Inc., Case No. 4:14-cv-04908-PJH (N.D. Cal.)

Finjan filed a patent infringement lawsuit against Palo Alto Networks, Inc. ("Palo Alto Networks") in the United States District Court for the Northern District of California on November 4, 2014, asserting that Palo Alto Networks is directly and indirectly infringing certain claims of Finjan's U.S. Patent Nos. 6,804,780; 6,965,968; 7,058,822; 7,418,731; 7,613,918; 7,613,926; 7,647,633; 8,141,154; 8,225,408; and 8,677,494 (the "Asserted Patents") through the manufacture, use, importation, sale, and/or offer for sale of its products and services, including but not limited to Next-Generation Security Platform, Next-Generation Firewall, Virtualized Firewall, WildFire Subscription, WildFire Platform, URL Filtering Subscription, Threat Prevention Subscription, and Advanced EndPoint Protection. Finjan seeks entry of judgment that Palo Alto Networks has infringed, is infringing, has induced infringement and is inducing infringement of the Asserted Patents, a preliminary and permanent injunction from infringing, or inducing the infringement of the Asserted Patents, an accounting of all infringing sales and revenues, damages of no less than a reasonable royalty consistent with proof, and enhanced damages for willful infringement, costs, interest, and reasonable attorneys' fees under 35 U.S.C. §285. This action is before the Honorable Phyllis J. Hamilton. Details on procedures prior to January 2020 are disclosed in Note 8 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2019. There are no new developments to report since January 1, 2020.

Finjan, Inc. v. ESET, LLC et al., Case No. 3:17-cv-00183-CAB (S.D. Cal.)

Finjan filed a patent infringement lawsuit against ESET, LLC and ESET SPOL S.R.O. (collectively "ESET") in the United States District Court for the Northern District of California (Case No. 3:16-cv-03731-JD (N.D. Cal.)) on July 1, 2016, asserting that ESET infringes Finjan's U.S. Patent Nos. 6,154,844; 6,804,780; 7,975,305; 8,079,086; 9,189,621; and 9,219,755 (the "Asserted Patents") through the manufacture, use, importation, sale, and/or offer for sale of its products and services, including but not limited to, ESET ThreatSense, ESET Advanced Heuristic, ESET DNA Signature, Host-based Intrusion Prevention System (HIPS), and ESET LiveGrid technologies including ESET'S Home Protection, Small Office, and Business product lines and ESET Services. Finjan seeks entry of judgment that ESET has infringed and is infringing the Asserted Patents, a preliminary and permanent injunction from the infringement of the same patents, an accounting of all infringing sales and revenues, damages of no less than a reasonable royalty consistent with proof, and enhanced damages for willful infringement, costs, interest, and reasonable attorneys' fees under 35 U.S.C. § 285. The case was transferred to the Southern District of California on January 31, 2017. This action is before the Honorable Cathy Ann Bencivengo. Details on procedures prior to January 2020 are disclosed in Note 8 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2019. A Mandatory Settlement Conference was held on February 10, 2020 in person before the Honorable Magistrate Judge Bernard G. Skomal and did not result in any resolution between the parties. A pretrial conference and motion *in limine* hearing was held on February 21, 2020, the Pretrial Order was entered on February 25, 2020, and the jury trial commenced on March 9, 2020. On March 16, 2020, Judge Bencivengo deemed a mistrial based upon the current state of extraordinary circumstances due to the Coronavirus/COVID-19 Pandemic, suspending all proceedings until further notice. There can be no assurance that Finjan will be successful in settling or litigating these claims.

Finjan, Inc. v. Cisco Systems, Inc., Case No. 5:17-cv-00072-BLF (N.D. Cal.)

Finjan filed a patent infringement lawsuit against Cisco Systems, Inc. ("Cisco") in the United States District Court for the Northern District of California on January 6, 2017, asserting that Cisco infringes certain claims of Finjan's U.S. Patent Nos. 6,154,844; 6,804,780; 7,647,633; 8,141,154; and 8,677,494 (the "Asserted Patents") through the manufacture, use, importation, sale, and/or offer for sale of its products and services, including but not limited to, Cisco's Advanced Malware Protection, Cisco Collective Security Intelligence, Cisco Outbreak Filters, Talos Security Intelligence and Research Group, and AMP Threat Grid technologies, including Cisco AMP for Endpoints, Cisco AMP for Networks (also referred to by Cisco as "NGIPS"), Cisco AMP for ASA with FirePOWER Services, Cisco AMP Private Cloud Virtual Appliance, Cisco AMP for CWS, ESA, or WSA, Cisco AMP for Meraki MX, Cisco AMP Threat Grid. Finjan seeks entry of judgment that Cisco has infringed and is infringing the Asserted Patents, a preliminary and permanent injunction from infringing the Asserted Patents, an accounting of all infringing sales and revenues, damages of no less than a reasonable royalty consistent with proof, and enhanced damages for willful infringement, costs, interest, and reasonable attorneys' fees under 35 U.S.C. § 285. This action is before the Honorable Beth Labson Freeman. Details on procedures prior to January 2020 are disclosed in Note 8 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2019. A hearing on summary judgment motions occurred on January 9, 2020. On February 3, 2020, the Court denied Finjan's Motion for Summary Judgment of validity, and March 30, 2020, the Court granted in part and denied in part Cisco's motion for summary judgment of non-infringement. The Court heard oral arguments on *Daubert* motions on March 26, 2020, and issued an Order on *Daubert* Motions on April 17, 2020. The final pretrial conference was held on April 30, 2020 and a jury trial is scheduled to commence on June 22, 2020. There can be no assurance that Finjan will be successful in settling or litigating these claims.

Finjan, Inc. v. ESET SPOL S.R.O. et al., Docket Nos. 2 Ni 53/16 (EP). 4c O 33/16 (German Litigations)

Finjan filed a patent infringement lawsuit against ESET SPOL. S.R.O., a Slovak Republic Corporation, and ESET Deutschland GmbH (collectively "ESET") in the Düsseldorf District Court of Germany on July 1, 2016, asserting that ESET infringed Finjan's European Patent No. 0 965 094 B1 ("the '094 Patent"), through the offering and/or delivering to customers in the Federal Republic of Germany software products including ESET's ThreatSense, ESET Advanced Heuristic, ESET DNA Signature, ESET LiveGrid technologies, including ESET's Home Users, Small Office, and Business product lines and ESET services. Finjan has sought cease and desist orders against both defendants for offering or delivering the challenged products, under penalty of a fine for each violation of such orders, for orders providing Finjan with profit information regarding the challenged products, and for damages which Finjan has suffered or shall suffer as a result of ESET offering or delivering the challenged products since November 1, 2008. Details on procedures prior to January 2020 are disclosed in Note 8 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2019. There are no new developments to report since January 1, 2020. There can be no assurance that Finjan will be successful in settling or litigating these claims.

Finjan, Inc. v. SonicWall, Inc., Case No. 5:17-cv-04467-BLF (N.D. Cal.)

