UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2018

OR

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

FOR THE TRANSITION PERIOD FROM _________________ TO _____________________

COMMISSION FILE NUMBER: 000-32037

INTERCLOUD SYSTEMS, INC.
(Name of registrant as specified in its charter)

DELAWARE	**65-0963722**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1030 BROAD STREET, SUITE 102, SHREWSBURY, NJ	**07702**
(Address of principal executive offices)	(Zip Code)

(561) 988-1988
(Registrant's telephone number, including area code)

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 Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ 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. (Check one):

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☒
		Emerging growth company	☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards 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 ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 18,601,633 shares of common stock were issued and outstanding as of May 18, 2018.

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FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements. Forward-looking statements include all statements that do not directly or exclusively relate to historical facts. In some cases, you can identify forward-looking statements by terms such as "may," "will," "should," "could," "would," "expects," "plans," "anticipates," "believes," "estimates," "projects," "forecasts," "predicts," "potential," or the negative of those terms, and similar expressions and comparable terminology. These include, but are not limited to, statements relating to future events or our future financial and operating results, plans, objectives, expectations and intentions. Although we believe that the expectations reflected in these forward-looking statements are reasonable, these expectations may not be achieved. Forward-looking statements represent our intentions, plans, expectations, assumptions and beliefs about future events and are subject to known and unknown risks, uncertainties and other factors outside of our control that could cause our actual results, performance or achievements to differ materially from those expressed or implied by these forward-looking statements. Actual results may differ materially from those anticipated or implied in the forward-looking statements.

You should consider the areas of risk described in connection with any forward-looking statements that may be made herein. You should also consider carefully the statements under Item 1A. Risk Factors appearing in our Annual Report on Form 10-K for the year ended December 31, 2017, filed with the Securities and Exchange Commission on April 17, 2018, which address additional factors that could cause our actual results to differ from those set forth in the forward-looking statements. Such risks and uncertainties include:

- our ability to successfully execute our business strategies, including the acquisition of other businesses to grow our company and integration of future acquisitions;
- our ability to obtain additional financing in sufficient amounts or on acceptable terms when required;
- changes in aggregate capital spending, cyclicality and other economic conditions, and domestic and international demand in the industries we serve;
- our ability to adopt and master new technologies and adjust certain fixed costs and expenses to adapt to our industry's and customers' evolving demands;
- our ability to adequately expand our sales force and attract and retain key personnel and skilled labor;
- shifts in geographic concentration of our customers, supplies and labor pools and seasonal fluctuations in demand for our services;
- our dependence on third-party subcontractors to perform some of the work on our contracts;
- our competitors developing the expertise, experience and resources to provide services that are equal or superior in both price and quality to our services;
- our material weaknesses in internal control over financial reporting and our ability to maintain effective controls over financial reporting in the future;
- our ability to comply with certain financial covenants of our debt obligations;
- the impact of new or changed laws, regulations or other industry standards that could adversely affect our ability to conduct our business;
- changes in general market, economic and political conditions in the United States and global economies or financial markets, including those resulting from natural or man-made disasters;
- we may incur intangible asset impairment charges, which could harm our profitability; and
- we have doubt about our ability to continue as a going concern.

These forward-looking statements also should be considered in connection with any subsequent written or oral forward-looking statements that we or persons acting on our behalf may issue. All written and oral forward looking statements made in connection with this report that are attributable to our company or persons acting on our behalf are expressly qualified in their entirety by these cautionary statements. Given these uncertainties, you are cautioned not to place undue reliance on any forward-looking statements and you should carefully review this report in its entirety. These forward-looking statements speak only as of the date of this report, and you should not rely on these statements without also considering the risks and uncertainties associated with these statements and our business.

Except for our ongoing obligations to disclose material information under the Federal securities laws, we undertake no obligation to release publicly any revisions to any forward-looking statements, to report events or to report the occurrence of unanticipated events. We do not undertake any obligation to review or confirm analysts' expectations or estimates or to release publicly any revisions to any forward-looking statements to reflect events or circumstances after the date of this report or to reflect the occurrence of unanticipated events, except as required by applicable law or regulation.

OTHER PERTINENT INFORMATION

Unless specifically set forth to the contrary, when used in this report the terms "we", "our", the "Company" and similar terms refer to InterCloud Systems, Inc., a Delaware corporation, and its consolidated subsidiaries.

The information that appears on our web site at *www.InterCloudsys.com* is not part of this report.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

INTERCLOUD SYSTEMS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT SHARE DATA)

	March 31, 2018 (Unaudited)	December 31, 2017
ASSETS		
Current Assets:		
Cash	$ 364	$ 376
Accounts receivable, net of allowances of $800 and $696 respectively	340	647
Loans receivable, net of reserves of $924 and $924, respectively	8,708	3,617
Other current assets	1,179	2,724
Current assets of discontinued operations	2	5,933
Total current assets	10,593	13,297
Property and equipment, net	31	38
Restricted cash	900	-
Customer lists, net	940	991
Tradenames, net	314	314
Cost method investment	-	340
Other assets	8	108
Non-current assets of discontinued operations	-	1,368
Total assets	$ 12,786	$ 16,456
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current Liabilities:		
Accounts payable	$ 4,267	$ 4,524
Accrued expenses	4,332	5,676
Deferred revenue	534	3,209
Income taxes payable	33	15
Bank debt, current portion	112	114
Notes payable, related parties	532	75
Derivative financial instruments	2,804	3,379
Term loans, current portion, net of debt discount	9,932	11,013
Current liabilities of discontinued operations	3,182	5,798
Total current liabilities	25,728	33,803
Long-term Liabilities:		
Deferred income taxes	60	239
Series M Preferred Stock; $0.0001 par value; 500 shares authorized; 386 issued and outstanding as of March 31, 2018 and December 31, 2017	2,972	3,021
Term loans, net of current portion, net of debt discount	269	1,058
Derivative financial instruments	15,452	16,651
Total long-term liabilities	18,753	20,969
Total Liabilities	44,481	54,772
Commitments and Contingencies		
Series K Preferred Stock; $0.0001 par value; 3,000 shares authorized; 1,512 issued and outstanding as of March 31, 2018 and December 31, 2017	735	735
Series L Preferred Stock; $0.0001 par value; 1,000 shares authorized; 227 issued and outstanding as of March 31, 2018 and December 31, 2017	152	152
Total temporary equity	887	887
Stockholders' Deficit:		
Series J Preferred Stock; $0.0001 par value; 1,000 shares authorized; 1,000 issued and outstanding as of March 31, 2018 and December 31, 2017	-	-
Common stock; $0.0001 par value; 1,000,000,000; 16,212,154 and 9,338,286 issued and 16,211,816 and 9,337,948 outstanding as of March 31, 2018 and December 31, 2017, respectively	2	2
Common stock warrants, no par		

Treasury stock, at cost - 338 shares as of March 31, 2018 and December 31, 2017	37 (2)	37 (2)
Additional paid-in capital	155,994	154,628
Accumulated deficit	(188,055)	(193,319)
Total InterCloud Systems, Inc. stockholders' deficit	(32,024)	(38,654)
Non-controlling interest	(558)	(549)
Total stockholders' deficit	(32,582)	(39,203)
Total liabilities and stockholders’ deficit	$ 12,786	$ 16,456

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

INTERCLOUD SYSTEMS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)
(UNAUDITED)

	For the three months ended March 31, 2018	For the three months ended March 31, 2017
Revenue	$ 4,765	$ 5,487
Cost of revenue	2,983	4,014
Gross profit	1,782	1,473
Operating expenses:		
Depreciation and amortization	59	188
Salaries and wages	729	1,672
Selling, general and administrative	835	2,027
Total operating expenses	1,623	3,887
Income (loss) from operations	159	(2,414)
Other income (expenses):		
Change in fair value of derivative instruments	6,302	(2,424)
Change in fair value of Series M preferred stock	49	-
Interest expense	(423)	(4,274)
Loss on extinguishment of debt, net	(473)	(1,171)
Other expense	(625)	(37)
Total other expense	4,830	(7,906)
Income (loss) from continuing operations before income taxes	4,989	(10,320)
Bbenefit from income taxes	(164)	(239)
Net income (loss) from continuing operations	5,153	(10,081)
Gain (loss) on discontinued operations, net of tax	102	(4,156)
Net income (loss)	5,255	(14,237)
Net loss attributable to non-controlling interest	9	17
Net income (loss) attributable to InterCloud Systems, Inc. common stockholders	$ 5,264	$ (14,220)
Basic income (loss) per share attributable to InterCloud Systems, Inc. common stockholders:		
Net income (loss) from continuing operations	$ 0.46	$ (14.24)
Net loss on discontinued operations, net of taxes	$ 0.01	$ (5.87)
Net income (loss) per share	$ 0.47	$ (20.10)
Diluted income (loss) per share attributable to InterCloud Systems, Inc. common stockholders:		
Net income (loss) from continuing operations	$ 0.00	$ (14.24)
Net loss on discontinued operations, net of taxes	$ 0.00	$ (5.87)
Net income (loss) per share	$ 0.00	$ (20.10)
Basic weighted average common shares outstanding	11,173,549	708,174
Diluted weighted average common shares outstanding	230,979,608	708,174

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

INTERCLOUD SYSTEMS, INC.
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' DEFICIT
(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT SHARE DATA)
(UNAUDITED)

	Common Stock		Common Stock Warrants		Series J Preferred Stock		Treasury Stock		Additional Paid-in Capital	Accumulated Deficit	Non-Controlling Interest	Total
	Shares	$	Shares	$	Shares	$	Shares	$				
Ending balance, December 31, 2017	9,337,948	$ 2	33,977	$ 37	1,000	$ -	338	$ (2)	$ 154,628	$ (193,319)	$ (549)	(39,203)
Issuance of common stock to JGB (Cayman) Waltham Ltd.	2,072,091	-	-	-	-	-	-	-	372	-	-	372
Issuance of common stock to RDW Capital, LLC	3,003,553	-	-	-	-	-	-	-	619	-	-	619
Issuance of common stock to Dominion Capital, LLC	816,406	-	-	-	-	-	-	-	161	-	-	161
Issuance of common stock to Pryor Cashman LLP	100,000	-	-	-	-	-	-	-	16	-	-	16
Issuance of common stock to Dealy Silberstein & Braverman, LLP	200,000	-	-	-	-	-	-	-	29	-	-	29
Issuance of common stock to Sichenzia Ross Ference Kesner LLP	681,818	-	-	-	-	-	-	-	99	-	-	99
Stock compensation expense	-	-	-	-	-	-	-	-	70	-	-	70
Net income (loss)	-	-	-	-	-	-	-	-	-	5,264	(9)	5,255
Ending balance, March 31, 2018	16,211,816	2	33,977	37	1,000	-	338	(2)	155,994	(188,055)	(558)	(32,582)

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

INTERCLOUD SYSTEMS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(DOLLAR AMOUNTS IN THOUSANDS)
(UNAUDITED)

	For the three months ended March 31, 2018	For the three months ended March 31, 2017
Cash flows from operating activities:		
Net loss	$ 5,255	$ (14,237)
Adjustments to reconcile net loss to net cash used in operating activities:		
Loss on discontinued operations	6	7,052
Depreciation and amortization	59	188
Amortization of debt discount and deferred debt issuance costs	116	3,059
Stock compensation for services	70	488
Change in fair value of derivative instruments	(6,302)	2,424
Deferred income taxes	(179)	(249)
Loss on extinguishment of debt	473	1,171
Change in fair value of Series M preferred stock	(49)	-
Provision for bad debts	-	(10)
Issuance of shares to non-employees for services	-	12
Changes in operating assets and liabilities:		
Accounts receivable	1,889	2,881
Other assets	143	(85)
Accounts payable and accrued expenses	(951)	1,345
Income taxes	18	10
Deferred revenue	(2,675)	(326)
Net cash (used in) provided by operating activities of continuing operations	(2,127)	3,723
Net cash provided by (used in) operating activities of discontinued operations	105	(4,328)
Net cash used in operating activities	(2,022)	(605)
Cash flows from investing activities:		
Cash received from sale of the ADEX Entities	1,850	-
Restricted cash received from sale of the ADEX Entities	900	-
Proceeds from assignment of loan receivable	200	-
Purchases of equipment	-	(24)
Issuance of notes receivable	-	(40)
Cash proceeds from the sale of Highwire	-	4,000
Net cash provided by investing activities of continuing operations	2,950	3,936
Net cash used in investing activities of discontinued operations	-	(5)
Net cash provided by investing activities	2,950	3,931
Cash flows from financing activities:		
Repayments of bank borrowings	(2)	(2)
Repayments of term loans	(486)	(285)
Proceeds from related party loans	475	-
Repayments of related party loans	(18)	-
Term loan-related payments from proceeds of sale of the ADEX Entities	(909)	-
Proceeds from term loans	-	70
Debt issuance costs on new term loans	-	(50)
Term loan-related repayments from proceeds of sale of Highwire	-	(3,625)
Proceeds from bank borrowings	-	15
Repayments of receivables purchase agreements	-	(422)
Cancellations of shares issued for interest	-	(1)
Net cash used in financing activities	(940)	(4,300)
Net decrease in cash	(12)	(974)
Cash, beginning of period	376	1,790
Cash, end of period	$ 364	$ 816
Supplemental disclosures of cash flow information:		
Cash paid for interest	$ 36	$ 92
Cash paid for income taxes	$ 1	$ 1

