Cogint, Inc.
Form 10-Q
November 03, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 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 September 30, 2016

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to .

Commission file number 001-37893

COGINT, INC.

(Exact Name of Registrant as Specified in Its Charter)

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

2650 North Military Trail, Suite 300,

Boca Raton, Florida 33431

(Address of Principal Executive Offices) (Zip Code)

(561) 757-4000

(Registrant's Telephone Number, Including Area Code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES NO

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

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

Large accelerated filer		Accelerated filer
Non-accelerated filer	(Do not check if a smaller reporting company)	Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act): YES NO

As of October 31, 2016, the registrant had 50,663,171 shares of common stock outstanding.

COGINT, INC.

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PART I - FINANCIAL INFORMATION

Unless otherwise indicated or required by the context, all references in this Quarterly Report on Form 10-Q to “we,” “us,” “our,” “cogint,” or the “Company,” refer to Cogint, Inc. and its consolidated subsidiaries.

ITEM 1. FINANCIAL STATEMENTS.

COGINT, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Amounts in thousands, except share data)

(unaudited)

	September 30, 2016		December 31, 2015	
ASSETS:				
Current assets:				
Cash and cash equivalents	$	10,395	$	13,462
Accounts receivable, net of allowance for doubtful accounts of $984 and $318 at September 30, 2016 and December 31, 2015, respectively		28,465		21,224
Prepaid expenses and other current assets		3,298		2,931
Total current assets		42,158		37,617
Property and equipment, net		1,471		1,062
Intangible assets, net		99,419		87,445
Goodwill		166,083		161,753
Other non-current assets		1,864		1,315
Total assets	$	310,995	$	289,192
LIABILITIES AND SHAREHOLDERS’ EQUITY:				
Current liabilities:				
Trade accounts payable	$	16,187	$	8,863
Accrued expenses and other current liabilities		9,564		9,160
Deferred revenue		407		783
Current portion of long-term debt		2,250		2,250
Total current liabilities		28,408		21,056

Promissory notes payable to certain shareholders, net	10,457	9,618
Long-term debt, net	37,188	39,050
Contingent consideration payable in stock	10,000	-
Deferred tax liabilities	2,568	13,573
Total liabilities	88,621	83,297
Shareholders' equity:		
Convertible Series A preferred stock—$0.0001 par value 10,000,000 shares authorized; 0 and 4,871,802 shares issued and outstanding at September 30, 2016 and December 31, 2015, respectively	-	-
Convertible Series B preferred stock—$0.0001 par value 10,000,000 shares authorized; 0 and 450,962 shares issued and outstanding at September 30, 2016 and December 31, 2015, respectively	-	-
Common stock—$0.0005 par value 200,000,000 shares authorized; 50,724,856 and 15,709,786 shares issued at September 30, 2016 and December 31, 2015, respectively; and 50,663,171 and 15,709,786 shares outstanding at September 30, 2016 and December 31, 2015, respectively	25	8
Treasury stock, at cost, 61,685 and 0 shares at September 30, 2016 and December 31,	(305)	-

2015, respectively						
Additional paid-in capital		331,499			291,032	
Accumulated deficit		(108,845	)		(85,145	)
Total shareholders’ equity		222,374			205,895	
Total liabilities and shareholders’ equity	$	310,995		$	289,192	

See notes to condensed consolidated financial statements

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COGINT, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(Amounts in thousands, except share data)