Finjan filed a patent infringement lawsuit against SonicWall, Inc. ("SonicWall") in the United States District Court for the Northern District of California on August 4, 2017, asserting that SonicWall is directly and indirectly infringing certain claims of Finjan's U.S. Patent Nos. 6,154,844; 7,058,822; 6,804,780; 7,613,926; 7,647,633; 8,141,154; 8,677,494; 7,975,305; 8,225,408; and 6,965,968 (the "Asserted Patents") through the manufacture, use, sale, importation, and/or offer for sale of its products and services, including but not limited to, Appliance Products utilizing Capture ATP and/or Gateway Security Services and Email Security Products utilizing Capture ATP and/or Gateway Security Services. Finjan seeks entry of judgment that SonicWall has infringed and is infringing the Asserted Patents, a preliminary and permanent injunction from infringing the Asserted Patents, an accounting of all infringing sales and revenues, damages of no less than a reasonable royalty consistent with proof, and enhanced damages for willful infringement, costs, interest, and reasonable attorneys' fees under 35 U.S.C. § 285. This action is before the Honorable Beth Labson Freeman. Details on procedures prior to January 2020 are disclosed in Note 8 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2019. A summary judgment hearing is scheduled for January 14, 2021, a final pretrial conference for March 18, 2021, and a jury trial to commence on May 3, 2021. There can be no assurance that Finjan will be successful in settling or litigating these claims.

Finjan, Inc. v. Bitdefender Inc., et al., Case No. 4:17-cv-04790-HSG (N.D. Cal.)

Finjan filed a patent infringement lawsuit against Bitdefender Inc. and Bitdefender S.R.L. ("Bitdefender") in the United States District Court for the Northern District of California on August 16, 2017, asserting that Bitdefender is directly and indirectly infringing certain claims of Finjan's U.S. Patent Nos. 6,804,780; 7,930,299; 8,141,154; and 8,677,494 (the "Asserted Patents") through the manufacture, use, sale, importation, and/or offer for sale of its products and services, including but not limited to, Total Security, Family Pack, Internet Security, Antivirus Plus, Security for XP and Vista, Antivirus for Mac, Mobile Security, GravityZone Enterprise Security, GravityZone Elite Security, GravityZone Advanced Business Security, GravityZone Business

Security, Hypervisor Introspection, Security for AWS, Cloud Security for MSP, GravityZone for xSP, and BOX. Finjan seeks entry of judgment that Bitdefender has infringed and is infringing the Asserted Patents, a preliminary and permanent injunction from infringing the Asserted Patents, an accounting of all infringing sales and revenues, damages of no less than a reasonable royalty consistent with proof, and enhanced damages for willful infringement, costs, interest, and reasonable attorneys' fees under 35 U.S.C. § 285. This action was before the Honorable Haywood S. Gilliam, Jr. Details on procedures prior to January 2020 are disclosed in Note 8 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2019. On January 23, 2020, the parties filed a Joint Stipulation of Dismissal with Prejudice pursuant to a confidential settlement agreement between the parties, which the Court granted on the same day.

Finjan, Inc. v. Juniper Networks, Inc., Case No. 3:17-cv-05659-WHA (N.D. Cal.)

Finjan filed a patent infringement lawsuit against Juniper Networks, Inc. ("Juniper") in the United States District Court for the Northern District of California on September 29, 2017, asserting that Juniper is directly and indirectly infringing certain claims of Finjan's U.S. Patent Nos. 6,154,844; 6,804,780; 7,647,633; 7,613,926; 8,141,154; 8,677,494; 7,975,305; and 8,225,408 (the "Asserted Patents") through the manufacture, use, sale, importation, and/or offer for sale of its products and services, including but not limited to, SRX Gateways, SRX Gateways using Sky ATP, and Contrail. Finjan seeks entry of judgment that Juniper has infringed and is infringing the Asserted Patents, has and is inducing infringement, a preliminary and permanent injunction from infringing the Asserted Patents, an accounting of all infringing sales and revenues, damages of no less than a reasonable royalty consistent with proof, and enhanced damages for willful infringement, costs, interest, and reasonable attorneys' fees under 35 U.S.C. § 285. This action was before the Honorable William H. Alsup. Details on procedures prior to January 2020 are disclosed in Note 8 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2019. This case is now pending before the Court of Appeals for the Federal Circuit. Finjan's Opening Brief was filed on December 18, 2019, Juniper's Response was filed on March 27, 2020, and the projected date for Finjan's Reply is May 18, 2020. There can be no assurance that Finjan will be successful in settling or litigating these claims.

Finjan, Inc. v. Trustwave Holdings, Inc. & Singapore Telecommunications Ltd., Case No. 1:20-cv-00371-LPS (D. Del.)

Finjan filed a patent infringement lawsuit against Trustwave Holdings, Inc. ("Trustwave") and its parent Singapore Telecommunications Ltd. ("SingTel") in the United States District Court for the District of Delaware on March 26, 2020, asserting that Trustwave and SingTel are directly and indirectly infringing certain claims of Finjan's U.S. Patent No. 8,141,154 (the "Asserted Patent") through the manufacture, use, sale, importation, and/or offer for sale of their products and services, including, but not limited to, Trustwave's Secure Web Gateway and Secure Email Gateway products. Finjan seeks entry of judgment that Trustwave and SingTel have infringed, are infringing, have induced infringement and are inducing infringement of the Asserted Patent, a preliminary and permanent injunction from infringing, or inducing the infringement of the Asserted Patent, an accounting of all infringing sales and revenues, damages of no less than a reasonable royalty consistent with proof, and enhanced damages for willful infringement, costs, interest, and reasonable attorneys' fees under 35 U.S.C. § 285. This action is before the Honorable Leonard P. Stark.

Finjan, Inc. v. Trustwave Holdings, Inc., Case No. 1:20-cv-00372-LPS (D. Del.)

Finjan filed a breach of contract lawsuit against Trustwave Holdings, Inc. ("Trustwave") in the Superior Court of Delaware on April 4, 2018 (Case No. N18C-04-006 WCC-CCLD), asserting that Trustwave breached a patent licensing agreement with Finjan by failing to pay owed royalties, failing to comply with audit procedures as provided by that licensing agreement, and for failing to pay for that audit. Finjan seeks entry of judgment that Trustwave be ordered to pay damages due to the breach of the agreement and the cost of the audit, including interest, and that Finjan be awarded attorneys' fees. This action was before the Honorable William C. Carpenter, Jr. Details on procedures prior to January 2020 are disclosed in Note 8 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2019. On March 16, 2020 Finjan filed a Notice of Removal of this case to the U.S. District Court of Delaware. The case is now pending before the Honorable Leonard P. Stark. On April 14, 2020 Trustwave filed a motion to remand the case to Superior Court.

Finjan, Inc. v. Check Point et al., Case No. 3:18-cv-02621-WHO (N.D. Cal.)