Non-cash investing and financing activities:				
Issuance of shares pursuant to conversion of debt	$	1,153	$	5,247
Addition to debt discount	$	70	$	1,801
Conversion of accounts payable into term loan	$	150	$	-
Issuance of shares of common stock pursuant to S-8 registration statement	$	144	$	-

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

INTERCLOUD SYSTEMS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)
(UNAUDITED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Overview

InterCloud Systems, Inc. (the "Company") was incorporated on November 22, 1999 under the laws of the state of Delaware and is a provider of networking orchestration and automation for the Internet of things (IOT), software-defined networking (SDN) and network function virtualization (NFV) environments to the telecommunications service provider (carrier) and corporate enterprise markets. The Company's managed services solutions offer enterprise and service-provider customers the opportunity to adopt an operational expense model by outsourcing cloud deployment and management to the Company rather than the capital expense model that has dominated in recent decades in IT infrastructure management. The Company also offers enterprise and service provider customers specialty contracting services, including engineering, design, installation and maintenance services, that support the build-out and operation of some of the most advanced small cell, Wi-Fi and distributed antenna system (DAS) networks.

Principles of Consolidation and Accounting for Investments in Affiliate Companies

The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States ("GAAP"). The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, which include Tropical Communications, Inc. ("Tropical") (since August 2011 – sold in April 2017 in connection with the sale of the AWS Entities), Rives-Monteiro Leasing, LLC ("RM Leasing") (since December 2011), TNS, Inc. ("TNS") (since September 2012), and AW Solutions, Inc. and AW Solutions Puerto Rico, LLC (collectively, the "AWS Entities") (since April 2013 – the AWS Entities were sold in April 2017. The results of operations of the Company's former subsidiaries, Integration Partners – NY Corporation ("IPC) (since January 2014 – the assets were sold in November 2017), RentVM Inc. ("RentVM") (since February 2014 – discontinued in November 2017 in connection with the sale of the assets of the IPC subsidiary), ADEX Corporation, ADEX Puerto Rico, LLC and Highwire (collectively, "ADEX" or "ADEX Entities") (since September 2012 – Highwire was sold in January 2017, and the ADEX Entities were sold in February 2018 – refer to Note 3, Disposals of Subsidiaries, for further detail), and SDN Essentials, LLC ("SDNE") (since January 2016 – SDNE was sold in May 2017) have been included as discontinued operations on the accompanying financial statements (refer to Note 15, Discontinued Operations, for further information). All significant intercompany accounts and transactions have been eliminated in consolidation.

The Company consolidates all entities in which it has a controlling voting interest and all variable interest entities ("VIE") in which the Company is deemed to be the primary beneficiary.

The unaudited condensed consolidated financial statements include the accounts of Rives-Montiero Engineering, LLC ("RM Engineering") (since December 2011), in which the Company owns an interest of 49%. The Company has the ability to exercise its call option to acquire the remaining 51% of RM Engineering for a nominal amount and thus makes all significant decisions related to RM Engineering even though it absorbs only 49% of the losses. Additionally, substantially all of the entity's activities either involve or are conducted on behalf of the entity by the 51% holder of RM Engineering.

In June 2016, the Company made a loan to SDN Systems, LLC ("SDNS"). The loan is convertible into a 90% ownership stake in SDNS. The Company is the primary source of capital for SDNS. The Company evaluated the investment in SDNS at both March 31, 2018 and December 31, 2017. At March 31, 2018 and December 31, 2017, the criteria for a VIE were met. As such, the operations of SDNS have been included in the Company's consolidated statement of accounts.

The unaudited condensed consolidated financial statements reflect all adjustments, consisting of normal recurring accruals, which are, in the opinion of management, necessary for a fair presentation of such statements. These unaudited condensed consolidated financial statements have been prepared in accordance with GAAP pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Additionally, the results of operations for the three months ended March 31, 2018 are not necessarily indicative of the results that may be expected for the entire year. These unaudited condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2017 included in the Company's 2017 Annual Report on Form 10-K, filed with the SEC on April 17, 2018.

Basis of Presentation

The unaudited condensed consolidated financial statements have been presented on a comparative basis. During the period from January 1, 2017 through March 31, 2018, the Company disposed of four subsidiaries, the results of which are included within discontinued operations for the three months ended March 31, 2018 and 2017. The Company retrospectively updated the unaudited condensed consolidated financial statements as of December 31, 2017 and for the three months ended March 31, 2017 to match the presentation on the unaudited condensed consolidated financial statements as of and for the three months ended March 31, 2018.

Reverse Stock Split

On July 7, 2017, the Company filed a Certificate of Amendment of its Certificate of Incorporation that effected a one-for-four reverse split of the Company's issued and outstanding shares of common stock, par value $0.0001 per share, effective as of the open of trading on July 12, 2017. The Company's stockholders, at the 2016 Annual Meeting of Stockholders, had previously authorized the Company's Board of Directors to effect a reverse stock split within a range of ratios, including one-for-four, at any time within one year following such Annual Meeting, as determined by the board.

On February 22, 2018, the Company filed a Certificate of Amendment of its Certificate of Incorporation that effected a one-for-one hundred reverse split of the Company's issued and outstanding shares of common stock, par value $0.0001 per share, effective as of the open of trading on February 23, 2018. The Company's stockholders, by written consent dated December 5, 2017, had previously authorized the Company's Board of Directors to effect a reverse stock split within a range of ratios, including one-for-one hundred, at any time within one year following the date of such written consent, as determined by the board.

All common share, warrant, stock option, and per share information in the consolidated financial statements gives retroactive effect to the one-for-four reverse stock split that was effected on July 12, 2017 and the one-for-one hundred reverse stock split that was effected on February 23, 2018. There was no change to the number of authorized shares of common stock of the Company as a result of the reverse stock split. The par value of the Company's common stock was unchanged at $0.0001 per share post-split.

Business Combinations

The Company accounts for its business combinations under the provisions of Accounting Standards Codification ("ASC") Topic 805-10, *Business Combinations* ("ASC 805-10"), which requires that the purchase method of accounting be used for all business combinations. Assets acquired and liabilities assumed, including non-controlling interests, are recorded at the date of acquisition at their respective fair values. ASC 805-10 also specifies criteria that intangible assets acquired in a business combination must meet to be recognized and reported apart from goodwill. Goodwill represents the excess purchase price over the fair value of the tangible net assets and intangible assets acquired in a business combination. Acquisition-related expenses are recognized separately from the business combinations and are expensed as incurred. If the business combination provides for contingent consideration, the Company records the contingent consideration at fair value at the acquisition date and any changes in fair value after the acquisition date are accounted for as measurement-period adjustments if they pertain to additional information about facts and circumstances that existed at the acquisition date and that the Company obtained during the measurement period. Changes in fair value of contingent consideration resulting from events after the acquisition date, such as earn-outs, are recognized as follows: 1) if the contingent consideration is classified as equity, the contingent consideration is not re-measured and its subsequent settlement is accounted for within equity, or 2) if the contingent consideration is classified as a liability, the changes in fair value are recognized in earnings.

Revenue Recognition

The contracts of TNS and RM Engineering provide that payment for the Company's services may be based on either (i) direct labor hours at fixed hourly rates or (ii) fixed-price contracts. The services provided under the contracts are generally provided within one month. Occasionally, the services may be provided over a period of up to six months.

The AWS Entities, which we sold in April 2017, generally recognized revenue using the percentage of completion method. Revenues and fees under the contracts of these entities were recognized utilizing the units-of-delivery method, which used measures such as task completion within an overall contract. The units-of-delivery approach is an output method used in situations where it is more representative of progress on a contract than an input method, such as the efforts-expended approach. Provisions for estimated losses on uncompleted contracts, if any, were made in the period in which such losses were determined. Changes in job performance conditions and final contract settlements could have resulted in revisions to costs and income, which were recognized in the period in which revisions were determined.

The AWS Entities also generated revenue from service contracts with certain customers. These contracts were accounted for under the proportional performance method. Under this method, revenue was recognized in proportion to the value provided to the customer for each project as of each reporting date.

On May 28, 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers ("Topic 606"), to update the financial reporting requirements for revenue recognition. Topic 606 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The guidance is based on the principle that an entity should recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to fulfill a contract. This guidance became effective for the Company beginning on January 1, 2018, and entities have the option of using either a full retrospective or a modified retrospective approach for the adoption of the new standard. The adopted this standard using the modified retrospective approach on January 1, 2018.

In preparation for adoption of the standard, the Company evaluated each of the five steps in Topic 606, which are as follows: 1) Identify the contract with the customer; 2) Identify the performance obligations in the contract; 3) Determine the transaction price; 4) Allocate the transaction price to the performance obligations; and 5) Recognize revenue when (or as) performance obligations are satisfied.

The Company's reported revenue was not affected in any period due to the adoption of ASC Topic 606 because: (1) the Company identified similar performance obligations under Topic 606 as compared with deliverables and separate units of account previously identified; (2) the Company has determined the transaction price to be consistent; and (3) the Company records revenue at the same point in time, upon delivery of services, under both ASC Topic 605 and Topic 606, as applicable under the terms of the contract with the customer. Additionally, the Company's accounting for fulfillment costs or costs incurred to obtain a contract were not affected in any period due to the adoption of Topic 606.

There are also certain considerations related to accounting policies, business processes and internal control over financial reporting that are associated with implementing Topic 606. The Company has evaluated its policies, processes, and control framework for revenue recognition, and identified and implemented the changes needed in response to the new guidance.

Lastly, disclosure requirements under the new guidance in Topic 606 have been significantly expanded in comparison to the disclosure requirements under the current guidance, including disclosures related to disaggregation of revenue into appropriate categories, performance obligations, the judgments made in revenue recognition determinations, adjustments to revenue which relate to activities from previous quarters or years, any significant reversals of revenue, and costs to obtain or fulfill contracts.

Restricted Cash

As of March 31, 2018, the Company had $900 of restricted cash related to the Senior Secured Convertible Note with JGB (Cayman) Waltham Ltd. The $900 in cash was received in connection with the sale of the ADEX Entities (refer to Note 3, Disposals of Subsidiaries, for further detail).

Indefinite Lived Intangible Assets

The Company tests its indefinite-lived intangible assets for impairment at least annually (as of October 1) and whenever events or circumstances change that indicate impairment may have occurred. A significant amount of judgment is involved in determining if an indicator of impairment has occurred. Such indicators may include, among others: a significant decline in the Company's expected future cash flows; a sustained, significant decline in the Company's stock price and market capitalization; a significant adverse change in legal factors or in the business climate of the Company's segments; unanticipated competition; and slower growth rates. Any adverse change in these factors could have a significant impact on the recoverability indefinite-lived intangible assets and the Company's consolidated financial results.

Commitments and Contingencies

In the normal course of business, the Company is subject to various contingencies. The Company records a contingency in the consolidated financial statements when it is probable that a liability will be incurred and the amount of the loss is reasonably estimable, or otherwise disclosed, in accordance with ASC Topic 450, *Contingencies* ("ASC Topic 450"). Significant judgment is required in both the determination of probability and the determination as to whether a loss is reasonably estimable. In the event the Company determines that a loss is not probable, but is reasonably possible, and it becomes possible to develop what the Company believes to be a reasonable range of possible loss, then the Company will include disclosures related to such matter as appropriate and in compliance with ASC Topic 450. To the extent there is a reasonable possibility that the losses could exceed the amounts already accrued, the Company will, when applicable, adjust the accrual in the period in which the determination is made, disclose an estimate of the additional loss or range of loss, indicate that the estimate is immaterial with respect to its financial statements as a whole or, if the amount of such adjustment cannot be reasonably estimated, disclose that an estimate cannot be made.