(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Revenue	$52,176	$1,002	$132,643	$3,254
Cost of revenues (exclusive of depreciation and amortization)	39,658	766	97,709	1,744
Gross profit	12,518	236	34,934	1,510
Operating expenses:				
Sales and marketing expenses	3,699	524	10,004	1,529
General and administrative expenses	17,669	4,178	44,203	9,650
Depreciation and amortization	3,507	57	9,112	133
Loss from operations	(12,357)	(4,523)	(28,385)	(9,802)
Other income (expense):				
Interest expense, net	(1,880)	(3)	(5,561)	(3)
Other expenses, net	-	-	(1,273)	-
Total other expense	(1,880)	(3)	(6,834)	(3)
Loss from continuing operations before income taxes	(14,237)	(4,526)	(35,219)	(9,805)
Income taxes	(4,493)	(124)	(11,519)	141
Net loss from continuing operations	(9,744)	(4,402)	(23,700)	(9,946)
Discontinued operations:				
Pretax loss from operations of discontinued operations	-	26	-	(1,236)
Pretax loss on disposal of discontinued operations	-	376	-	(41,095)
Income taxes	-	-	-	127
Net loss from discontinued operations	-	402	-	(42,458)
Less: Non-controlling interests	-	789	-	(508)
Net loss from discontinued operations attributable to cogint	-	(387)	-	(41,950)
Net loss attributable to cogint	$(9,744)	$(4,789)	$(23,700)	$(51,896)
Loss per share				
Basic and diluted				
Continuing operations	$(0.19)	$(0.29)	$(0.56)	$(0.82)
Discontinued operations	-	(0.03)	-	(3.45)
	$(0.19)	$(0.32)	$(0.56)	$(4.27)
Weighted average number of shares outstanding -				
Basic and diluted	50,654,690	15,034,224	42,100,504	12,167,469
Comprehensive loss:				
Net loss attributable to cogint	$(9,744)	$(4,789)	$(23,700)	$(51,896)

Realized foreign currency translation adjustment	-	130	-	-
Net comprehensive loss	$(9,744)	$(4,659)	$(23,700)	$(51,896)

See notes to condensed consolidated financial statements

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COGINT, INC.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS’ EQUITY

(Amounts in thousands, except share data)

(unaudited)

	Convertible Series A preferred stock		Convertible Series B preferred stock		Common stock		Treasury stock		Additional paid-in	Accumulated	Total Shareholders'
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	capital	deficit	equity
Balance as at January 1, 2016	4,871,802	$-	450,962	$-	15,709,786	$8	-	$-	$291,032	$(85,145)	$205,895
Issuance of contingent earn out shares	1,800,220	-	-	-	900,108	-	-	-	-	-	-
Conversion of Series A preferred stock into common stock	(6,672,022)	-	-	-	6,672,022	3	-	-	(3)	-	-
Conversion of Series B preferred stock into common stock	-	-	(450,962)	-	22,548,100	11	-	-	(11)	-	-
Issuance of common stock to a vendor for services rendered	-	-	-	-	14,500	-	-	-	146	-	146
Common stock issued in exchange for warrants previously issued to certain	-	-	-	-	1,069,728	1	-	-	1,272	-	1,273

shareholders											
Vesting of restricted stock units	-	-	-	-	441,422	-	-	-	-	-	-
Increase in treasury stock resulting from shares withheld to pay statutory taxes in connection with the vesting of restricted stock units	-	-	-	-	-	-	61,685	(305)	-	-	(305)
Issuance of common stock upon a direct offering to certain investors, net of issuance costs of $276	-	-	-	-	1,000,000	1	-	-	4,723	-	4,724
Issuance of common stock in connection with Q Interactive acquisition	-	-	-	-	2,369,190	1	-	-	11,205	-	11,206
Share-based compensation expenses	-	-	-	-	-	-	-	-	22,643	-	22,643
Warrants issued in relation to term loan	-	-	-	-	-	-	-	-	492	-	492
Net loss	-	-	-	-	-	-	-	-	-	(23,700)	(23,700)
Balance as at September 30, 2016	-	$-	-	$-	50,724,856	$25	61,685	$(305)	$331,499	$(108,845)	$222,374

See notes to condensed consolidated financial statements

COGINT, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands, except share data)

(unaudited)

	Nine Months Ended September 30,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$(23,700)	$(51,896)
Less: Loss from discontinued operations, net of tax	-	(41,950)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	9,112	133
Non-cash interest expenses and related amortization	1,839	-
Share-based payments	21,941	3,652
Non-cash loss on exchange of warrants	1,273	-
Write-off of Purchased IP and capitalized litigation costs	4,055	-
Provision (recovery) for bad debts	666	(37)
Deferred income tax (benefit) expenses	(11,561)	370
Changes in assets and liabilities of continuing operations, net of the effects of acquisitions:		
Accounts receivable	(3,301)	(278)
Prepaid expenses and other current assets	545	(601)
Other non-current assets	(549)	-
Trade accounts payable	5,027	316
Accrued expenses and other current liabilities	(533)	(20)
Amounts due to related parties	-	(46)
Deferred revenue	(428)	(14)
Net cash provided by (used in) operating activities from continuing operations	4,386	(6,471)
Net cash used in operating activities from discontinued operations	-	(337)
Net cash provided by (used in) operating activities	4,386	(6,808)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(722)	(626)
Purchase of intangible assets	-	(250)
Capitalized costs included in intangible assets	(7,980)	(2,082)
Proceeds from reverse acquisition	-	3,569
Acquisition, net of cash acquired	(50)	-
Deposits as collateral	(750)	-
Net cash (used in) provided by investing activities from continuing operations	(9,502)	611
Net cash used in investing activities from discontinued operations	-	(121)
Net cash (used in) provided by investing activities	(9,502)	490
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of shares, net of issuance costs	4,724	9,400
Debt costs	(682)	-
Repayments of long-term debt	(1,688)	-