Finjan filed a patent infringement lawsuit against Check Point Software Technologies Inc. and Check Point Software Technologies Ltd. (collectively "Check Point") in the United States District Court for the Northern District of California on May 3, 2018, asserting that Check Point is directly and indirectly infringing certain claims of Finjan's U.S. Patent Nos. 6,154,844; 6,965,968; 7,418,731; 7,647,633; 8,079,086; 8,141,154; and 8,677,494 (the "Asserted Patents") through the manufacture, use, sale, importation, and/or offer for sale of its products and services, including, but not limited to, Check Point's Next Generation Firewall and Security Gateway products, Blade products, CloudGuard products, Endpoint Protection products, Advanced Threat Prevention products, Mobile Security products, ZoneAlarm products, Threat Intelligence products,

Security Management and Policy Management products, ThreatCloud Managed Security Service products, Smart-1 Appliance products, products using SandBlast technology, and products utilizing the Gaia Operating System. Finjan seeks entry of judgment that Check Point has infringed, is infringing, has induced infringement and is inducing infringement of the Asserted Patents, a preliminary and permanent injunction from infringing, or inducing the infringement of the Asserted Patents, an accounting of all infringing sales and revenues, damages of no less than a reasonable royalty consistent with proof, and enhanced damages for willful infringement, costs, interest, and reasonable attorneys' fees under 35 U.S.C. § 285. This action is before the Honorable William H. Orrick. Details on procedures prior to January 2020 are disclosed in Note 8 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2019. The Court issued an order on January 17, 2020 granting in part Check Point's motion to strike Finjan's second amended infringement contentions. Finjan filed a motion to certify the order for interlocutory appeal, which the Court denied on April 20, 2020. The Court also issued a notice of intent to appoint a special master to address the remainder of the dispute, and on February 14, 2020 appointed Magistrate Elizabeth Laporte as the special master. There can be no assurance that Finjan will be successful in settling or litigating these claims.

Finjan, Inc. v. Rapid7, Inc. et al, Case No. 1:18-cv-01519-MN (D. Del)

Finjan filed a patent infringement lawsuit against Rapid7, Inc. ("Rapid7") in the United States District Court for the District of Delaware on October 1, 2018, asserting that Rapid7 is directly and indirectly infringing certain claims of Finjan's U.S. Patent Nos. 7,757,289; 7,613,918; 7,975,305; 8,079,086; 8,141,154; 8,225,408; and 8,677,494 (the "Asserted Patents") through the manufacture, use, sale, importation, and/or offer for sale of its products and services, including, but not limited to, Rapid7's InsightIDR, InsightVM (Nexpose), InsightAppSec, AppSpider, and Metasploit technologies, including Rapid7's Insight Platform products. Finjan seeks entry of judgment that Rapid7 has infringed, is infringing, has induced infringement and is inducing infringement of the Asserted Patents, a preliminary and permanent injunction from infringing, or inducing the infringement of the Asserted Patents, an accounting of all infringing sales and revenues, damages of no less than a reasonable royalty consistent with proof, and enhanced damages for willful infringement, costs, interest, and reasonable attorneys' fees under 35 U.S.C. § 285. This action is before the Honorable Maryellen Noreika. The Court held claim construction hearings on January 15 and January 22, 2020 and issued a claim construction order on February 5, 2020. The deadline for dispositive and *Daubert* motions is September 25, 2020, a pretrial conference is set for February 8, 2021, and trial for February 22, 2021. There can be no assurance that Finjan will be successful in settling or litigating these claims.

Finjan, Inc. v. Fortinet, Inc., Case No. 3:18-cv-06555-JD (N.D. Cal.)

Finjan filed a patent infringement lawsuit against Fortinet, Inc. ("Fortinet") in the United States District Court for the Northern District of California on October 26, 2018, asserting that Fortinet infringes certain claims of Finjan's U.S. Patent Nos. 6,154,844; 6,965,968; 7,058,822; 7,418,731; 7,647,633; 7,975,305; 8,079,086; 8,225,408; and 8,677,494 (the "Asserted Patents") through the manufacture, use, sale, importation, and/or offer for sale of its products and services, including, but not limited to, Fortinet's FortiGate, FortiManager, FortiAnalyzer, FortiSiem, FortiSandbox, FortiMail, FortiWeb, FortiCache, and FortiClient technologies, including Fortinet Security Fabric products. Finjan seeks entry of judgment that Fortinet has infringed, is infringing, has induced infringement and is inducing infringement of the Asserted Patents, a preliminary and permanent injunction from infringing, or inducing the infringement of the Asserted Patents, an accounting of all infringing sales and revenues, damages of no less than a reasonable royalty consistent with proof, and enhanced damages for willful infringement, costs, interest, and reasonable attorneys' fees under 35 U.S.C. § 285. This action is before the Honorable James Donato. Details on procedures prior to January 2020 are disclosed in Note 8 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2019. There are no new developments to report since January 1, 2020. There can be no assurance that Finjan will be successful in settling or litigating these claims.

Finjan, Inc. v. Qualys Inc., Case No. 4:18-cv-07229-YGR (N.D. Cal.)

Finjan filed a patent infringement lawsuit against Qualys Inc. ("Qualys") in the United States District Court for the Northern District of California on November 29, 2018, asserting that Qualys infringes certain claims of Finjan's U.S. Patent Nos. 6,154,844; 8,677,494; 7,975,305; 8,225,408; 6,965,968; 7,418,731; and 8,141,154 (the "Asserted Patents") through the manufacture, use, sale, importation, and/or offer for sale of its products and services, including, but not limited to, Qualys' products and services that utilize Vulnerability Management, Threat Protection, Continuous Monitoring, Indicators of Compromise, Container Security, Web App Firewall, Web App Scanning, and Compliance Monitoring, including Qualys Cloud Platform products. Finjan seeks entry of judgment that Qualys has infringed, is infringing, has induced infringement and is inducing infringement of the Asserted Patents, a preliminary and permanent injunction from infringing, or inducing the infringement of the Asserted Patents, an accounting of all infringing sales and revenues, damages of no less than a reasonable royalty consistent with proof, and enhanced damages for willful infringement, costs, interest, and reasonable attorneys' fees under 35 U.S.C. § 285. This action is before the Honorable Yvonne Gonzalez Rogers. Details on procedures prior to January 2020 are disclosed in Note 8 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2019. On February 28,

2020 Qualys filed a motion for leave to amend its answer and affirmative defenses, which Finjan opposed, and on April 13, 2020 the Court issued an order granting the leave to amend. On April 14, 2020, Qualys filed its Second Amended Answer to Complaint and Counterclaims, to which Finjan filed its answer on April 28, 2020. A claim construction hearing has been scheduled for May 27, 2020, via Zoom meeting platform due to the COVID-19 Pandemic.

B. Proceedings before the United States Patent & Trademark Office (USPTO)

***Ex Parte* Reexamination Proceedings**

As defined by the USPTO, an *Ex Parte* Reexamination is a “proceeding in which any person may request reexamination of a U.S. Patent based on one or more prior patents or printed publications. A requester who is not the patent owner has limited participation rights in the proceedings.”

U.S. Patent No. 7,975,305 (Assignee, Finjan, Inc.)

A third-party request for *Ex Parte* Reexamination of claims 6, 9, 11, 12, 17, and 25 of U.S. Patent No. 7,975,305 was filed on March 19, 2020 by Rapid7, Inc. and SonicWall, Inc., and assigned Reexamination Control Number 90/014,477. Reexamination was ordered on May 7, 2020. An optional Patent Owner Statement is due July 7, 2020.