Breach of Contract Action

In July 2013, a complaint was filed against the Company in the Circuit Court of the 15th Judicial Circuit in and for Palm Beach County, Florida titled The Farkas Group, Inc., The Atlas Group of Companies, LLC and Michael D. Farkas v. InterCloud Systems, Inc. (Case No. 502013CA01133XXXMB) for breach of contract and unjust enrichment. In the complaint, the plaintiffs allege that the Company has breached contractual agreements between the Company and plaintiffs pertaining to certain indebtedness amounting to approximately $116 allegedly owed by the Company to the plaintiffs and the Company's agreement to convert such indebtedness into shares of the Company's common stock. The plaintiff alleges that they are entitled to receive in the aggregate 5,426 shares of the Company's common stock or aggregate damages reflecting the trading value at the high price for the common stock. The Company has asserted as a defense that such indebtedness, together with any right to convert such indebtedness into shares of common stock, was cancelled pursuant to the terms of a Stock Purchase Agreement dated as of July 2, 2009 between the Company and the plaintiffs. The Farkas Group was a control person of the Company during the period that it was a public "shell" company and facilitated the transfer of control of the Company to its former chief executive officer, Gideon Taylor. This matter is presently set on the court's non-jury trial docket. The Company intends to continue to vigorously defend this lawsuit.

On May 15, 2017, a complaint was filed against the Company in the Supreme Court of the State of New York, County of New York titled *Grant Thornton LLP v. InterCloud Systems, Inc*., Case No. 652619/2017, for breach of contract, quantum meruit and unjust enrichment. In the complaint, the plaintiff alleges that the Company breached an agreement with the plaintiff by failing to pay the fees of the plaintiff of approximately $769 and to reimburse the plaintiff for its related expenses for a proposed audit of the Company's financial statements for the year ended December 31, 2015. The Company intends to vigorously defend this action, and has commenced a separate action against Grant Thornton LLP in the Supreme Court of the State of New York, County of New York titled *InterCloud Systems, Inc. v. Grant Thornton LLP*, Case No. 65424/2017 for breach of contract and fraudulent inducement relating to the engagement letter between the Company and Grant Thornton LLP and to recover the fees the Company paid to Grant Thornton LLP, as well as other damages.

Securities and Exchange Commission Subpoenas

On May 21, 2014, the Company received a subpoena from the SEC that stated that the staff of the SEC was conducting an investigation In the Matter of Galena Biopharma, Inc. File No. HO 12356 (now known as "In the Matter of Certain Stock Promotions") and that the subpoena was issued to the Company as part of an investigation as to whether certain investor relations firms and their clients engaged in market manipulation. The subpoena and accompanying letter did not indicate whether the Company was, or was not, under investigation. Since May 2014, the Company provided testimony to the SEC and produced documents in response to that subpoena and several additional subpoenas received from the SEC in connection with that matter, including a subpoena issued on March 1, 2016 requesting information relating to a transaction involving the Company's Series H preferred shares in December 2013.

In connection with the SEC investigation, in May 2015, the Company received information from the SEC that it was continuing an investigation of the Company and certain of its current and former officers, consultants of the Company and others, of "possible violation[s]" of Section 17(a) of the Securities Act and Sections 9(a) and 10(b) of the Exchange Act and the rules of the SEC thereunder in the offer or sale of securities and certain other matters with respect to which the SEC claims it has information, including the possible market manipulation of the Company's securities dating back to January 2013. Based upon the Company's internal investigations, the Company did not believe either it or any of its current or former officers or directors engaged in any activities that violated applicable securities laws.

On April 2, 2018, the Company received a notification from the SEC that it was closing the investigation and did not intend to recommend enforcement action against the Company.

Stock-Based Compensation

The Company accounts for stock-based compensation in accordance with ASC Topic 718, *Compensation-Stock Compensation* ("ASC Topic 718"). Under the fair value recognition provisions of this topic, stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as an expense on a straight-line basis over the requisite service period, based on the terms of the awards.

The Company applies ASC 505-50, *Equity Based Payments to Non-Employees* ("ASC Topic 505"), with respect to options and warrants issued to non-employees which require the use of option valuation models to measure the fair value of the options and warrants at the measurement date.

Net Income (Loss) Per Share

The Company follows ASC 260, *Earnings Per Share*, which requires presentation of basic and diluted earnings per share ("EPS") on the face of the income statement for all entities with complex capital structures, and requires a reconciliation of the numerator and denominator of the basic EPS computation to the numerator and denominator of the diluted EPS computation.

In the accompanying financial statements, basic loss per share is computed by dividing net loss by the weighted average number of shares of common stock outstanding during the period.

Partial common shares includable in the computation of fully-diluted per share results are not presented for the three months ended March 31, 2017 in the unaudited condensed consolidated financial statements as their effect would be anti-dilutive.

The following sets forth the computation of diluted EPS for the three months ended March 31, 2018

	Three months ended March 31, 2018		
	Net loss (Numerator)	**Shares (Denominator)**	**Per Share Amount**
Basic EPS	$ 5,264	11,173,549	$ 0.47
Change in fair value of derivative instruments	(3,398)	-	-
Loss on extinguishment of debt	(2,266)	-	-
Interest expense and debt discounts related to convertible instruments	404	-	-
Dilutive shares related to convertible promissory notes	-	127,735,252	-
Dilutive shares related to convertible preferred stock	-	87,436,185	-
Dilutive shares related to warrants	-	4,634,622	-
Dilutive EPS	$ 4	230,979,608	$ 0.00

Diluted Earnings per Share ("Diluted EPS") gives effect to all dilutive potential common shares outstanding during the period. The computation of Diluted EPS does not assume conversion, exercise or contingent exercise of securities that would have an anti-dilutive effect on losses. As a result, if there is a loss from continuing operations, Diluted EPS is computed in the same manner as Basic EPS. As of March 31, 2018, the Company's common stock equivalents included 64,867,725 shares that could be converted based on certain convertible preferred stock, 33,339 shares related to outstanding warrants, and 417 shares related to outstanding options that were not included in the calculation of earnings per share for the period then ended. As of March 31, 2017, the Company's common stock equivalents included 401,490 shares that could be converted based on outstanding debt, 22,085 shares related to outstanding warrants, and 438 shares related to outstanding options that were not included in the calculation of earnings per share for the period then ended. Such financial instruments may become dilutive and would then need to be included in future calculations of Diluted EPS. Potential common shares includable in the computation of fully-diluted per share results are not presented for the three months ended March 31, 2017 in the unaudited condensed consolidated financial statements as their effect would be anti-dilutive.

Fair Value of Financial Instruments

ASC Topic 820 *Fair Value Measurements and Disclosures* ("ASC Topic 820") provides a framework for measuring fair value in accordance with generally accepted accounting principles.

ASC Topic 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC Topic 820 establishes a fair value hierarchy that distinguishes between (1) market participant assumptions developed based on market data obtained from independent sources (observable inputs) and (2) an entity's own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs).

The fair value hierarchy consists of three broad levels, which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under ASC Topic 820 are described as follows:

- Level 1 — Unadjusted quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date.

- Level 2 — Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

- Level 3 — Inputs that are unobservable for the asset or liability.

The following section describes the valuation methodologies that the Company used to measure different financial instruments at fair value.

Debt

The fair value of the Company's debt, which approximated the carrying value of the Company's debt as of March 31, 2018 and December 31, 2017, was estimated at $11,863 and $12,034, respectively. Factors that the Company considered when estimating the fair value of its debt included market conditions, liquidity levels in the private placement market, variability in pricing from multiple lenders and term of the debt. The level of the debt would be considered as Level 2.

The Company relies on the guidance provided by ASC Topic 480, *Distinguishing Liabilities from Equity*, to classify certain redeemable and/or convertible instruments. The Company first determines whether a financial instrument should be classified as a liability. The Company will determine the liability classification if the financial instrument is mandatorily redeemable, or if the financial instrument, other than outstanding shares, embodies a conditional obligation that the Company must or may settle by issuing a variable number of its equity shares.

Once the Company determines that a financial instrument should not be classified as a liability, the Company determines whether the financial instrument should be presented between the liability section and the equity section of the balance sheet ("temporary equity"). The Company will determine temporary equity classification if the redemption of the financial instrument is outside the control of the Company (i.e. at the option of the holder). Otherwise, the Company accounts for the financial instrument as permanent equity.

Initial Measurement

The Company records its financial instruments classified as liability, temporary equity or permanent equity at issuance at the fair value, or cash received.

Subsequent Measurement - Financial instruments classified as liabilities

The Company records the fair value of its financial instruments classified as liabilities at each subsequent measurement date. The changes in fair value of its financial instruments classified as liabilities are recorded as other expense/income. The Monte Carlo simulation is used to determine the fair value of derivatives for instruments with embedded conversion features.

Derivative Liabilities

The Company accounts for derivative instruments in accordance with ASC Topic 815, *Derivatives and Hedging* ("ASC Topic 815"), and all derivative instruments are reflected as either assets or liabilities at fair value on the consolidated balance sheets. The Company uses estimates of fair value to value its derivative instruments. Fair value is defined as the price to sell an asset or transfer a liability in an orderly transaction between able and willing market participants. In general, the Company's policy in estimating fair values is to first look at observable market prices for identical assets and liabilities in active markets, where available. When these are not available, other inputs are used to model fair value such as prices of similar instruments, yield curves, volatilities, prepayment speeds, default rates and credit spreads, relying first on observable data from active markets. Depending on the availability of observable inputs and prices, different valuation models could produce materially different fair value estimates. The values presented may not represent future fair values and may not be realizable. The Company categorizes its fair value estimates in accordance with ASC 820, based on the hierarchical framework associated with the three levels or price transparency utilized in measuring financial instruments at fair value as discussed above.

Additional Disclosures Regarding Fair Value Measurements

The carrying value of cash, accounts receivable, inventory, other assets, and accounts payable and accrued expenses approximate their fair value due to the short-term maturity of those items.

Fair Value of Derivatives

The Company utilized a binomial lattice pricing model to determine the fair value of the derivative liability related to the warrants and the put and effective price of future equity offerings of equity-linked financial instruments.

Derivative Warrant Liabilities and Convertible Features

The fair value of the derivative liabilities is classified as Level 3 within the Company's fair value hierarchy. Please refer to Note 9, Derivative Instruments, for further discussion of the measurement of fair value of the derivatives and their underlying assumptions.

The fair value of the Company's financial instruments carried at fair value at March 31, 2018 and December 31, 2017 were as follows:

	Fair Value Measurements at Reporting Date Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
	March 31, 2018		
Liabilities:			
Current derivative features related to convertible debentures	$ -	$ -	$ 2,672
Current derivative features related to warrant derivatives	-	-	132
Long-term derivative features related to convertible debentures	-	-	171
Long-term derivative features related to warrant derivatives			394
Long-term derivative features related to preferred stock	-	-	14,887
Fair value of Series M preferred stock	-	-	2,972
Total liabilities at fair value	$ -	$ -	$ 21,228
	December 31, 2017		
Liabilities:			
Current derivative features related to convertible debentures	$ -	$ -	$ 3,145
Current derivative features related to warrant derivatives	-	-	234
Long-term derivative features related to convertible debentures	-	-	661
Long-term derivative features related to preferred stock	-	-	15,990
Fair value of Series M preferred stock	-	-	3,021
Total liabilities at fair value	$ -	$ -	$ 23,051

The changes in Level 3 financial instruments measured at fair value on a recurring basis for the three months ended March 31, 2018 were as follows:

	Amount
Balance as of December 31, 2017	$ 23,051
Change in fair value of derivative features related to convertible debentures	(910)
Change in fair value of warrant derivatives	(1,506)
Change in fair value of preferred stock derivatives	(1,103)
Change in fair value of Series M preferred stock	(49)
Fair value of derivative feature related to SCS LLC term loan	70
Fair value of derivative feature related to Pryor Cashman LLP warrant	1,798
Adjustment of derivative liability upon conversion of debt	(123)
Balance as of March 31, 2018	$ 21,228

Treasury Stock

The Company records treasury stock at the cost to acquire it and includes treasury stock as a component of stockholders' deficit.