Taxes paid related to net share settlement of vesting of restricted stock units	(305)	-
Net cash provided by financing activities	2,049	9,400
Net (decrease) increase in cash and cash equivalents	$(3,067)	$3,082
Cash and cash equivalents at beginning of period	13,462	5,996
Cash and cash equivalents at end of period	$10,395	$9,078
SUPPLEMENTAL DISCLOSURE INFORMATION		
Cash paid for interest	$3,795	$3
Cash paid for income taxes	$-	$-
Share-based compensation expenses capitalized in intangible assets	$868	$239
Issuance of common stock to a vendor for services rendered	$146	$-
Fair value of acquisition consideration	$21,206	$-
Warrants issued in relation to the term loan	$492	$-

See notes to condensed consolidated financial statements

COGINT, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands, except share data)

(unaudited)

1. Summary of significant accounting policies

(a) Basis of preparation and liquidity

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

The accompanying unaudited condensed consolidated financial statements reflect all normal recurring adjustments necessary to present fairly the financial position, results of operations, and cash flows for the interim periods, but are not necessarily indicative of the results of operations to be anticipated for any future interim periods or for the full year ending December 31, 2016.

The information included in this quarterly report on Form 10-Q should be read in conjunction with the consolidated financial statements and accompanying notes included in our Annual Report on Form 10-K for the year ended December 31, 2015 ("2015 Annual Report").

The condensed consolidated balance sheet as of December 31, 2015 included herein was derived from the audited financial statements as of that date included in the 2015 Annual Report, but does not include all disclosures including notes required by US GAAP.

Reclassifications

Certain prior period items, including depreciation and amortization, and promissory notes payable to certain shareholders, have been reclassified to conform to the current period presentation.

Principles of consolidation

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

(b) Recently issued accounting standards

In May 2014, Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09 ("ASU 2014-09"), "Revenue from Contracts with Customers (Topic 606)". The standard's core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. On July 9, 2015, FASB approved the proposal to defer the effective date of ASU 2014-09 by one year. Early adoption is permitted as of the original effective date of December 15, 2016, and the standard is effective for public entities for annual reporting periods beginning after December 15, 2017, and interim periods therein. We do not plan to early adopt ASU 2014-09 and we plan to have a preliminary assessment of its impact on our consolidated financial statements by the end of 2016.

In August 2014, FASB issued ASU No. 2014-15 (“ASU 2014-15”), “Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern”, which provides guidance on management’s responsibility in evaluating whether there is substantial doubt about a company’s ability to continue as a going concern and to provide related footnote disclosures. ASU 2014-15 is effective for annual periods ending after December 15, 2016 with early adoption permitted. We do not believe the impact of adoption of ASU 2014-15 on our consolidated financial statements will be material.

In September 2015, FASB issued ASU No. 2015-16 (“ASU 2015-16”), “Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments”, which replaces the requirement that an acquirer in a business combination account for measurement period adjustments retrospectively with a requirement that an acquirer recognize adjustments to the provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. ASU 2015-16 requires that the acquirer record, in the same period’s financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the provisional amounts calculated as if the accounting had been completed at the acquisition date. ASU 2015-16 is effective for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years. The guidance is to be applied prospectively to adjustments to provisional amounts that occur after the effective date of the guidance, with earlier application permitted for financial statement that have not been issued. We adopted ASU 2015-16 during the three months ended March 31, 2016. We are still evaluating the purchase price allocation related to the acquisition of Q Interactive, LLC, and we do not expect it will have a material impact on our condensed consolidated financial statements.