***Inter Partes* Review Proceedings**

As defined by the USPTO, *Inter Partes* Review (“IPR”) is a trial proceeding conducted at the Patent Trial and Appeal Board (PTAB or Board) to review the patentability of one or more claims in a patent only on a ground that could be raised under 35 U.S.C. §§ 102 or 103, and only on the basis of prior art consisting of patents or printed publications. For first-inventor-to-file patents, the IPR process begins with a third party (a person who is not the owner of the patent) filing a petition after the later of either: (1) nine months after the grant of the patent or issuance of a reissue patent; or (2) if a post grant review is instituted, the termination of the post grant review. These deadlines do not apply to first-to-invent patents. The patent owner may file a preliminary response to the petition (“POPR”). An IPR may be instituted upon a showing that there is a reasonable likelihood that the petitioner would prevail with respect to at least one claim challenged. If the proceeding is instituted and not dismissed, a final determination by the Board will be issued within one year (extendable for good cause by six months). The procedure for conducting IPR took effect on September 16, 2012, and applies to any patent issued before, on, or after September 16, 2012.

U.S. Patent No. 8,141,154 (Assignee, Finjan, Inc.)

Details on procedures prior to January 2020 are disclosed in Note 8 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2019. On July 17, 2019, Palo Alto Networks filed a Notice of Appeal for IPR2016-00151 to the United States Court of Appeals for the Federal Circuit (Case No. 19-2151). Palo Alto Networks’ filed its Opening Brief on November 27, 2019, and the Director of the USPTO intervened in the appeal on January 6, 2020. Intervenor filed its Response Brief on March 4, 2020, Finjan’s filed its Response Brief on March 20, 2020, and Palo Alto Networks’ filed its Reply on April 10, 2020. No date for oral argument has been set.

U.S. Patent No. 7,975,305 (Assignee, Finjan, Inc.)

On July 4, 2017, ESET, LLC and ESET SPOL S.R.O. (collectively “ESET”) filed a Petition for IPR of U.S. Patent No. 7,975,305 (IPR2017-01738). On January 24, 2019, the PTAB issued a Final Written Decision maintaining the validity of all instituted claims. On March 25, 2019, ESET filed a Notice of Appeal to the United States Court of Appeals for the Federal Circuit (Case No. 19-1716). ESET filed its Opening Brief on September 6, 2019. On October 18, 2019 the United States Patent and Trademark Office (“USPTO”) filed a Notice of Intervention. Finjan filed its Response Brief and the USPTO filed its Intervenor Brief on November 15, 2019, and ESET filed its Reply on December 20, 2019. On April 9, 2020, due to COVID-19, an order issued canceling the previously scheduled oral argument set for May 6, 2020, and the appeal was submitted on the briefs without oral argument on that date. On May 11, 2020, the Federal Circuit issued a Judgment affirming the PTAB’s Final Written Decision.

U.S. Patent No. 7,647,633 (Assignee, Finjan, Inc.)

On December 22, 2017, Cisco Systems, Inc. filed a Petition for IPR of U.S. Patent No. 7,647,633 (IPR2018-00391). On May 23, 2019, the PTAB issued its Final Written Decision maintaining the validity of claim 14 and invalidating claims 1-4, 8, and 11-13. Finjan filed a Notice of Appeal to the United States Court of Appeals for the Federal Circuit on June 27, 2019, and Cisco filed a Notice of Cross Appeal on July 1, 2019 (Case No. 19-2074). Finjan’s Opening Brief was filed on November 22, 2019 and Cisco’s Opening Brief on January 16, 2020. Finjan’s Reply Brief was filed on March 26, 2020 and Cisco’s Reply Brief on April 16, 2020. No date for oral argument has been set.

U.S. Patent No. 6,154,844 (Assignee, Finjan, Inc.)

On October 2, 2018, Juniper Networks, Inc. filed a Petition for IPR of U.S. Patent No. 6,154,844 (IPR2019-00026). Finjan's POPR was filed on January 11, 2019. On April 9, 2019, the PTAB instituted IPR on claims 1, 15, and 41. Finjan's Patent Owner Response was filed on July 2, 2019, Petitioner's Reply was filed on September 24, 2019, and Finjan's Sur-Reply was filed on November 5, 2019. Oral argument was held on January 10, 2020. On April 7, 2020, the PTAB issued its Final Written Decision maintaining the validity of claims 1, 15, and 41.

U.S. Patent No. 7,418,731 (Assignee, Finjan, Inc.)

On July 26, 2019, Juniper Networks, Inc. filed a Petition for IPR of U.S. Patent No. 7,418,731 (IPR2019-01403). Finjan's POPR was filed on November 22, 2019. On December 18, 2019, the PTAB denied institution of IPR. On January 14, 2020, Juniper filed a Request for Rehearing, and on February 27, 2020 the PTAB denied the request.

U.S. Patent No. 8,079,086 (Assignee, Finjan, Inc.)

On September 18, 2019, Unified Patents, Inc. filed a Petition for IPR of U.S. Patent No. 8,079,086 (IPR2019-01611). Finjan's POPR was filed on January 23, 2020, and Unified's Reply to POPR was filed on February 11, 2020. On April 13, 2020, the PTAB denied institution of IPR.

Except for the foregoing disclosures, Finjan is not presently aware of any other material pending legal proceedings, to which Finjan or any of its subsidiaries are a party or of which any of its property is the subject.

Litigation, including patent litigation, is inherently subject to uncertainties, *especially in the midst of the COVID-19 pandemic*. As such, there can be no assurance that Finjan will be successful in litigating and/or settling any of these claims.

NOTE 10 - INCOME TAX

On March 27, 2020, the President signed into law the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), an economic stimulus package in response to the COVID-19 global pandemic. The CARES Act contains several corporate income tax provisions, including making remaining AMT credits immediately refundable; providing a 5-year carryback of net operating losses ("NOL") generated in tax years 2018, 2019, and 2020, and removing the 80% taxable income limitation on utilization of those NOL if carried back to prior tax years or utilized in tax years beginning before 2021, among others. The Company intends to avail itself of these new provisions and are reflected in the results as of March 31, 2020.

The Company had a tax expense of \$41,000 for the three months ended March 31, 2020 and is comprised of federal and state tax benefits on current period losses, along with a net federal tax expense for the impact of the CARES Act, resulting in an effective tax rate on a YTD basis of approximately -1.0%. The Company had a tax benefit of \$2.3 million for the three months ended March 31, 2019, comprising of a federal tax benefit and a state tax benefit of \$1.7 million and \$0.6 million, respectively. The computed effective tax rate for the three months ended March 31, 2019, is approximately 28.00%.