2. GOING CONCERN UNCERTAINTY, FINANCIAL CONDITION AND MANAGEMENT'S PLANS

The Company's management believes that there is substantial doubt about the Company's ability to continue as a going concern. The Company's management believes that its available cash balance as of the date of this filing will not be sufficient to fund its anticipated level of operations for at least the next 12 months. The Company's ability to continue operations depends on its ability to sustain and grow revenue and results of operations as well as its ability to access capital markets when necessary to accomplish the Company's strategic objectives. The Company's management believes that the Company will continue to incur losses for the immediate future. For the three months ended March 31, 2018, the Company generated gross profits from operations but was unable to achieve positive cash flow from operations. The Company's management expects to finance future cash needs from the results of operations and, depending on the results of operations, the Company may need additional equity or debt financing until the Company can achieve profitability and positive cash flows from operating activities, if ever.

During the year ended December 31, 2017, the Company suffered recurring losses from operations. At March 31, 2018 and December 31, 2017, the Company had a stockholders' deficit of $32,582 and $39,203, respectively. At March 31, 2018, the Company had a working capital deficit of approximately $15,135, as compared to a working capital deficit of approximately $20,506 at December 31, 2017. The increase of $5,371 in the Company's working capital from December 31, 2017 to March 31, 2018 was primarily the result of an increase in loans receivable, net of reserves, of $5,091, a decrease in the current liabilities of discontinued operations of $2,616, a decrease in the current portion of term loans net of debt discount of $1,081, and a decrease in deferred revenue of $2,675. These changes were partially offset by a decrease in the current assets of discontinued operations of $5,931.

On or prior to May 31, 2019, the Company has obligations relating to the payment of indebtedness on term loans and notes to related parties of $10,201 and $532, respectively. The Company anticipates meeting its cash obligations on indebtedness that is payable on or prior to May 31, 2019 from earnings from operations, the sale of certain operating assets or businesses and from the proceeds of additional indebtedness or equity raises. If the Company is not successful in obtaining additional financing when required, the Company expects that it will be able to renegotiate and extend certain of its notes payable as required to enable it to meet its remaining debt obligations as they become due, although there can be no assurance that the Company will be able to do so.

The Company's future capital requirements for its operations will depend on many factors, including the profitability of its businesses, the number and cash requirements of other acquisition candidates that the Company pursues, and the costs of operations. The Company's management has taken several actions to ensure that it will have sufficient liquidity to meet its obligations, including the reduction of certain general and administrative expenses, consulting expenses and other professional services fees. Additionally, if the Company's actual revenues are less than forecasted, the Company anticipates implementing headcount reductions to a level that more appropriately matches then-current revenue and expense levels. The Company is evaluating other measures to further improve its liquidity, including the sale of certain operating assets or businesses, the sale of equity or debt securities and entering into joint ventures with third parties. Lastly, the Company may elect to reduce certain related-party and third-party debt by converting such debt into common shares. The Company's management believes that these actions will enable the Company to meet its liquidity requirements through May 31, 2019. There is no assurance that the Company will be successful in any capital-raising efforts that it may undertake to fund operations over the next 12 months.

The Company plans to generate positive cash flow from its operating subsidiaries. However, to execute the Company's business plan, service existing indebtedness and implement its business strategy, the Company anticipates that it will need to obtain additional financing from time to time and may choose to raise additional funds through public or private equity or debt financings, a bank line of credit, borrowings from affiliates or other arrangements. The Company cannot be sure that any additional funding, if needed, will be available on terms favorable to the Company or at all. Furthermore, any additional capital raised through the sale of equity or equity-linked securities may dilute the Company's current stockholders' ownership and could also result in a decrease in the market price of the Company's common stock. The terms of any securities issued by the Company in future capital transactions may be more favorable to new investors and may include the issuance of warrants or other derivative securities, which may have a further dilutive effect. The Company also may be required to recognize non-cash expenses in connection with certain securities it issues, such as convertible notes and warrants, which may adversely impact the Company's financial condition. Furthermore, any debt financing, if available, may subject the Company to restrictive covenants and significant interest costs. There can be no assurance that the Company will be able to raise additional capital, when needed, to continue operations in their current form.

3. DISPOSALS OF SUBSIDIARIES

On February 27, 2018, the Company sold the ADEX Entities for $3,000 in cash plus a one-year convertible promissory note in the aggregate principal amount of $2,000 (refer to Note 4, Loans Receivable, for further detail). $2,500 in cash was received at closing, with $500 to be retained by the buyer for 90 days, of which $250 has been received. $1,000 of the $2,500 in cash received at closing was applied to the repayment of the Company's indebtedness to JGB Concord, with an additional $900 in cash placed in an escrow account controlled by JGB Concord, to be released to the Company if certain conditions are met.

As a result of the sale, the operations of the ADEX Entities are included in discontinued operations as of March 31, 2018 and December 31, 2017, and for the periods ending March 31, 2018 and 2017 (refer to Note 15, Discontinued Operations, for further detail).

4. LOANS RECEIVABLE

Loans receivable as of March 31, 2018 and December 31, 2017 consisted of the following:

	March 31, 2018	December 31, 2017
Loans to employees, net of reserves of $924, due December 2018	$ -	$ 4
Fair value of convertible loan receivable from Spectrum Global Solutions, Inc., matured April 2018	$ 3,718	$ 3,613
Fair value of convertible loan receivable from Spectrum Global Solutions, Inc., due March 2019	$ 4,188	$ -
Fair value of convertible loan receivable from Spectrum Global Solutions, Inc., due August 2019	$ 802	$ -
Loans receivable	$ 8,708	$ 3,617

Loans to employees

Loans to employees bore interest at rates between 2% and 3% per annum. As of December 31, 2017, the value of the collateral was below the value of the outstanding loans to employees. As a result, the Company recorded a reserve of $924 on the balance of loans to employees as of December 31, 2017. As of March 31, 2018, the balance in loans to employees was $0.

Spectrum Global Solutions, Inc. April 25, 2017 convertible note receivable

On April 25, 2017, the Company sold 80.1% of the assets associated with its AWS Entities subsidiaries. In connection with the sale, the Company received from the buyer a one-year convertible promissory note in the principal amount of $2,000. This note accrues interest at a rate of 8% per annum. The interest income associated with this loan receivable during the year ended December 31, 2017 amounted to $69. This note is convertible into shares of common stock of the buyer at a conversion price per share equal to 75% of the lowest VWAP during the fifteen (15) trading days immediately prior to the conversion date.

The Company evaluated the convertible note's settlement provisions and elected the fair value option afforded in ASC 825, Financial Instruments, to value this instrument. Under such election, the loan receivable is measured initially and subsequently at fair value, with any changes in the fair value of the instrument being recorded in the consolidated financial statements as a change in fair value of derivative instruments. The Company estimates the fair value of this instrument by first estimating the fair value of the straight debt portion, excluding the embedded conversion option, using a discounted cash flow model. The Company then estimates the fair value of the embedded conversion option using a Monte Carlo simulation. The sum of these two valuations is the fair value of the loan receivable. On April 25, 2017, the Company used the discounted cash flow method to value the straight debt portion of the convertible note and determined the fair value to be $1,057, and used a Monte Carlo simulation to value the settlement features of the convertible note and determined the fair value to be $1,174. The total fair value of $2,231 was recorded in the consolidated balance sheet.

On December 22, 2017, the Company assigned $105 of the note receivable to RDW Capital LLC in exchange for cash of $100.

On March 2, 2018, the Company assigned $105 of the note receivable to RDW Capital LLC in exchange for cash of $100.

On March 9, 2018, the Company assigned $105 of the note receivable to RDW Capital LLC in exchange for cash of $100.

On March 31, 2018 and December 31, 2017, the Company used the discounted cash flow method to value the straight debt portion of the convertible note and determined the fair value to be $1,769 and $1,650, respectively, and used a Monte Carlo simulation to value the settlement features of the convertible note and determined the fair value to be $1,949 and $1,963, respectively. The total fair value of $3,718 and $3,613 was included in loans receivable on the unaudited condensed consolidated balance sheet as of March 31, 2018 and December 31, 2017, respectively. The Company recorded the change in fair value as a gain of $315 on the unaudited condensed consolidated statement of operations for the three months ended March 31, 2018.

On April 25, 2018 the note matured and is now due on demand.

The fair value of the note receivable as of March 31, 2018 and December 31, 2017 was calculated using the discounted cash flow method and a Monte Carlo simulation with the following factors, assumptions and methodologies:

	March 31, 2018	**December 31, 2017**
Principal amount and guaranteed interest	$ 1,685	$ 2,005
Conversion price per share	*	*
Conversion trigger price per share	None	None
Risk free rate	1.63%	1.39%
Life of conversion feature (in years)	0.07	0.32
Volatility	333%	272%

* The conversion price per share is equal to 75% of the lowest VWAP during the fifteen trading days immediately prior to the conversion date.

Spectrum Global Solutions, Inc. February 27, 2018 convertible note receivable

On February 27, 2018, the Company sold the ADEX Entities for $3,000 in cash plus a one-year convertible promissory note in the aggregate principal amount of $2,000. The convertible promissory note accrues interest at a rate of 6% per annum and is due on March 27, 2019. The note is convertible into shares of common stock of the buyer at a conversion price per share equal to 75% of the lowest VWAP during the fifteen (15) trading days immediately prior to the conversion date. The conversion price has a floor of $0.005 per share. The floor is removed in the event of a default.

The Company evaluated the convertible note's settlement provisions and elected the fair value option afforded in ASC 825, Financial Instruments, to value this instrument. Under such election, the loan receivable is measured initially and subsequently at fair value, with any changes in the fair value of the instrument being recorded in the consolidated financial statements as a change in fair value of derivative instruments. The Company estimates the fair value of this instrument by first estimating the fair value of the straight debt portion, excluding the embedded conversion option, using a discounted cash flow model. The Company then estimates the fair value of the embedded conversion option using a Monte Carlo simulation. The sum of these two valuations is the fair value of the loan receivable. On February 27, 2018, the Company used the discounted cash flow method to value the straight debt portion of the convertible note and determined the fair value to be $1,361, and used a Monte Carlo simulation to value the settlement features of the convertible note and determined the fair value to be $2,455. The total fair value of $3,816 was recorded in the consolidated balance sheet.

On March 31, 2018, the Company used the discounted cash flow method to value the straight debt portion of the convertible note and determined the fair value to be $1,412, and used a Monte Carlo simulation to value the settlement features of the convertible note and determined the fair value to be $2,776. The total fair value of $4,188 was included in loans receivable on the unaudited condensed consolidated balance sheet as of March 31, 2018. The Company recorded the change in fair value as a gain of $372 on the unaudited condensed consolidated statement of operations for the three months ended March 31, 2018.

The fair value of the note receivable as of March 31, 2018 was calculated using the discounted cash flow method and a Monte Carlo simulation with the following factors, assumptions and methodologies:

	March 31, 2018
Principal amount and guaranteed interest	$ 2,011
Conversion price per share	*
Conversion trigger price per share	None
Risk free rate	2.09%
Life of conversion feature (in years)	0.99
Volatility	221%

* The conversion price per share is equal to 75% of the lowest VWAP during the fifteen trading days immediately prior to the conversion date, with a floor of $0.005 per share.

Spectrum Global Solutions, Inc. February 16, 2018 convertible promissory note

On February 16, 2018, the Company settled the potential earn-out with the buyer of the AWS Entities, Spectrum. The Company received from Spectrum a convertible promissory note in the principal amount of $794. The convertible promissory note accrues interest at a rate of 1% per annum and is due on August 16, 2019. The note is convertible into shares of common stock of the buyer at a conversion price per share equal to 80% of the lowest VWAP over the five (5) trading days immediately prior to, but not including, the conversion date.

The Company evaluated the convertible note's settlement provisions and elected the fair value option afforded in ASC 825, Financial Instruments, to value this instrument. Under such election, the loan receivable is measured initially and subsequently at fair value, with any changes in the fair value of the instrument being recorded in the consolidated financial statements as a change in fair value of derivative instruments. The Company estimates the fair value of this instrument by first estimating the fair value of the straight debt portion, excluding the embedded conversion option, using a discounted cash flow model. The Company then estimates the fair value of the embedded conversion option using a Monte Carlo simulation. The sum of these two valuations is the fair value of the loan receivable. On February 16, 2018, the Company used the discounted cash flow method to value the straight debt portion of the convertible note and determined the fair value to be $433, and used a Monte Carlo simulation to value the settlement features of the convertible note and determined the fair value to be $348. The total fair value of $781 was recorded in the consolidated balance sheet.

On March 31, 2018, the Company used the discounted cash flow method to value the straight debt portion of the convertible note and determined the fair value to be $455, and used a Monte Carlo simulation to value the settlement features of the convertible note and determined the fair value to be $347. The total fair value of $802 was included in loans receivable on the unaudited condensed consolidated balance sheet as of March 31, 2018. The Company recorded the change in fair value as a gain of $21 on the unaudited condensed consolidated statement of operations for the three months ended March 31, 2018.