In February 2016, FASB issued ASU No. 2016-02 ("ASU 2016-02"), "Leases (Topic 842)", which generally requires companies to recognize operating and financing lease liabilities and corresponding right-of-use assets on the balance sheet. This guidance will be effective in the first quarter of 2019 on a modified retrospective basis and early adoption is permitted. We are still evaluating the effect that this guidance will have on our condensed consolidated financial statements and related disclosures.

In March 2016, FASB issued ASU No. 2016-09 ("ASU 2016-09"), "Compensation-Stock Compensation (Topic 718): Improvement to Employee Share-based Payment Accounting", which simplifies the accounting for share-based payment transactions, including the income tax consequences, an option to recognize gross share-based compensation expense with actual forfeitures recognized as they occur, as well as certain classifications on the statement of cash flows. This guidance will be effective in the first quarter of 2017, and early adoption is permitted. We early adopted ASU 2016-09 during the three months ended September 30, 2016 and it does not have a material impact on our condensed consolidated financial statements.

In August 2016, FASB issued ASU No. 2016-15 ("ASU 2016-15"), "Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments", which provides guidance for certain cash flow issues, including contingent consideration payments made after a business combination and debt prepayment or debt extinguishment costs etc. The guidance will be effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years, and early adoption is permitted. We will evaluate the impact of ASU 2016-15 on our condensed consolidation financial statements in 2017.

Except for the ASUs noted above, for the three months ended September 30, 2016, other ASUs are not expected to have a material impact on the condensed consolidated financial statements upon adoption.

2. Loss per share

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

The information related to basic and diluted loss per share for the three and nine months ended September 30, 2016 and 2015 is as follows:

(In thousands)	Three Months Ended September 30, 2016	2015	Nine Months Ended September 30, 2016	2015
Numerator:				
Net loss from continuing operations	$(9,744)	$(4,402)	$(23,700)	$(9,946)
Net loss from discontinued operations attributable to cogint	-	(387)	-	(41,950)
Net loss	$(9,744)	$(4,789)	$(23,700)	$(51,896)
Denominator:				
Weighted average shares outstanding - Basic and diluted	50,654,690	15,034,224	42,100,504	12,167,469
Loss per share:				
Basic and diluted:				
Continuing operations	$(0.19)	$(0.29)	$(0.56)	$(0.82)
Discontinued operations	-	(0.03)	-	(3.45)
	$(0.19)	$(0.32)	$(0.56)	$(4.27)

3. Acquisitions

The Company records acquisitions pursuant to ASC 805 – Business Combinations. We allocate the fair value of purchase consideration to the tangible assets acquired, liabilities assumed and intangible assets acquired based on their estimated fair values. The excess of the fair value of purchase consideration over the fair values of these identifiable assets and liabilities is recorded as goodwill. Such valuations require management to make significant estimates and assumptions especially with respect to intangible assets. Significant estimates in valuing certain intangible assets include, but are not limited to, future expected cash flows from acquired intangible assets, useful lives and discount rates. Management's estimates of fair value are based upon assumptions we believe to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates. During the measurement period, we may record adjustments to the assets acquired and liabilities assumed, with the corresponding offset to goodwill. Upon the conclusion of the measurement period, any subsequent adjustments are recorded to earnings.

Q Interactive Acquisition

To expand and strengthen the Company's business in the consumer marketing industry, on June 8, 2016 (the "Effective Date of Q Interactive Acquisition"), the Company entered into and consummated the transactions contemplated by a Membership Interest Purchase Agreement with Selling Source, LLC ("Selling Source"), the seller, pursuant to which the Company acquired all of the issued and outstanding membership interests (the "Membership Interests") in Q Interactive, LLC ("Q Interactive"), a Delaware limited liability company (the "Q Interactive Acquisition").

As consideration for the Membership Interests, after adjustment for Q Interactive's net working capital at closing, the Company issued to Selling Source 2,369,190 shares of the Company's common stock, par value $0.0005 per share. Selling Source may receive additional consideration for the Membership Interests if 2016 gross revenue of Q Interactive equals or exceeds $25,000 (the "Earn-out Target"). Such additional consideration, if earned, would be paid in either of the following ways, at the seller's option, no earlier than the one-year anniversary of the closing date (the "Q Interactive Earn-out Shares"): (i) 1,200,000 shares of common stock (subject to adjustment for certain capital events) or (ii) that number of shares of common stock equal to $10,000, in the aggregate, as determined by the volume weighted average price of the common stock for the ten trading days immediately preceding Selling Source's receipt of a statement prepared by the Company stating the Earn-out Target has been achieved. Based on management's preliminary assessment, we concluded that it was extremely likely that Q Interactive would meet the Earn-out Target, and the estimated fair value of the Q Interactive Earn-out Shares is $10,000.