Item 2. Management’s discussion and analysis of financial condition and results of operations

The following discussion includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, about Finjan Holdings, Inc., (the “Company” or “Finjan Holdings”), financial condition and results of operations, including discussions about management’s expectations for the business. These include statements regarding our expectations, intentions, beliefs and projections about our future results, performance, prospects and opportunities. These statements can be identified by the fact that they do not relate strictly to historical or current facts or by the use of words such as “anticipate,” “believe,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “project,” “potential,” “should,” “will,” “will be,” “would,” and the negative of these terms and similar expressions, but this is not an exclusive way of identifying such statements. Readers are cautioned that forward-looking statements are not guarantees of future performance. Our actual results, performance and achievements may differ materially from those expressed in, or implied by, the forward-looking statements contained in this report as a result of various risks, uncertainties and other factors. Important factors that could cause our actual results to differ materially from our expectations include, without limitation, our ability to execute our business plan, the outcome of pending or future enforcement actions, our ability to expand our technology portfolio, the enforceability of our patents, the continued use of our technologies in the market, the development of products and services for the consumer and enterprise market, the sufficiency of our existing cash and investments to meet our cash needs for at least the next 12 months, the development or continuation of a liquid trading market for our securities, regulatory developments and other factors described under Item 1A. “Risk Factors,” as set forth in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019 and any subsequent quarterly or current reports. The following discussion should also be read in conjunction with the audited and unaudited consolidated financial statements and notes thereto, as set forth in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019 and any subsequent quarterly or current reports, including this Quarterly Report on Form 10-Q.

The Company will continue to file annual, quarterly and current reports, proxy statements and other information with the U.S. Securities and Exchange Commission (the “SEC”). Forward-looking statements speak only as of the dates specified in such filings. Except as expressly required under federal securities laws and the rules and regulations of the SEC, we do not undertake any obligation to update any forward-looking statements to reflect events or circumstances arising after any such date, whether as a result of new information or future events or otherwise. You should not place undue reliance on the forward-looking statements included in this report or that may be made elsewhere from time to time by us, or on our behalf. All forward-looking statements attributable to us are expressly qualified by these cautionary statements.

Overview

We operate a cybersecurity business, focused on licensing and enforcement, developing mobile security applications, and investing in emerging cybersecurity technologies and intellectual property.

Finjan recognizes that the dynamic nature of the COVID-19 Pandemic requires flexibility in its normal business activities particularly with respect to ongoing litigation. Most courts have postponed long-set trials and hearings or are conducting them via virtual meeting platforms. This impacts the Operations and Industry Trends which are ongoing, the expectation is that these will return to normal once the Pandemic has eased.

Operations

Finjan Holdings, Inc. (the "Company" or "Finjan Holdings") is a pioneer in cybersecurity focused in three business lines; intellectual property licensing and enforcement, mobile security application development, and investing in cybersecurity technologies and intellectual property. Licensing and enforcement of the Company's cybersecurity patent portfolio is operated by its wholly-owned subsidiaries Finjan, Inc. ("Finjan") and Finjan Blue, Inc. ("Finjan Blue"). The Company's mobile security business is operated through its wholly-owned subsidiary Finjan Mobile, Inc. ("Finjan Mobile").

Through Finjan, we own a portfolio of patents, focused on software and hardware technologies that proactively detect malicious code and thereby protect end users from identity and data theft, spyware, malware, phishing, trojans and other web and network threats. Founded in 1997, Finjan developed and patented technologies that are capable of detecting previously unknown and emerging threats on a real-time, behavior-based, basis, in contrast to signature-based methods of intercepting only known threats to computers. The older signature-based methods, were standard in the web and network security industry during the 1990s. As the web and endpoint security industries - known as cybersecurity - have transitioned to behavior-based detection of malicious code, we believe that our patented technologies continue to be widely used by third parties in a number of market segments. We intend to maximize the economic benefits of our technologies through further licensing and to broaden our technologies and patent holdings through acquisitions and strategic partnerships.

As a core element of our continued patent licensing and enforcement business, Finjan monitors a number of markets and assesses and observes the adoption of our patented technologies in these markets. Our management team, in conjunction with the internal team, external legal, technical, and financial experts concludes on a case-by-case basis whether or not they believe that Finjan's patented technologies are being used. Based on these observations, we continue to believe our patented technologies are highly relevant in specific cybersecurity technology areas including, but not limited to, endpoint/cloud software, web gateway/internet infrastructure, and networking equipment markets. From that basis, the Company pursues unlicensed entities through licensing, assertion of claims or both to preserve the value of our portfolio in general. This also reinforces the value to existing licensees of the Finjan patent portfolio.

Since the sale of its hardware and software operations in 2009, Finjan's primary source of income and related cash flows has been the enforcement of its patent rights against unauthorized use and income derived from intellectual property licenses granted to third parties for the use of patented technologies that are owned by Finjan.

Finjan Blue was founded to support our development and licensing efforts of the IBM Security Patents obtained by Finjan Blue through the August 2017 Patent Assignment and Support Agreement and the May 2018 Patent Assignment Agreement with IBM. The Agreements, the terms of which are confidential, includes pathways for Finjan and IBM to consider development efforts in the future and provides for the sharing of pertinent institutional knowledge and resources by IBM to Finjan Blue.

Finjan Mobile was founded to ensure that consumer mobile devices are protected against spies, phishing and malware attacks. Given the uptrend in mobile device usage coupled with the amount of transient corporate data, the average mobile user presents and represents higher risks of data loss through hacking. The mobile device has become so convenient that consumers often ignore online security and download apps and blindly agree to terms of service, purchase products, pay bills, connect to free Wi-Fi, and do not think twice about personal data and photos stored on their devices. We started research and development of security products for mobile devices which benefit from technologies developed and patented by Finjan but also include the invention of new mobile technologies that will help expand our existing patent portfolio. Products currently available include our Finjan Mobile Secure Browser and a Virtual Private Network (VPN), recently re-branded as InvinciBull, which can be used within the Finjan Browser or separately to encrypt data and keep consumers' data secure.

As of March 31, 2020, we had 9 employees. However, in the current environment impacted by COVID-19, we have reduced our headcount and continue to execute our business plans with the remaining team. As the business allows, we intend to hire or engage additional full-time professionals, employees, and/or consultants in alignment with our growth strategy. While the

market is highly competitive for attracting and retaining highly qualified professionals in our industry, we continue our endeavor to find such candidates for our Company. Our management team and additional personnel that we may hire in the future will be primarily responsible for executing and implementing our licensing and enforcement strategy, including analyzing licensing and enforcement opportunities, making tactical decisions related to our strategy, identifying new applications for our existing cybersecurity technologies and pursuing opportunities to invest in new technologies through strategic partnerships and acquisitions.

Industry Trends and Outlook

Cybersecurity is not just another technology but a critical business issue that intersects government, corporations and individual citizens. We have seen a number of devastating cybersecurity breaches targeting high profile government offices and corporations. The full extent of the cost and damage associated with these attacks are often hard to quantify. Nonetheless, these attacks are expected to continue, along with their associated and sometimes unprecedented costs. In many cases, it is not just the government or corporation that suffers losses or damages but their clients and customers, who can also fall victim by the breach of their personal and otherwise confidential data. These issues have forced both government and corporations to take a serious look at their vulnerabilities, which will lead to increased spending on cybersecurity infrastructure, including hardware and software.

Given our experience of over 20 years in the cybersecurity market we have had the benefit of actively participating in the progression on how technology has moved to meet the new threats and demands. We believe this puts us in a unique position to make observations and determine the best course of action in order to make investments in new developing technologies. There is still a limited appreciation for how much personal data is being pushed out over the internet for anyone to capture and unlike desktops and laptop computers, mobile devices do not have the same kind of access to security. We believe this represents a unique opportunity for Finjan to develop products for consumer mobile devices that were once only available to our enterprise customers. As such, we are using and building upon our current patented technology and migrating it into the mobile platform so consumers can have greater control of their security and personal information.