The fair value of the working capital note receivable as of March 31, 2018 was calculated using the discounted cash flow method and a Monte Carlo simulation with the following factors, assumptions and methodologies:

	March 31, 2018
Principal amount and guaranteed interest	$ 795
Conversion price per share	*
Conversion trigger price per share	None
Risk free rate	2.09%
Life of conversion feature (in years)	1.38
Volatility	209%

* The conversion price per share is equal to 80% of the lowest VWAP during the five trading days immediately prior to the conversion date.

5. PROPERTY AND EQUIPMENT, NET

Property and equipment as of March 31, 2018 and December 31, 2017 consisted of the following:

	March 31, 2018	December 31, 2017
Vehicles	$ 646	$ 646
Computers and Office Equipment	93	93
Equipment	170	170
Total	909	909
Less accumulated depreciation	(878)	(871)
Property and equipment, net	$ 31	$ 38

Depreciation expense for the three months ended March 31, 2018 and 2017 was $7 and $37, respectively.

6. INTANGIBLE ASSETS

Intangible Assets

The following table summarizes the Company's intangible assets as of March 31, 2018 and December 31, 2017:

		March 31, 2018					
	Estimated Useful Life	Beginning Net Book Value	Additions	Amortization	Impairment Charge	Disposals	Ending Net Book Value	Accumulated Amortization
Customer relationship and lists	7-10 yrs	$ 991	$ -	$ (51)	$ -	$ -	$ 940	$ (1,234)
Trade names	Indefinite	314	-	-	-	-	314	-
Total intangible assets		$ 1,305	$ -	$ (51)	$ -	$ -	$ 1,254	$ (1,234)

		December 31, 2017						
	Estimated Useful Life	Beginning Net Book Value	Additions	Amortization	Impairment Charge	Disposals	Ending Net Book Value	Accumulated Amortization
Customer relationship and lists	7-10 yrs	$ 3,238	$ -	$ (277)	$ (69)	$ (1,901)	$ 991	$ (1,183)
URL's	Indefinite	5	-		(5)	-	-	-
Trade names	Indefinite	1,410	-	-	(165)	(931)	314	-
Total intangible assets		$ 4,653	$ -	$ (277)	$ (239)	$ (2,832)	$ 1,305	$ (1,183)

Amortization expense related to the identifiable intangible assets was $51 and $150 for the three months ended March 31, 2018 and 2017, respectively.

7. BANK DEBT

Bank debt as of March 31, 2018 and December 31, 2017 consisted of the following:

	March 31, 2018	December 31, 2017
Two lines of credit, monthly principal and interest, ranging from $0 to $1, average interest of 14.2%, guaranteed personally by principal shareholders of acquired companies, maturing July 2018	$ 103	$ 103
Equipment finance agreement, monthly principal of $1, maturing February 2020	9	11
	$ 112	$ 114
Less: Current portion of bank debt	(112)	(114)
Long-term portion of bank debt	$ -	$ -

The interest expense associated with the bank debt during the three months ended March 31, 2018 and 2017 amounted to $6 and $3, respectively. There are no financial covenants associated with the bank debt.

8. TERM LOANS

Term loans as of March 31, 2018 and December 31, 2017 consisted of the following:

	March 31, 2018	December 31, 2017
Former owners of RM Leasing, unsecured, non-interest bearing, due on demand	$ 2	$ 2
London Bay - VL Holding Company, LLC convertible promissory note, unsecured, 0% and 8.8% interest, respectively, maturing in October 2018	1,403	1,403
WV VL Holding Corp convertible promissory note, unsecured, 0% and 8.8% interest, respectively, maturing in October 2018	2,005	2,005
Senior secured convertible debenture, JGB (Cayman) Waltham Ltd., bearing interest of 4.67%, maturing in May 2019	1,615	3,091
Senior secured convertible note, JGB (Cayman) Concord Ltd., bearing interest at 4.67%, maturing in May 2019	11	11
Senior secured note, JGB (Cayman) Waltham Ltd., bearing interest at 4.67%, maturing in May 2019	105	294
6% senior convertible term promissory note, unsecured, Dominion Capital, matured on January 31, 2018, net of debt discount of $0 and $1, respectively	50	69
12% senior convertible note, unsecured, Dominion Capital, matured in November 2017	-	75
Promissory note issued to Trinity Hall, 3% interest, unsecured, matured in January 2018	500	500
9.9% convertible promissory note, RDW Capital LLC. July 14, 2017 Note, maturing on July 14, 2018, net of debt discount of $0 and $74, respectively	-	81
9.9% convertible promissory note, RDW Capital LLC. September 27, 2017 Note, maturing on September 27, 2018, net of debt discount of $61 and $91, respectively	94	64
9.9% convertible promissory note, RDW Capital LLC. October 12, 2017 Note, maturing on October 12, 2018	133	133
9.9% convertible promissory note, RDW Capital LLC. December 8, 2017 Note, maturing on December 8, 2018	330	480
Promissory notes issued to Forward Investments, LLC, between 2% and 10% interest, matured on July 1, 2016, unsecured	1,421	1,421
Promissory notes issued to Forward Investments, LLC, 3% interest, matured on January 1, 2018, unsecured	1,752	1,752
Promissory notes issued to Forward Investments, LLC, 6.5% interest, matured on July 1, 2016, unsecured	390	390
Promissory note to Tim Hannibal, 8% interest, matured on January 9, 2018, unsecured	300	300
Promissory note issued to SCS LLC, 12% interest, due on February 27, 2019, unsecured, net of debt discount of $60	90	-
	10,201	12,071
Less: Current portion of term loans	(9,932)	(11,013)
Long-term portion term loans, net of debt discount	$ 269	$ 1,058

The interest expense, including amortization of debt discounts, associated with the term loans payable in the quarters ended March 31, 2018 and 2017 amounted to $417 and $3,579, respectively.

With the exception of the note outstanding to the former owner of RM Leasing, all term loans are subordinate to the JGB (Cayman) Waltham Ltd. And JGB (Cayman) Concord Ltd. Notes, which are guaranteed by all assets of the Company.

Term Loan – 8% Convertible Promissory Notes

Effective as of October 9, 2014, the Company consummated the acquisition of all of the outstanding membership interests of VaultLogix and its affiliated entities for an aggregate purchase price of $36,796. The purchase price for the acquisition was payable to the sellers as follows: (i) $16,385 in cash, (ii) 2,522 shares of the Company's common stock and (iii) $15,626 in unsecured convertible promissory notes. The closing payments were subject to customary working capital adjustments.

The promissory notes accrued interest at a rate of 8% per annum, and all principal and interest accrued under the promissory notes was payable on October 9, 2017. The promissory notes were convertible into shares of the Company's common stock at a conversion price equal to $2,548.00 per share.

On July 18, 2017, the holder of the promissory note in the principal amount of $1,215 assigned the full outstanding amount of the note to a third party, RDW Capital, LLC ("RDW") (refer to the "Assignment of Tim Hannibal Note - RDW July 18, 2017 2.5% Convertible Promissory Note" section of this note for further detail). The promissory note were subsequently cancelled when exchanged for new promissory notes of the Company.

During November 2017, the holders of the promissory notes in the principal amounts of $7,408 and $7,003, respectively, converted $5,405 and $4,998 of principal, respectively, into shares of the Company's Series K preferred stock (refer to Note 14, Preferred Stock, for further detail). As a result of this conversion, the original notes were amended, with new principal amounts of $2,003 and $2,005, respectively (refer to the "London Bay – VL Holding Company LLC November 17, 2017 Amendment" and "WV VL Holding Corp November 17, 2017 Amendment" sections of this note for further detail).

London Bay – VL Holding Company LLC November 17, 2017 Amendment

On November 17, 2017, the Company amended a convertible promissory note originally issued to London Bay – VL Holding Company LLC on October 9, 2014. The amendment extended the maturity date to October 9, 2018. The amended note is in the principal amount of $2,003 and does not accrue interest. The note is convertible at 95% of the average of the three lowest prices during the 5 days preceding conversion (refer to Note 9, Derivative Instruments, for further detail on the derivative features associated with the amended note).

On December 8, 2017, the holder of the amended note assigned $600 of principal to RDW Capital LLC (refer to the "RDW December 8, 2017 9.9% Convertible Promissory Note" section of this note for further detail).

During the three months ended March 31, 2018, the investor who holds the amended note did not convert any principal or accrued interest into shares of the Company's common stock.

WV VL Holding Corp November 17, 2017 Amendment

On November 17, 2017, the Company amended a convertible promissory note originally issued to WV VL Holding Corp on October 9, 2014. The amendment extended the maturity date to October 9, 2018. The amended note is in the principal amount of $2,005 and does not accrue interest. The note is convertible at 95% of the average of the three lowest prices during the 5 days preceding conversion (refer to Note 9, Derivative Instruments, for further detail on the derivative features associated with the amended note).

During the three months ended March 31, 2018, the investor who holds the amended note did not convert any principal or accrued interest into shares of the Company's common stock.

Term Loan – Dominion Capital LLC August 6, 2015 Senior Convertible Note

On August 6, 2015, the Company entered into a senior convertible note agreement with the investor whereby the Company issued a promissory note in the original principal amount of $2,105, with interest accruing at the rate of 12% per annum, which matured on January 6, 2017. At the election of the investor, the note was convertible into shares of the Company's common stock at a conversion price equal to $800.00 per share, subject to adjustment as set forth in the agreement. The investor may have elected to have the Company redeem the senior convertible note upon the occurrence of certain events, including the Company's completion of a $10,000 underwritten offering of the Company's common stock. Refer to Note 9, Derivative Instruments, for further detail on the derivative features associated with the August 6, 2015 convertible note.

The August 6, 2015 senior convertible note matured on January 6, 2017 and was due on demand.

During the three months ended March 31, 2017, the investor who held the August 6, 2015 senior convertible note converted the remaining principal outstanding of $1,199 into shares of the Company's common stock.

Term Loan – Dominion Capital LLC September 15, 2016 Promissory Note and November 4, 2016 Exchange Agreement

On September 15, 2016, the Company received cash proceeds of $500, from the sale of a term promissory note. The term promissory note originally had a maturity date of November 4, 2016 and can be paid in either cash or common stock at the option of the lender. Interest accrued at the rate of 12% per annum. The note was redeemable at any time prior to maturity at an amount equal to 110% of the outstanding principal amount plus any accrued and unpaid interest on the note. The redemption premium (10%) could be paid in cash or common stock at the option of the Company.

On November 4, 2016, the Company entered into an exchange agreement with the holder of the September 15, 2016 term promissory note. The principal amount was increased by $40 to $540, which included a debt discount of $101, and the note became convertible into shares of the Company's common stock. The maturity date of the note was extended from November 4, 2016 to November 4, 2017. Interest accrued at the rate of 12% per annum. The amended note had monthly amortization payments of $86 beginning on May 4, 2017 and ending on the maturity date. These monthly amortization payments could be offset by monthly conversions. The note was convertible at the lower of (i) $4.00, or (ii) 75% of the lowest VWAP day for the 15 days prior to the conversion date. In accordance with ASC Topic 470-50, the Company recorded a loss on extinguishment of $146 in the consolidated statement of operations for the year ended December 31, 2016. Refer to Note 9, Derivative Instruments, for further detail on the derivative features associated with the November 4, 2016 convertible note.

The note matured on November 4, 2017 and was due on demand.

During the three months ended March 31, 2018, the holder of the November 4, 2016 promissory note converted $78 of principal and accrued interest into shares of the Company's common stock (refer to Note 11, Stockholders' Deficit, for further information). As a result of these conversions, the balance of the note was $0 as of March 31, 2018. The Company recorded a loss on extinguishment of debt of $45 in the unaudited condensed consolidated statement of operations for the three months ended March 31, 2018. During the three months ended March 31, 2017, the holder of the November 4, 2016 promissory note did not convert any principal or accrued interest into shares of the Company's common stock.

Term Loan - Dominion Capital LLC January 31, 2017 Senior Convertible Promissory Note

On January 31, 2017, the Company entered into a senior convertible promissory note with Dominion Capital, LLC in the original principal amount of $70, with interest accruing at the rate of 6% per annum, which matures on January 31, 2018. The note is convertible at 70% of the lowest VWAP in the 15 trading days prior to the conversion date. Refer to Note 9, Derivative Instruments, for further detail on the derivative features associated with the January 31, 2017 convertible note.