The following table summarizes the preliminary purchase price allocation and the fair value of the net assets acquired and liabilities assumed (marked to market), and the resulting amount of goodwill in the Q Interactive Acquisition (the legal and accounting acquiree) at the Effective Date of the Q Interactive Acquisition.

(In thousands)	
Assets acquired:	
Accounts receivable	$4,606
Prepaid expenses and other current assets	208
Property and equipment	73
Intangible assets:	
Customer relationships	4,900
Trade names	1,700
Proprietary technology	2,150

Databases	4,800
Non-competition agreements	1,040
Total intangible assets	14,590
	19,477
Liabilities assumed:	
Trade accounts payable	2,297
Accrued expenses and other current liabilities	1,133
Deferred revenue	52
	3,482
Goodwill	5,211
Total consideration	$21,206

The intangible assets acquired in the Q Interactive Acquisition are amortized on a straight-line basis over the estimated useful lives. The useful lives for customer relationships, trade names, proprietary technology, databases and non-competition agreements are 10 years, 20 years, 5 years, 5 years and 2 years, respectively, and the weighted average useful life for these acquired intangible assets with definite useful lives is 8 years.

Goodwill from the Q Interactive Acquisition principally relates to intangible assets that do not qualify for separate recognition, including the assembled workforce and synergies. Goodwill is tax deductible for income tax purposes and was assigned to the Information Services and Performance Marketing reporting segments in the amount of $1,709 and $3,502, respectively (See Note 10 for segment information).

The fair value of assets acquired and liabilities assumed from the Q Interactive Acquisition was based on a preliminary valuation and our estimates and assumptions are subject to change within the measurement period. The primary areas of the purchase price that are not yet finalized are related to certain working capital adjustments and contingent consideration. Measurement period adjustments will be applied to the period that the adjustment is identified in our condensed consolidated financial statements.

Pro forma disclosure for Q Interactive Acquisition

The following table includes the pro forma results for the three and nine months ended September 30, 2016 and 2015 of the combined companies as though the Q Interactive Acquisition had been completed as of the beginning of the periods being presented.

	Pro forma			
	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	2016	2015 [(1)]	2016	2015 [(1)]
Revenue	$52,176	$42,136	$145,429	$126,058
Loss from continuing operations before income taxes	(14,237)	(6,876)	(34,897)	(19,443)
Net loss attributable to cogint	(9,744)	(5,125)	(23,059)	(55,670)
Basic and diluted loss per share	$(0.19)	$(0.29)	$(0.53)	$(3.83)

(1) For the comparative pro forma results for three and nine months ended September 30, 2015, we also assumed the Fluent Acquisition (as defined below) had been completed as of the beginning of the periods being presented.

The unaudited pro forma financial information is presented for informational purposes only, and may not necessarily reflect our future results of operations or what the results of operations would have been had we owned and operated each company as of the beginning of the periods presented.

Fluent Acquisition

To accelerate the Company’s strategy to apply its next generation data fusion technology to not only the risk management industry, but also as an advanced data analytics platform to the consumer marketing industry, on December 8, 2015 (the “Effective Date of Fluent Acquisition”), the Company completed the acquisition of Fluent, Inc.

(the “Fluent Acquisition”), pursuant to an Agreement and Plan of Merger (the “Fluent Merger Agreement”).

On December 9, 2015, Fluent Acquisition II, LLC, a Delaware limited liability company and wholly-owned subsidiary of the Company, the surviving entity of the Fluent Acquisition, changed its name to Fluent, LLC (“Fluent”). Cogint, Inc. is the legal and accounting acquirer in the Fluent Acquisition.

Pursuant to the Fluent Merger Agreement, the Company acquired 100% of the outstanding stock of Fluent from the sellers for the following consideration: (i) 15,001,850 shares of the Company's common stock, par value $0.0005, with the fair value of $123.8 million, determined by multiplying the Company's market stock price by the total shares of common stock, and (ii) approximately $99.3 million in cash. The following table summarizes the purchase price allocation and the fair value of the net assets acquired and liabilities assumed (marked to market), and the resulting amount of goodwill in the Fluent Acquisition at the Effective Date of Fluent Acquisition.