We believe that there are some proponents of patent law reform, largely made up of an individual or coalitions of technology corporations that continue to seek statutory limitations on how companies can enforce their patents. In an effort to ensure fair and balanced protections for all good faith patent owners, our executives have dedicated time and resources to actively educate our lawmakers and existing and prospective stakeholders on how certain proposed reforms could harm individual inventors, startups, small companies, the licensing industry and therefore, U.S. innovation and the economy as a whole.

Further, since the enactment of the Leahy-Smith America Invents Act ("AIA") on September 16, 2011, several aspects of the patent law have been interpreted by the courts, including what constitutes patentable subject matter, inducement of infringement, and (attorney) fee-shifting to the non-prevailing party in the context of litigation, among other issues. Moreover, under AIA, patents previously granted by the USPTO may be reviewed through post-patent grant proceedings such as reexamination or inter partes review (IPR). It is becoming a trend, if not a practice, for accused infringers to petition for reexaminations or IPRs of asserted patents as these proceedings may give the petitioner "two bites at the apple." The outcome of the proceedings can range from decisions favorable to the patent holder, favorable to both parties, or favorable to the petitioner. If the outcome is the latter, the value of the challenged patent can be materially reduced or extinguished. Thus, patent rights, including enforcement of such rights against unauthorized use is inherently subject to uncertainties.

Future Growth Strategy

Our mission, for the foreseeable future, is to build a diversified cybersecurity company benefiting from historical investments in technology and patents while expanding into new product and service offerings. We believe our patented technologies continue to hold significant value and we intend to vigorously protect our investment, the value of our existing licensees' investments, and the value that technology and intellectual property represents for our shareholders. We are pursuing and will continue to pursue our growth through the following strategies:

- *Expand our IP Assets through Acquisitions and Strategic Partnerships* - We intend to acquire and develop new patents, technologies or other business assets or companies and invest in intellectual property through strategic partnerships, acquisitions of technology-focused companies, IP portfolios or other assets and other initiatives. We endeavor to identify relevant security technologies and patents that have been, or are anticipated to be, widely adopted by third parties in connection with the manufacture or sale of products and services, and to which we can bring enforcement actions (i.e., licensing or litigation) and other expertise. We may also broaden our technology and patent holdings by working with inventors and universities, acquiring technology companies, investing in research laboratories, start-ups, and by creating strategic partnerships with companies, large and small, seeking to effectively

and efficiently monetize their technology and patent assets. Our experience with monetizing both technologies and patents may be considered valuable by potential acquisition candidates and strategic partners who may lack resources or know-how to effectively and efficiently generate a return for those investments.

Through Finjan Blue, we entered into a Patent Assignment and Support Agreement with International Business Machines Corporation, a New York corporation (“IBM”), effective August 24, 2017 (“Patent Assignment Agreement”). Pursuant to the Patent Assignment Agreement, Finjan Blue acquired 41 select issued and pending IBM patents in the security sector in exchange for \$8.5 million cash, payable as follows: (i) \$2.0 million which was paid upon execution of the Patent Assignment Agreement and (ii) \$6.5 million over the subsequent four years, with a final payment due August 24, 2021. IBM will support Finjan Blue in its development and licensing of the IBM Security Patents and provide assistance for such efforts as needed for the term of the Agreement and Finjan Blue will reimburse IBM for reasonable time and out of pocket costs for such assistance, however IBM will not receive further proceeds from such efforts. IBM has reservation of rights with respect to the IBM Security Patents for its current licensees and open source initiatives. Finjan Blue and IBM also agreed to explore further development and licensing opportunities.

The relationship with IBM was further expanded on May 15, 2018 with a second Patent Assignment and Support Agreement (the “May 2018 Patent Assignment Agreement”). Pursuant to the May 2018 Patent Assignment Agreement, Finjan Blue acquired 56 select issued and pending IBM patents in the security sector. The terms of the May 2018 Patent Assignment Agreement are confidential.

On June 29, 2018, the Company including its wholly-owned subsidiaries, entered into a license agreement with Trend Micro Incorporated (K.K.), a Japanese corporation and Trend Micro, Inc., a California corporation, which included the transfer of 18 select issued security-related patent assets to the Company.

- *Develop and Expand Existing Patent Portfolio* - We have obtained and continue our efforts to obtain new patents relating to security technologies through research and development and/or acquisitions.
- *Continue to Demonstrate Best Practices in Pursuing Licensing Relationships and Enforcing our Patent Rights* - In March 2014, we adopted Best Practices to demonstrate our commitment to ethical, transparent and consistent business practices for intellectual property licensing. We called upon and continue to promote industry-wide adoption of a set of best practices through leadership organizations such as the Licensing Executive Society (LES) and the Open Register of Patent Owners that support technological advancements, investments in innovation, and continued job creation while protected by a robust patent system. In February of 2017, the American National Standards Institute or ANSI had approved LES' application to receive accreditation to become a Standards Development Organization or SDO. With this new endorsement and governance from ANSI, Finjan is moving swiftly to build industry consensus for IP and patent related matters in a number of disciplines. We intend to continue pursuing a proactive campaign that adheres to our best practices guidelines while rigorously protecting our intellectual property rights. We have entered into preliminary discussions with numerous potential licensees in accordance with these Best Practices but acknowledge that it takes many discussions and many months for preliminary discussions to culminate in a license agreement, if at all. While it is our preference to resolve our patent-related disputes through amicable business solutions, protecting the value of our patented technology is paramount and enforcement actions are sometimes required.
- *Invest in Internal Research & Development through Finjan Mobile* - We continue to pursue internal research and development of security technologies that both relate to Finjan's existing patented inventions as well as new concepts to meet an ever-expanding market need. Since we do not yet have sufficient internal personnel to engage in large-scale research and development, we currently operate this business with limited internal staff focused on strategy and market development while software development is completed under contract with external developers. Products currently available include our Finjan Mobile Secure Browser and a Virtual Private Network (VPN), re-branded as InvinciBull, which can be used within the Finjan Browser or separately to encrypt data and keep consumers secure.

Finjan Mobile released InvinciBull VPN in the latter part of 2018. The VPN is available for use on Apple and Android mobile platforms and Mac and Windows desktop applications. The InvinciBull VPN sits in the VitalSecurity family of products and builds upon the incorporation of Finjan's core security patented technology. InvinciBull VPN is available for download on the Apple and Android platforms in the iTunes and Google Play stores and desktop versions for Mac and Windows can be downloaded from [InvinciBull.io](#).

The Company continues to explore inorganic growth and acquisition opportunities along with additional marketing efforts to complement the vision for Finjan Mobile.

Although we currently pursue growth initiatives through the above strategies, unforeseen market and industry conditions and new developments may necessitate changes in our strategies. We intend to remain resilient, flexible, and open to new opportunities that benefit our shareholders.

Recent Accounting Pronouncements

See "Note 1 - Nature of operations and summary of significant accounting policies, - Recent adopted accounting pronouncements and recently issued accounting pronouncements not yet adopted "

Comparability to Future Results

We have set forth below selected factors that we believe have had, or can be expected to have, a significant effect on the comparability of our recent or future results. In addition to the factors described below, please see Item 1A. "Risk Factors" for additional factors that may affect our operating results.