During the three months ended March 31, 2018, the holder of the January 31, 2017 promissory note converted $20 of principal into shares of the Company's common stock (refer to Note 11, Stockholders' Deficit, for further information). As a result of these conversions, the Company recorded a loss on extinguishment of debt of $17 in the unaudited condensed consolidated statement of operations for the three months ended March 31, 2018. During the three months ended March 31, 2017, the holder of the January 31, 2017 promissory note did not convert any principal or accrued interest into shares of the Company's common stock.

Richard Smithline Senior Convertible Note

On August 6, 2015, the Company issued to Richard Smithline a senior convertible note in the principal amount of $526, with interest accruing at the rate of 12% per annum, which matured on January 11, 2017. The note was convertible into shares of the Company's common stock at a conversion price equal to the lesser of $125.00 or 75% of the average daily VWAP for the five (5) trading days prior to the conversion date. Refer to Note 9, Derivative Instruments, for further detail on the derivative features associated with the Richard Smithline Senior Convertible Note.

Pursuant to the Smithline senior convertible note, the Company was required to meet current public information requirements under Rule 144 of the Securities Act of 1933, which it had failed to do prior to June 30, 2016. Thus, on July 20, 2016, the Company agreed to add $55 to the principal amount of the Smithline senior convertible note as of July 1, 2016 and the investor waived its right to call an event of default under the note with respect to the Company's failure to meet the public information requirement for the period ending June 30, 2016. On September 1, 2016, the Company agreed to add $97 to the principal amount of the Smithline senior convertible note as of the date of its last monthly amortization to compensate the investor for certain damages relating to noncompliance with certain provisions of the senior convertible note. In accordance with ASC Topic 470-50, the Company recorded a loss on extinguishment of debt of $167 during the year ended December 31, 2016.

The Smithline senior convertible note matured on January 11, 2017 and was due on demand.

During the year ended December 31, 2017, the investor who held the Smithline senior convertible note converted the remaining principal outstanding of $363 into shares of the Company's common stock.

JGB (Cayman) Waltham Ltd. Senior Secured Convertible Debenture

On December 29, 2015, the Company entered into a securities purchase agreement with JGB (Cayman) Waltham Ltd. ("JGB Waltham") whereby the Company issued to JGB Waltham, for gross proceeds of $7,500, a $500 original issue discount senior secured convertible debenture in the principal amount of $7,500. The debenture had a maturity date of June 30, 2017, bore interest at 10% per annum, and was convertible into shares of the Company's common stock at a conversion price equal to $532.00 per share, subject to adjustment as set forth in the debenture. The Company was required to pay interest to JGB Waltham on the aggregate unconverted and then outstanding principal amount of the debenture in arrears each calendar month and on the maturity date in cash, or, at the Company's option and subject to the Company satisfying certain equity conditions, in shares of the Company's common stock. In addition, December 29, 2016 was an interest payment date on which the Company was to pay to JGB Waltham a fixed amount, as additional interest under the debenture an amount equal to $350 in cash, shares of the Company's common stock or a combination thereof. Commencing on February 29, 2016, JGB Waltham had the right, at its option, to require the Company to redeem up to $350 of the outstanding principal amount of the debenture per calendar month, which redemption could have been made in cash or, at the Company's option and subject to satisfying certain equity conditions, in shares of the Company's common stock. The debenture was guaranteed by the Company and certain of its subsidiaries and was secured by all assets of the Company. The total cash received by the Company as a result of this agreement was $3,730.

On May 17, 2016, the Company entered into a Forbearance and Amendment Agreement (the "Debenture Forbearance Agreement") with JGB Waltham pursuant to which JGB Waltham agreed to forbear action with respect to certain existing defaults in accordance with the terms of the Debenture Forbearance Agreement. The defaults, which were not monetary in nature, related to the Company's inability to timely file its Annual Report on Form 10-K for the fiscal year ended December 31, 2015.

In connection with the execution of the Debenture Forbearance Agreement, the Company issued to JGB Waltham an amended and restated senior secured convertible debenture (the "Amended and Restated Debenture"), which amended the original 10% senior secured convertible debenture issued to JGB Waltham on December 29, 2015 by: (i) reducing the conversion price at which the original debenture converts into shares of the Company's common stock; and (ii) eliminating the provisions that provided for (A) the issuance of common stock at a discount to the market price of the common stock and (B) certain anti-dilution protections.

The Amended and Restated Debenture was issued in the principal amount of $7,500, has a maturity date of May 31, 2019, bears interest at 0.67% per annum, and is convertible into shares of the Company's common stock at a fixed conversion price equal to $320.00 per share, subject to equitable adjustments as set forth in the Amended and Restated Debenture. The Company shall pay interest to JGB Waltham on the aggregate unconverted and then outstanding principal amount of the Amended and Restated Debenture, payable monthly in arrears as of the last trading day of each calendar month and on May 31, 2019, in cash. In addition, the Company shall pay JGB Waltham an additional amount equal to 7.5% of the outstanding principal amount on the Amended and Restated Debenture on each of May 31, 2018 and May 31, 2019, subject to certain exceptions set forth in the Amended and Restated Debenture. JGB Waltham has the right, at its option, to require the Company to redeem up to $169 of the outstanding principal amount of the Amended and Restated Debenture plus the then-accrued and unpaid interest thereon each calendar month, in cash. The Amended and Restated Debenture contains standard events of default.

In connection with the execution of the Debenture Forbearance Agreement, the Company issued to JGB Waltham a senior secured note (the "2.7 Note"), dated May 17, 2016, in the principal amount of $2,745 that matures on May 31, 2019, bears interest at 0.67% per annum and contains standard events of default.

The Company accounted for the Debenture Forbearance Agreement in accordance with ASC Topic 470-50. In accordance with ASC Topic 470-50, the Company extinguished the December 29, 2015 senior secured convertible debenture in the then-current principal amount of $6,100 and recorded a new senior secured convertible debenture at its new fair value of $3,529 on the consolidated balance sheet as of May 17, 2016. As a result of the extinguishment, the Company recorded a loss on extinguishment of debt of $1,457 on the consolidated statement of operations as of May 17, 2016. In addition, the Company re-valued the derivative features associated with the December 29, 2015 senior secured convertible debenture. Refer to Note 9, Derivative Instruments, for additional information on this transaction.

On May 23, 2016, the Company entered into an amended agreement with JGB Concord, JGB Waltham, VaultLogix, and the Guarantors thereto (the "Amended Agreement") pursuant to which (i) JGB Concord permitted the Company to withdraw $172 from the Blocked Account (as defined in the original debenture), and (ii) JGB Concord permitted the Company to withdraw $328 from the Deposit Account (as defined in the original note) and, in exchange for the foregoing, (i) VaultLogix guaranteed the obligations of, and provide security for, the Amended and Restated Debenture and the 2.7 Note, (ii) the Company's subsidiaries guaranteed all indebtedness due to JGB Concord under the Amended and Restated Note and 5.2 Note, and (iii) the Company and its subsidiaries pledged their assets as security for all obligations owed to JGB Concord under the Amended and Restated Note and the 5.2 Note in accordance with the terms of an Additional Debtor Joinder, dated May 23, 2016, pursuant to which the Company and each additional party thereto agreed to be bound by the terms of that certain Security Agreement, dated as of February 18, 2016, made by VaultLogix in favor of the secured party thereto (the "February Security Agreement"). In addition, the interest rates on the Amended and Restated Note and the 5.2 Note were amended from 0.67% per annum to 1.67% per annum.

The Company accounted for this Amended Agreement in accordance with ASC Topic 470-50. In accordance with ASC Topic 470-50, the Company accounted for the Amended Agreement as a debt modification and adjusted the fair value of the associated derivative liabilities to its fair value as of May 23, 2016. Refer to Note 9, Derivative Instruments, for additional information on this transaction.

On June 23, 2016, the Company entered into an amendment agreement with JGB Concord and JGB Waltham pursuant to which, (i) JGB Waltham and JGB Concord released to the Company an aggregate of $1,500 from the Deposit Account (as defined in the original note). Upon the release of the funds (i) the JGB Waltham senior secured convertible debenture (the "December Debenture") was amended to increase the Applicable Interest Rate (as defined in the original note) by 3.0% effective on July 1, 2016; (ii) the December Debenture was amended to increase the annual rate of interest by 3.0% effective on July 1, 2016; (iii) the JGB Concord senior secured convertible note (the "February Convertible Note") was amended to increase the Applicable Interest Rate (as defined in the original February Convertible Note) by 3.0%, effective on July 1, 2016; and (iv) the February Note was amended to increase the annual rate of interest by 3.0%, effective on July 1, 2016. After giving effect to the foregoing annual rate of interest on each December Debenture and February Convertible Note as of July 1, 2016, was 4.67%. As additional consideration for the release of the funds, the Company issued 2,250 shares of the Company's common stock on June 23, 2016 to JGB Concord.

The Company accounted for the June 23, 2016 amendment agreement in accordance with ASC Topic 470-50. In accordance with ASC Topic 470-50, the Company extinguished the May 17, 2016 Debenture Forbearance Agreement in the principal amount of $6,100 and recorded on the balance sheet as of June 23, 2016 a new senior secured convertible debenture at its new fair value of $4,094. As a result of the extinguishment, the Company recorded a loss on extinguishment of debt of $483 on the consolidated statement of operations as of June 23, 2016. In addition, the Company re-valued the derivative features associated with the May 17, 2016 Debenture Forbearance Agreement. Refer to Note 9, Derivative Instruments, for additional information on this transaction.

On September 1, 2016, the Company entered into an Amendment Agreement with JGB Concord and JGB Waltham pursuant to which, JGB Waltham and JGB Concord (i) waived certain covenant violations and defaults, (ii) agreed to a specified application of the Cash Collateral (as defined in the Amendment Agreement) in partial satisfaction of the obligations owed under the December Debenture, the 2.7 Note, and the February Convertible Note, and in full satisfaction of the 5.2 Note, and (iii) certain provisions of the December Debenture, the 2.7 Note, and the February Convertible Note be amended.

The Company also (i) issued warrants, with an expiration date of December 31, 2017, to purchase 2,500 shares of the Company's common stock at an exercise price of $4.00 per share, (ii) issued warrants, with an expiration date of December 31, 2017, to purchase 8,750 shares of common stock at an exercise price of $40.00 per share ((i) and (ii), the "JGB Warrants"). The Company determined that the fair value of the JGB Warrants was $972, which is included in common stock warrants within the stockholders' deficit section on the consolidated balance sheet as of December 31, 2016. As of March 31, 2017, these warrants were reclassified to a liability account (refer to Note 9, Derivative Instruments, for further detail).

In connection with the execution of the September 1, 2016 Amendment Agreement, the Company issued to JGB Waltham the Third Amended and Restated Senior Secured Convertible Debenture (the "Amended and Restated Debenture"), in order to, among other things, amend the December Debenture to (i) provide that the Company may prepay such debenture upon prior notice at a 10% premium, (ii) modify the conversion price at which such debenture converts into common stock from a fixed price of $320.00 to the lowest of (a) $81.72 per share, (b) 80% of the average VWAPs (as defined in the Amended and Restated Debenture) for each of the five consecutive trading days immediately prior to the applicable conversion, and (c) 85% of the VWAP (as defined in the Amended and Restated Debenture) for the trading day immediately preceding the applicable conversion (the "Conversion Price"), and (iii) eliminate three additional 7.5% payments due to JGB Waltham in 2017, 2018 and 2019, as per such debenture. Further, in connection with the execution of the Amendment Agreement, the Company executed the Amended and Restated Senior Secured Note (the "Amended and Restated 2.7 Note"), in order to, among other things, amend the 2.7 Note to provide that JGB Waltham may convert such note into shares of common stock at the applicable Conversion Price at any time and from time to time. Refer to Note 9, Derivative Instruments, for further detail on the Company's accounting for the Amended and Restated 2.7 Note.

The Company accounted for the September 1, 2016 amendment agreement in accordance with ASC Topic 470-50. Because of the extinguishment, the Company recorded a loss on extinguishment of debt of $274 on the consolidated statement of operations as of September 1, 2016. In addition, the Company re-valued the derivative features. Refer to Note 9, Derivative Instruments, for additional information on this transaction.

On February 28, 2017, the Company entered into a consent agreement with JGB Waltham and JGB Concord in order to, among other things, (i) obtain the consent of JGB Waltham and JGB Concord to the Highwire Asset Purchase Agreement ("APA"); (ii) amend the conversion price of the JGB Waltham Debenture, JGB Waltham 2.7 Note, and the JGB Concord Debenture to the lower of (a) $16.00 per share and (b) 80% of the lowest daily VWAP (as defined in the Debenture) for the 30 consecutive trading days immediately prior to the applicable conversion; (iii) apply $3,625 of the purchase price received in connection with the APA to payments to JGB Waltham and JGB Concord in respect of the convertible note, as more particularly set forth in the consent.