(In thousands)	
Assets acquired:	
Cash and cash equivalents	$6,013
Accounts receivable	20,250
Prepaid expenses and other current assets	691
Property and equipment	242
Intangible assets:	
Customer relationships	30,086
Trade names	16,357
Domain names	191
Proprietary technology	11,382
Databases	26,492
Non-competition agreements	728
Total intangible assets	85,236
Other non-current assets	763
	113,195
Liabilities assumed:	
Accounts payable and accrued expenses	10,653
Liability for employee incentive-based compensation plan	4,000
Deferred revenue	314
Deferred tax liabilities	30,800
	45,767
Goodwill	155,645
Total consideration	$223,073
Including:	
Cash consideration	$99,266
Fair value of common stock, as converted, issued	123,807
Total consideration	$223,073

The intangible assets acquired in the Fluent Acquisition are amortized on a straight-line basis over the estimated useful lives. The useful lives for customer relationships, trade names, domain names, proprietary technology, databases and non-competition agreements are 7 years, 20 years, 20 years, 5 years, 10 years, and 5 years, respectively, and the weighted average useful life for these acquired intangible assets is 10 years.

Goodwill from the Fluent Acquisition principally relates to intangible assets that do not qualify for separate recognition, including the assembled workforce and synergies. Goodwill is not tax deductible for income tax purposes and was assigned to the Information Services and Performance Marketing reporting segments of $37,185 and $118,461, respectively.

4. Discontinued operations

On June 30, 2015, in connection with the Company's strategy to focus primarily on the big data and analytics sector via its consolidated subsidiaries, the Company's Board of Directors approved a plan under which the Company discontinued the operations of its Chinese- and British Virgin Islands-based subsidiaries (collectively, the "Advertising Business"). The Company recognized the transactions in accordance with ASC Topic 205-20, "Discontinued Operations". The Company has disposed of all assets and liabilities related to its Advertising Business, by the disposal of its equity interests in the Advertising Business to an independent third party in 2015 for $0.

The following financial information presents the results of operations of the Advertising Business for the three and nine months ended September 30, 2015.

(In thousands)	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2015
Revenue	$ 47	$ 218
Pretax income (loss) from operations of discontinued operations	$ 26	$ (1,236)
Pretax gain (loss) on disposal of discontinued operations	376	(41,095)
Income tax expenses	-	127
Less: Non-controlling interests	789	(508)
Net loss from discontinued operations attributable to cogint	$ (387)	$ (41,950)

Loss on disposal of discontinued operations was composed of the following items:

(In thousands)	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2015
Write-off of goodwill	$ -	$ (35,472)
Write-off of intangible assets	-	(4,080)
Write-off of long-term deferred assets	-	(517)
Lease agreements early termination compensation expenses	-	(1,211)
Employee severance compensation expenses	-	(191)
Gain on write-off of acquisition consideration payable	463	463
Loss on disposal of equity interests	(87)	(87)
Gain (loss) on disposal of discontinued operations	$ 376	$ (41,095)

5. Intangible assets, net

Intangible assets other than goodwill consist of the following:

(In thousands)	Amortization period	September 30, 2016	December 31, 2015
Gross amount:			
Purchased IP and capitalized litigation costs	10 years	$ -	$ 1,659
Software developed for internal use	3-10 years	8,972	2,571
Acquired proprietary technology	5 years	13,532	10,716
Customer relationships	7-10 years	34,986	30,875
Trade names	20 years	18,057	16,357
Domain names	20 years	191	191
Acquired databases	5-10 years	31,292	25,052
Non-competition agreements	2-5 years	1,768	728
		108,798	88,149
Accumulated amortization:			
Purchased IP and capitalized litigation costs		-	(34)
Software developed for internal use		(321)	(50)
Acquired proprietary technology		(1,983)	(133)
Customer relationships		(3,643)	(272)
Trade names		(691)	(50)
Domain names		(8)	(1)
Acquired databases		(2,452)	(155)
Non-competition agreements		(281)	(9)
		(9,379)	(704)
Net intangible assets:			
Purchased IP and capitalized litigation costs		-	1,625
Software developed for internal use		8,651	2,521
Acquired proprietary technology		11,549	10,583
Customer relationships		31,343	30,603
Trade names			