Fluctuations of Income, Expenses and Cash Flows Related to Licensing and Enforcement

Our licenses and judgments may not be recurring and are not necessarily indicative of the income or cash flows that we expect to generate in the future from our existing technology portfolio or otherwise. We expect income, expenses and cash flows related to patent enforcement to be unpredictable and to fluctuate significantly from period to period. A number of factors, many of which are beyond our control, may affect the timing and amount of our income and cash flows related to patent licensing and enforcement actions, including, but not limited to, trial dates, the strength of our claims and likelihood of achieving an acceptable license on settlement, the timing and nature of any appeals and our ability to collect on any favorable judgments. Significant fluctuations in our income and cash flows may make our business difficult to manage and adversely affect our business and operating results. We do not recognize income from our licensing and enforcement actions until the terms are fixed and determinable or litigation is finalized (whether resolved at trial or in a settlement).

Our expenses, principally with respect to litigation costs, may also vary significantly from period to period depending upon a number of factors, including, but not limited to, whether fees of outside legal counsel are paid on an hourly, contingent or other basis, the timing of depositions, discovery and other elements of litigation, costs of expert witnesses and other consultants, and other costs incurred in support of enforcement actions.

As a result of the factors described above and other known and unknown risks affecting our business, our historical operating performance may not be indicative of our future results.

Stock-Based and Other Executive Compensation

Our Board of Directors has adopted the Finjan Holdings Amended and Restated 2014 Incentive Compensation Plan ("Restated 2014 Plan"), which our shareholders approved at our 2014 annual meeting of stockholders on July 10, 2014, pursuant to which 2,196,836 shares of common stock are authorized for issuance and on June 21, 2017, at our 2017 annual meeting of stockholders, the Company's shareholders approved (i) an increase of 1,000,000 shares to the Finjan Holdings, Inc. Restated 2014 Plan and (ii) the addition of an "evergreen" feature which provides for the annual replenishment of shares to the Restated 2014 Plan share reserve without stockholder approval, which represented an additional 1,385,366 shares as of January 1, 2018, 1,378,432 shares as of January 1, 2019 and 1,382,546 shares as of January 1, 2020 (equal to 5.0% of our outstanding shares of Common Stock as of the end of our immediately preceding fiscal year). A total of 538,691 restricted stock units and 2,399,013 options remain outstanding as of March 31, 2020, under the Restated 2014 Plan. We expect that future equity-based awards will continue to be made under the Restated 2014 Plan to our directors, officers and other employees and consultants. As a result, to the extent relevant, we may incur non-cash, stock-based compensation expenses in future periods that may not be comparable to past periods. As of March 31, 2020, we have 4,133,416 shares available for issuance under the 2014 Plan.

We expect to increase the number of employees and consultants to help execute our strategy in the cybersecurity business and support our public company functions. Accordingly, we will continue to incur compensation expenses in future periods that we did not incur during the historical periods presented in our financial statements.

Results of Operations

Three months ended March 31, 2020 compared with three months ended March 31, 2019:

	For Three Months ended March 31,			
	2020	2019	Change	
				%
(In millions, except percentages)				
Revenue	\$ 3.8	\$ —	\$ 3.8	100 %
Cost of revenues	0.9	—	0.9	100 %
Gross profit	2.9	—	2.9	100 %
Gross Margin	76 %	— %		
Operating expenses:				
Research and development	0.4	0.5	(0.1)	(20)%
Selling, general and administrative ⁽¹⁾	6.7	7.9	(1.2)	(15)%
Total operating expenses	7.1	8.4	(1.3)	(15)%
Income (loss) from operations	(4.2)	(8.4)	4.2	(50)%
Other income, net	—	0.1	(0.1)	(100)%
Loss before income taxes	(4.2)	(8.3)	4.1	(49)%
Benefit for income taxes	0.0	(2.3)	2.3	(100)%
Net loss	\$ (4.2)	\$ (6.0)	\$ 1.8	(30)%
⁽¹⁾ Includes stock based compensation	\$ 0.3	\$ 0.2	\$ 0.1	50 %

Revenue is derived from license agreements that we enter into with third-parties following negotiations pursuant to our licensing and enforcement program. Revenue is determined by the timing of licensing agreements and enforcement programs and can vary significantly period to period. During the three months ended March 31, 2020 we entered into one license agreement for \$3.8 million compared to nil for the same period in 2019.

Costs of revenues includes legal expense directly associated with our licensing and enforcement programs and vary as a percentage of revenues, as does gross margin, due to the timing of legal expense paid on settlement.

Research and development expenses ("R&D") are primarily from our Finjan Mobile security business. Our focus on R&D consisted primarily of professional services associated with the development of mobile security application products, these expenses are consistent quarter over quarter.

Selling, general and administrative expenses ("SG&A") are largely related to litigation, personnel and amortization of the IBM patents. Litigation expenses were \$3.8 million and \$5.1 million for the three months ended March 31, 2020 and 2019, a decrease of \$1.3 million. These costs are primarily due to the timing of various outstanding actions as described in "Note 9 - Litigation, claims and assessments".

Liquidity and Capital Resources

Overview

Our cash requirements are, and will continue to be, dependent upon a variety of factors. We expect to continue devoting significant capital resources to the litigations in process and any other litigation we pursue. We also expect to require significant capital resources to maintain our issued patents, prosecute our patent applications, acquire new technologies as part of our growth strategy, and attract and retain qualified personnel on a full-time basis.

In addition:

- On April 21, 2017, we entered into a \$3.9 million agreement with Avira, Inc., to provide services to support our VPN Platform effective July 1, 2017, payable over 3 years in quarterly payments of \$0.3 million. As of March 31, 2020, the Company has a \$0.3 million contractual obligation due April 2020.
- We entered into a \$8.5 million Patent Assignment and Support Agreement with IBM effective August 24, 2017. As of March 31, 2020, the Company has a \$4.0 million obligation due over the next 1.5 years, with a final payment due August 24, 2021.
- On July 19, 2018, we entered into a lease for our corporate headquarters office in East Palo Alto, California. Under the terms of the lease, we owe minimum lease obligations of \$3.7 million over 57 months. As of March 31, 2020, we have an outstanding obligation of \$2.6 million.

The amount and timing of cash flows from our licensing and enforcement activities are subject to uncertainties stemming primarily from uncertainties regarding the rates of adoption of our patented technologies, the success of our licensing efforts and the outcome of enforcement actions. As a result, our income and cash flows may vary significantly from period to period.

Our cash, cash equivalents and short term investments are as follows:

	March 31, 2020	December 31, 2019
	(in millions)	
Cash & cash equivalents	\$ 18.7	\$ 18.3
Short term investments	\$ 13.3	\$ 17.8
	\$ 32.0	\$ 36.1

As of March 31, 2020, we had \$32.0 million of cash and cash equivalents and short term investments, a decrease of \$4.1 million from \$36.1 million at December 31, 2019. This is primarily attributable to \$4.1 million used in operating activities.