The Company accounted for the amended conversion price in accordance with ASC Topic 470-50. Because of the extinguishment, the Company recorded a loss on extinguishment of debt related to the JGB Waltham debenture and the JGB Waltham 2.7 Note of $389 and $35, respectively, on the consolidated statement of operations for the year ended December 31, 2017. In addition, the Company re-valued the derivative features (refer to Note 9, Derivative Instruments, for additional information on this transaction).

On March 9, 2017, JGB Waltham, the Company, and a third-party investor effectuated a two-part exchange with respect to a portion of the Amended and Restated Debenture in which JGB Waltham assigned a portion of its interest in the Amended and Restated Debenture (the "Assigned Debt") to MEF I, L.P. pursuant to an Assignment and Assumption Agreement, dated as of March 9, 2017. Simultaneously therewith, the Company, entered into an Exchange Agreement, dated as of March 9, 2017 (the "Exchange Agreement"), pursuant to which the Company issued to MEF I, L.P. a 4.67% Convertible Promissory Note, dated as of March 9, 2017, in the principal amount of $550 (the "Exchange Note") (refer to MEF I, L.P. section below for additional details).

The Company accounted for the assignment of debt in accordance with ASC Topic 470-50. Because of the extinguishment, the Company recorded a loss on extinguishment of debt of $676 on the consolidated statement of operations for the year ended December 31, 2017. In addition, the Company re-valued the derivative features (refer to Note 9, Derivative Instruments, for additional information on this transaction).

During the year ended December 31, 2017, the Company made cash payments for principal and interest on the JGB Waltham December Debenture of $932 and $224, respectively. Of the $224 of interest paid, $18 was from proceeds of the sale of the Company's Highwire division.

During the three months ended March 31, 2018, the Company made cash payments for principal and interest on the JGB Waltham December Debenture of $1,207 and $35, respectively.

During the year ended December 31, 2017, the Company made cash payments for principal and interest on the JGB Waltham 2.7 Note of $298 and $20, respectively. Of the $20 of interest paid, $2 was from proceeds of the sale of the Company's Highwire division.

During the three months ended March 31, 2018, the Company made cash payments for principal and interest on the JGB Waltham 2.7 Note of $189 and $1, respectively.

During the three months ended March 31, 2018, JGB Waltham converted $271 of principal and accrued interest into shares of the Company's common stock. As a result of these conversions, the Company recorded a loss on extinguishment of debt of $102 in the unaudited condensed consolidated statement of operations for the three months ended March 31, 2018. During the year ended December 31, 2017, JGB Waltham converted $511 of principal and accrued interest into shares of the Company's common stock. As a result of these conversions, the Company recorded a loss on extinguishment of debt of $636 in the consolidated statement of operations for the year ended December 31, 2017.

Principal of $1,615 and $3,091 related to the JGB Waltham December Debenture remained outstanding as of March 31, 2018 and December 31, 2017, respectively. Principal of $105 and $294 related to the JGB Waltham 2.7 Note remained outstanding as of March 31, 2018 and December 31, 2017, respectively.

JGB (Cayman) Concord Ltd. Senior Secured Convertible Note

On February 17, 2016, the Company entered into a securities exchange agreement with VaultLogix and JGB (Cayman) Concord Ltd. ("JGB Concord"), whereby the Company exchanged the White Oak Global Advisors, LLC promissory note and subsequently assigned to JGB Concord a new 8.25% senior secured convertible note dated February 18, 2016 in the principal amount of $11,601. As a result of the assignment, the obligations of the Company and VaultLogix to White Oak Global Advisors, LLC were satisfied.

The note issued to JGB Concord had a maturity date of February 18, 2019, bore interest at 8.25% per annum, and was convertible into shares of the Company's common stock at a conversion price equal to the lowest of: (a) $800.00 per share, (b) 80% of the average of the volume weighted average prices for each of the five consecutive trading days immediately prior to the applicable conversion date, and (c) 85% of the volume weighted average price for the trading day immediately preceding the applicable conversion date, subject to adjustment as set forth in the note. Interest on the senior secured convertible note was due in arrears each calendar month in cash, or, at the Company's option and subject to stockholder approval, in shares of the Company's common stock. Commencing on the stockholder approval date, JGB Concord had the right, at its option, to convert the senior secured convertible note, in whole or in part, into shares of the Company's common stock, subject to certain beneficial ownership limitations. The senior secured convertible note was secured by all assets of VaultLogix as well as a cash collateral blocked deposit account.

On May 17, 2016, the Company entered into a forbearance and amendment agreement (the "Note Forbearance Agreement") with VaultLogix and JGB Concord, pursuant to which JGB Concord agreed to forbear action with respect to certain existing defaults in accordance with the terms of the Note Forbearance Agreement. The defaults, which were not monetary in nature, related to the Company's inability to timely file its Annual Report on Form 10-K for the fiscal year ended December 31, 2015.

In connection with the execution of the Note Forbearance Agreement, the Company issued to JGB Concord an amended and restated senior secured convertible note (the "Amended and Restated Note") in order to amend the original note to JGB Concord by: (i) reducing the conversion price at which the note converts into shares of the Company's common; and (ii) eliminating provisions that provided for (A) the issuance of common stock at a discount to the market price of the common stock and (B) certain anti-dilution protections.

The Amended and Restated Note was issued in the aggregate principal amount of $11,601, has a maturity date of May 31, 2019, bears interest at 0.67% per annum, and is convertible into shares of the Company's common stock at a fixed conversion price of $320.00 per share, subject to equitable adjustments as set forth in the Amended and Restated Note. The Company and VaultLogix shall pay interest to JGB Concord on the aggregate unconverted and then outstanding principal amount of the Amended and Restated Note, payable monthly in arrears as of the last trading day of each calendar month and on May 31, 2019, in cash. In addition, the Company shall pay to JGB Concord an additional amount equal to 7.5% of the outstanding principal amount on the Amended and Restated Note on each of May 31, 2018, and May 31, 2019, subject to certain exceptions set forth in the Amended and Restated Note. JGB Concord has the right, at its option, to require the Company to redeem up to $322 of the outstanding principal amount of the Amended and Restated Note plus the then accrued and unpaid interest thereon each calendar month in cash. The Amended and Restated Note contains standard events of default.

The Company accounted for the Note Forbearance Agreement in accordance with ASC Topic 470-50. In accordance with ASC Topic 470-50, the Company extinguished the February 17, 2016 senior secured convertible note in the principal amount of $11,601 and recorded a new senior secured convertible debenture at its new fair value of $6,711 on the consolidated balance sheet as of May 17, 2016. As a result of the extinguishment, the Company recorded a loss on extinguishment of debt of $2,772 on the consolidated statement of operations as of May 17, 2016. In addition, the Company re-valued the derivative features associated with the February 17, 2016 senior secured convertible note. Refer to Note 9, Derivative Instruments, for additional information on this transaction.

In connection with the execution of the Note Forbearance Agreement, the Company issued to JGB Concord a senior secured note (the "5.2 Note"), dated May 17, 2016, in the principal amount of $5,220 that matures on May 31, 2019, bears interest at 0.67% per annum, and contains standard events of default.

On May 23, 2016, the Company entered into an amended agreement with JGB Concord, JGB Waltham, VaultLogix, and the Guarantors thereto (the "Amended Agreement") pursuant to which (i) JGB Concord permitted the Company to withdraw $172 from the Blocked Account (as defined in the original debenture), and (ii) JGB Concord permitted the Company to withdraw $328 from the Deposit Account (as defined in the original note) and, in exchange for the foregoing, (i) VaultLogix guaranteed the obligations of, and provide security for, the Amended and Restated Debenture and the 2.7 Note, (ii) the Company's subsidiaries guaranteed all indebtedness due to JGB Concord under the Amended and Restated Note and 5.2 Note, and (iii) the Company and its subsidiaries pledged their assets as security for all obligations owed to JGB Concord under the Amended and Restated Note and the 5.2 Note in accordance with the terms of an Additional Debtor Joinder, dated May 23, 2016, pursuant to which the Company and each additional party thereto agreed to be bound by the terms of that certain Security Agreement, dated as of February 18, 2016, made by VaultLogix in favor of the secured party thereto (the "February Security Agreement"). In addition, the interest rates on the Amended and Restated Note and the 5.2 Note were amended from 0.67% to 1.67%.

The Company accounted for this Amended Agreement in accordance with ASC Topic 470-50. In accordance with ASC Topic 470-50, the Company accounted for the Amended Agreement as a debt modification and adjusted the fair value of the associated derivative liabilities to its fair value as of May 23, 2016. Refer to Note 9, Derivative Instruments, for additional information on this transaction.

On June 23, 2016, the Company entered into an amendment agreement with JGB Concord and JGB Waltham pursuant to which, (i) JGB Waltham and JGB Concord released to the Company an aggregate of $1,500 from the Deposit Account (as defined in the original note). Upon the release of the funds (i) the JGB Waltham senior secured convertible debenture (the “December Debenture”) was amended to increase the Applicable Interest Rate (as defined in the original note) by 3.0% to take effect on July 1, 2016; (ii) the December Debenture was amended to increase the annual rate of interest by 3.0% to take effect on July 1, 2016; (iii) the JGB Concord senior secured convertible note (the “February Convertible Note”) was amended to increase the Applicable Interest Rate (as defined in the original February Convertible Note) by 3.0%, to take effect on July 1, 2016; and (iv) the February Note was amended to increase the annual rate of interest by 3.0%, to take effect on July 1, 2016. After giving effect to the foregoing annual rate of interest on each December Debenture and February Convertible Note as of July 1, 2016, was 4.67%. As additional consideration for the release of the funds, the Company issued 2,250 shares of the Company’s common stock on June 23, 2016 to JGB Concord, and agreed to a make-whole provision whereby the Company would pay JGB Concord in cash the difference between $376.00 per share of the Company’s common stock and the average volume weighted average price of the Company’s common stock sixty days after the shares of the Company’s common stock were freely tradable. Refer to Note 9, Derivative Instruments, for further detail on the Company’s accounting for the JGB Concord make-whole provision.

The Company accounted for the June 23, 2016 amendment agreement in accordance with ASC Topic 470-50. In accordance with ASC Topic 470-50, the Company extinguished the May 17, 2016 Debenture Forbearance Note in the principal amount of $11,601 and recorded a new senior secured convertible note at its new fair value of $7,786 on the consolidated balance sheet as of June 23, 2016. As a result of the extinguishment, the Company recorded a loss on extinguishment of debt of $1,150 on the consolidated statement of operations as of June 23, 2016. In addition, the Company re-valued the derivative features associated with the May 17, 2016 Debenture Forbearance Note. Refer to Note 9, Derivative Instruments, for additional information on this transaction.

In connection with the execution of the September 1, 2016 Amendment Agreement, the Company executed the Second Amended and Restated Senior Secured Convertible Note (the “Amended and Restated Convertible Note”), in order to, among other things, amend the Convertible Note to (i) increase the interest rate payable thereon from 0.67% to 4.67%, (ii) provide that the Company may prepay the Amended and Restated Convertible Note upon prior notice at a 10% premium, (iii) provide that the Holder Affiliate may convert its interest in the Amended and Restated Convertible Note into shares of Common Stock at the applicable Conversion Price, and (iv) eliminate three additional 7.5% payments due to the Holder Affiliate in 2017, 2018, and 2019, as per the Convertible Note.

The Company accounted for the September 1, 2016 amendment agreement in accordance with ASC Topic 470-50. Because of the extinguishment, the Company recorded a loss on extinguishment of debt of $1,187 on the consolidated statement of operations as of September 1, 2016. In addition, the Company re-valued the derivative features. Refer to Note 9, Derivative Instruments, for additional information on this transaction.

On February 28, 2017, the Company entered into a consent agreement with JGB Waltham and JGB Concord in order to, among other things, (i) obtain the consent of JGB Waltham and JGB Concord to the Highwire Asset Purchase Agreement (“APA”); (ii) amend the conversion price of the JGB Waltham Debenture, JGB Waltham 2.7 Note, and the JGB Concord Debenture to the lower of (a) $16.00 per share and (b) 80% of the lowest daily VWAP (as defined in the Debenture) for the thirty consecutive trading days immediately prior to the applicable conversion; (iii) apply $3,625 of the purchase price received in connection with the APA to payments to JGB Waltham and JGB Concord in respect of the convertible note, as more particularly set forth in the consent.