Based on current forecasts, management believes that our cash and cash equivalents will be sufficient to meet our anticipated cash needs for working capital for the next 12 months from the date of filing of this quarterly report.

	Three Months ended March 31	
	2020	2019
	(in millions)	
Net cash used in operating activities	\$ (4.1)	\$ (2.9)
Net cash provided by (used in) investing activities	\$ 4.5	\$ (2.0)
Net cash provided by financing activities	\$ —	\$ —

Cash flows from operating activities:

Net cash used by our operating activities of \$4.1 million during the three months ended March 31, 2020, is primarily due to our net loss of \$4.2 million, less \$0.6 million in depreciation, amortization and non-cash lease expense, \$0.3 million of stock-based compensation and \$3.2 million in deferred income taxes offset by \$4.0 million of net change in operating assets and liabilities.

Net cash used in our operating activities of \$2.9 million during the three months ended March 31, 2019, is primarily due to our net loss of \$6.0 million, less \$0.5 million in depreciation and amortization and \$0.2 million of stock-based compensation, \$2.3 million in deferred taxes, \$2.6 million related to the right of use assets, offset by approximately \$7.3 million of net change in other operating assets and liabilities.

Cash used in investing activities:

During the three months ended March 31, 2020, net cash provided by investing activities of \$4.5 million was related to the \$3.0 million purchases of marketable securities, offset by \$7.5 million in redemptions and maturities of marketable securities.

During the three months ended March 31, 2019, net cash used in investing activities of \$2.0 million was related to the \$3.8 million purchases of marketable securities offset with \$1.8 million in redemptions of marketable securities.

Cash used in financing activities:

During the three months ended March 31, 2020 and 2019, our financing activities were immaterial.

Off-Balance Sheet Arrangements

We do not have any material off-balance sheet arrangements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Our exposure to market risk for changes in interest rates relates primarily to our holdings of cash and cash equivalents and short term investments. Our cash and cash equivalents and short term investments as of March 31, 2020, totaled \$32.0 million and consisted primarily of cash and money market funds with maturities of twelve months or less from the date of purchase. Our primary exposure to market risk is interest income sensitivity, which is affected by changes in the general level of the interest rates in the United States. However, because of the short-term nature of the instruments in our portfolio, a sudden change in market interest rates of 10% would not be expected to have a material impact on our financial condition or results of operations. We do not have any foreign currency or other derivative financial instruments.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management evaluated, with the participation of our President and Chief Executive Officer, Philip Hartstein, and our Chief Financial Officer and Treasurer, Jevan Anderson, the effectiveness of the design and operation of our disclosure controls and procedures, as of the end of the period covered by this quarterly report. Based on our evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective, as of March 31, 2020, to provide reasonable assurance that information required to be disclosed in reports that we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported accurately and within the time periods specified in the Securities and Exchange Commission rules and forms and accumulated and communicated to our management, including our President and Chief Executive Officer and Chief Financial Officer and Treasurer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

During the three months ended March 31, 2020, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

Our management, including our President and Chief Executive Officer and Chief Financial Officer and Treasurer, have designed our disclosure controls and procedures and our internal control over financial reporting to provide reasonable assurances that the controls' objectives will be met. However, management does not expect that disclosure controls and procedures or our internal control over financial reporting will prevent or detect all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within Finjan Holdings, Inc. have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any system's design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of a system's control effectiveness into future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

See "NOTE 9 - Litigation, Claims, and Assessments" to our Condensed Consolidated Financial Statements.

Item 1A. Risk Factors

Except as set forth below, there have been no material changes to the risk factors disclosed in Item 1A. Risk Factors in the Company's Annual Report on Form 10-K for the year ended December 31, 2019.

Our operations are subject to risks of natural disasters, acts of war, terrorism or widespread illness (such as COVID-19), any one of which could result in a business stoppage and negatively affect our operating results.

Our business operations depend on our ability to maintain and protect our facility, computer systems and personnel, which are primarily located in East Palo Alto. Our business operations are in close proximity to known earthquake fault zones. Our facility and transportation for our employees are susceptible to damage from earthquakes and other natural disasters such as fires, floods and similar events. Should earthquakes or other catastrophes such as fires, floods, power outages, communication failures or similar events disable our facilities, we do not have readily available alternative facilities from which we could conduct our business, which stoppage could have a negative effect on our operating results. Acts of terrorism, widespread illness (such as COVID-19) and war could also have a negative effect at our international and domestic facilities and on our operating results. In fact, the outbreak in December 2019 of COVID-19, is affecting our litigation. Shelter in place requirements imposed in California and elsewhere as a response to COVID-19 have resulted in most courts postponing long-set trials and hearings, or conducting them via virtual meeting platforms. Additionally, while licensing negotiations and other business activities have continued remotely, the efficiency with which our business is conducted has decreased. We expect the changes in our business resulting from COVID-19 will have an adverse impact on our business, operations and financial results, which may be material.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Sales of Unregistered Securities

There were no unregistered sales of equity securities during the period covered by this report.

Issuer Purchases of Equity Securities

On May 2, 2018, the Company's board of directors authorized the repurchase of issued and outstanding shares of the Company's common stock having an aggregate value of up to \$10.0 million pursuant to a share repurchase program. The authorization did not specify an expiration date. As of March 31, 2020, the Company had a remaining authorization of \$8.0 million for future share repurchases.

Item 3. Defaults upon Senior Securities

Not Applicable.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

Not Applicable.

Item 6. Exhibits

Exhibit Number	Exhibit Description
31.1	<u>Certification of Principal Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*</u>
31.2	<u>Certification of Principal Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*</u>
32.1	<u>Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002†*</u>
101.INS	XBRL Instance Document***
101.SCH	XBRL Taxonomy Extension Schema Document***
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document***
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document***
101.LAB	XBRL Taxonomy Extension Label Linkbase Document***
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document***
#	Management contract or compensatory plan or arrangement.
*	Filed herewith.
†	This certification is being furnished and shall not be deemed “filed” with the SEC for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, and shall not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that the registrant specifically incorporates it by reference.
***	Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files in Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

SIGNATURES

Pursuant to the requirements 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.

Dated: May 13, 2020

Finjan Holdings, Inc.
(Registrant)

/s/ Philip Hartstein

Philip Hartstein
President and Chief Executive Officer
(Principal Executive Officer)

/s/ Jevan Anderson

Jevan Anderson
Chief Financial Officer and Treasurer
(Principal Financial Officer)

CERTIFICATION

I, Philip Hartstein, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Finjan Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 13, 2020

By: _____

/s/ Philip Hartstein

Philip Hartstein

President and Chief Executive Officer

CERTIFICATION

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. Section 1350), Philip Hartstein, President and Chief Executive Officer of Finjan Holdings, Inc. (the "Company"), and Jevan Anderson, Chief Financial Officer and Treasurer of the Company, each hereby certifies that, to the best of his or her knowledge:

1. The Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2020, to which this Certification is attached as Exhibit 32.1 (the "Periodic Report"), fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, and
2. The information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 13, 2020

By: _____
/s/ Philip Hartstein
Philip Hartstein
President and Chief Executive Officer

By: _____
/s/ Jevan Anderson
Jevan Anderson
Chief Financial Officer and Treasurer