The Company accounted for the amended conversion price in accordance with ASC Topic 470-50. Because of the extinguishment, the Company recorded a loss on extinguishment of debt related to the JGB Concord debenture of $71 on the consolidated statement of operations for the year ended December 31, 2017. In addition, the Company re-valued the derivative features (refer to Note 9, Derivative Instruments, for additional information on this transaction).

During the year ended December 31, 2017, the Company made cash payments for principal and interest on the JGB Concord February Debenture of $2,688 and $31, respectively. Proceeds from the sale of the Company's Highwire division were used to pay principal and interest of $2,526 and $12, respectively, along with an early payment penalty of $253.

During the three months ended March 31, 2017, JGB Concord did not convert any principal or accrued interest into shares of the Company's common stock. During the year ended December 31, 2017, JGB Concord converted $1,053 of principal and accrued interest into shares of the Company's common stock. As a result of these conversions, the Company recorded a loss on extinguishment of debt of $1,279 to the consolidated statement of operations for the year ended December 31, 2017.

Principal of $11 related to the JGB Concord February Debenture remained outstanding as of March 31, 2018 and December 31, 2017.

Assignment and Assumption Agreement – MEF I, L.P.

On March 9, 2017, JGB Waltham, the Company, and a third-party investor effectuated a two-part exchange with respect to a portion of the Amended and Restated Debenture in which JGB Waltham assigned a portion of its interest in the Amended and Restated Debenture (the "Assigned Debt") to MEF I, L.P. pursuant to an Assignment and Assumption Agreement, dated as of March 9, 2017. Simultaneously therewith, the Company entered into an Exchange Agreement, dated as of March 9, 2017 (the "Exchange Agreement"), pursuant to which the Company issued to MEF I, L.P. a 4.67% convertible promissory note, dated as of March 9, 2017, in the aggregate principal amount of $550 (the "Exchange Note"). The Exchange Note was convertible at the lower of (i) $16.00 or (ii) 80% of the lowest VWAP in the 30 trading days prior to the conversion date (refer to Note 9, Derivative Instruments, for further detail on the derivative features associated with the Exchange Note).

During the year ended December 31, 2017, the investor who held the Exchange Note converted $575 of principal and related interest into shares of the Company's common stock. As a result of these conversions, the outstanding principal balance as of December 31, 2017 was $0. The Company recorded a loss on extinguishment of debt of $150 to the consolidated statement of operations for the year ended December 31, 2017.

Trinity Hall Promissory Note

On December 30, 2016, the Company issued to Trinity Hall a promissory note in the principal amount of $500, with interest accruing at the rate of 3% per annum, which matured on January 1, 2018. This note was issued upon assignment to Trinity Hall of certain related party notes payable to Mark Munro (refer to Note 13, Related Parties, for further detail).

RDW April 3, 2017 2.5 % Convertible Promissory Note

On April 3, 2017, Scott Davis, a former officer of the Company assigned $100 of his promissory note in the original principal amount of $250, reduced to $225 based on a $25 conversion into common stock, to RDW. As consideration for the assignment, RDW paid Scott Davis $40. The note was convertible at a price of $888.00 and was due on demand. As of April 3, 2017, the outstanding amount of principal and accrued interest for the note was $225 and $57, respectively. Subsequent to the assignment of $100 principal amount of the note to RDW, the remainder of the note was forgiven. The original note was included within notes payable, related parties on the consolidated balance sheets. Per ASC 470-50-40-2, debt extinguishment transactions between related parties are in essence a capital contribution from a related party. As a result, rather than recording a gain or loss on extinguishment of debt, the Company recorded $182 to additional paid-in capital on the consolidated balance sheet.

RDW subsequently exchanged this original note for a new 2.5% convertible promissory note in the principal amount of $100 due April 3, 2018. The conversion price of the new note was equal to 75% of the average of the five lowest VWAPS over the seven trading days prior to the date of conversion (refer to Note 9, Derivative Instruments, for further detail on the derivative features associated with the RDW April 3, 2017 2.5% convertible note). The Company recorded a loss on extinguishment of debt of $14 for the year ended December 31, 2017, which includes all extinguishment accounting for the period in accordance with ASC Topic 470-50.

During the year ended December 31, 2017, the investor who held the April 3, 2017 2.5% promissory note converted $100 of principal into shares of the Company's common stock. As a result of these conversions, the outstanding principal balance as of December 31, 2017 was $0. The Company recorded a gain on extinguishment of debt of $34 to the consolidated statement of operations for the year ended December 31, 2017.

RDW July 14, 2017 9.9% Convertible Promissory Note

On July 14, 2017, the Company issued a convertible promissory note to RDW in the principal amount of $155, which accrued interest at the rate of 9.9% per annum, and had a maturity date of July 14, 2018. The note was convertible at the lower of (i) $4.00 or (ii) 75% of the lowest five VWAPS over the seven trading days prior to the date of conversion (refer to Note 9, Derivative Instruments, for further detail on the derivative features associated with the RDW July 14, 2017 9.9% convertible note).

During the three months ended March 31, 2018, the investor who held the 9.9% promissory note converted $155 of principal into shares of the Company's common stock. As a result of these conversions, the outstanding principal balance as of March 31, 2018 was $0. The Company recorded a loss on extinguishment of debt of $212 to the consolidated statement of operations for the three months ended March 31, 2018. During the year ended December 31, 2017, the investor who held the 9.9% promissory note did not convert any principal or accrued interest into shares of the Company's common stock.

Assignment of Tim Hannibal Note - RDW July 18, 2017 2.5% Convertible Promissory Note

On July 18, 2017, Tim Hannibal assigned 100% of his 8% convertible promissory note in the original principal amount of $1,215, due October 9, 2017, to RDW. This note was convertible into the Company's common stock at a price of $2,548.00 per share. RDW then exchanged this original note for a new 2.5% convertible promissory note in the principal amount of $1,215, which an original maturity date of July 18, 2018. The conversion price of such note was equal to the lower of (i) $4.00 or (ii) 75% of the lowest five VWAPS over the seven trading days prior to the date of conversion (refer to Note 9, Derivative Instruments, for further detail on the derivative features associated with the RDW July 18, 2017 2.5% convertible note). In addition, Tim Hannibal forgave all outstanding interest relating to the original note. The Company recorded a loss on extinguishment of debt of $297 on the consolidated statement of operations for the year ended December 31, 2017.

During the year ended December 31, 2017, the investor who held the July 18, 2017 2.5% promissory note converted $1,215 of principal into shares of the Company's common stock. As a result of these conversions, the Company recorded a loss on extinguishment of debt of $286 to the consolidated statement of operations for the year ended December 31, 2017.

RDW September 27, 2017 9.9% Convertible Promissory Note

On September 27, 2017, the Company issued a convertible promissory note to RDW in the principal amount of $155, which bears interest at the rate of 9.9% per annum, and matures on September 27, 2018. The note is convertible at the lower of (i) $4.00 or (ii) 75% of the lowest five VWAPS over the twenty trading days prior to the date of conversion (refer to Note 9, Derivative Instruments, for further detail on the derivative features associated with the RDW September 27, 2017 9.9% convertible note).

During the three months ended March 31, 2018, the investor who holds the 9.9% promissory note did not convert any principal or accrued interest into shares of the Company's common stock. During the year ended December 31, 2017, the investor who holds the 9.9% promissory note did not convert any principal or accrued interest into shares of the Company's common stock.

RDW October 12, 2017 9.9% Convertible Promissory Note

On October 12, 2017, Frank Jadevaia, former owner of IPC, assigned $400 of his outstanding promissory notes to RDW. The new note is in the principal amount of $400, bears interest at the rate of 9.9% per annum, and matures on September 27, 2018. The note is convertible at the lower of (i) $4.00 or (ii) 75% of the lowest VWAP over the twenty trading days prior to the date of conversion (refer to Note 9, Derivative Instruments, for further detail on the derivative features associated with the RDW October 12. 2017 9.9% convertible note).

During the year ended December 31, 2017, the investor who holds the October 12, 2017 9.9% promissory note converted $267 of principal into shares of the Company's common stock. As a result of these conversions, the Company recorded a loss on extinguishment of debt of $114 to the consolidated statement of operations for the year ended December 31, 2017.

RDW December 8, 2017 9.9% Convertible Promissory Note

On December 8, 2017, London Bay – VL Holding Company LLC assigned $600 of an outstanding promissory note to RDW. The new note is in the principal amount of $600, bears interest at the rate of 9.9% per annum, and matures on December 8, 2018. The note is convertible at the lower of (i) $4.00 or (ii) 65% of the lowest VWAP over the twenty trading days prior to the date of conversion (refer to Note 9, Derivative Instruments, for further detail on the derivative features associated with the RDW December 8. 2017 9.9% convertible note).

During the three months ended March 31, 2018, the investor who holds the December 8, 2017 9.9% promissory note converted $150 of principal into shares of the Company's common stock (refer to Note 11, Stockholders' Deficit, for further information). As a result of these conversions, the Company recorded a loss on extinguishment of debt of $103 to the consolidated statement of operations for the three months ended March 31, 2018. During the year ended December 31, 2017, the investor who holds the December 8, 2017 9.9% promissory note converted $120 of principal into shares of the Company's common stock. As a result of these conversions, the Company recorded a loss on extinguishment of debt of $203 to the consolidated statement of operations for the year ended December 31, 2017.

Restructuring of Forward Investments, LLC Promissory Notes and Working Capital Loan

On March 4, 2015, the Company restructured the terms of certain promissory notes issued by it to a related party investor, Forward Investments, LLC, in order to extend the maturity dates thereof, reduce the seniority and reduce the interest rate accruing thereon. The following notes were restructured as follows:

- notes issued to Forward Investments, LLC in the aggregate principal amount of $3,650 that bear interest at the rate of 10% per annum, had the maturity date extended from June 30, 2015 to July 1, 2016. These notes matured on July 1, 2016;
- notes issued to Forward Investments, LLC in the principal amount of $2,825 that bear interest at the rate of 2% per annum, had the maturity date extended from June 30, 2015 to July 1, 2016. These notes matured on July 1, 2016; and
- notes issued to Forward Investments, LLC in the aggregate principal amount of $2,645 were converted from senior notes to junior notes, had the interest rate reduced from 18% to 3% per annum, had the maturity date extended by approximately three years to January 1, 2018, and originally were convertible at a conversion price of $2,544.00 per share until the Convertible Debentures were repaid in full and thereafter $940.00 per share, subject to further adjustment as set forth therein.

In connection with such restructuring, Forward Investments, LLC agreed to lend to the Company an amount substantially similar to the accrued interest the Company owed to Forward Investments, LLC on the restructured notes. In consideration for such restructuring and additional payments made by Forward Investments, LLC to the Company, the Company issued to Forward Investments, LLC an additional convertible note in the original principal amount of $1,730 with an interest rate of 3% per annum, which matured on January 1, 2018, and had an initial conversion price of $2,544.00 per share until the Convertible Debentures were repaid in full and thereafter $940.00 per share, subject to further adjustment as set forth therein, and provided Forward Investments, LLC the option to lend the Company an additional $8,000 in the form of convertible notes similar to the existing convertible notes of the Company issued to Forward Investments, LLC. The convertible note was issued to Forward Investments, LLC as an incentive to restructure the above-mentioned notes and resulted in the Company recording a loss on modification of debt of $1,508 on the unaudited condensed consolidated statement of operations as of March 31, 2015.

As part of the restructuring, Forward Investments, LLC agreed to convert $390 of accrued interest on the above-mentioned loans to a new note bearing interest at the rate of 6.5% per annum that matured on July 1, 2016.

In conjunction with the extension of the 2% and 10% convertible notes issued to Forward Investments, LLC, the Company recorded an additional $1,916 of debt discount at the date of the restructuring.

The Company has entered into an agreement with Forward Investments, LLC permitting Forward Investments, LLC to convert its debt into the Company's common stock at a 5% discount to the daily market price. During the year ended December 31, 2017, Forward Investments, LLC converted $5,435 aggregate principal amount of promissory notes into an aggregate of 2,900,103 shares of the Company's common stock. As a result of these conversions, the Company recorded a loss on extinguishment of debt of $530 to the consolidated statement of operations for the year ended December 31, 2017.

During July 2017, the Company determined that Forward Investments was not a related party and reclassified debt owed to Forward Investments from related party debt to term loans. The effective date of the reclassification was January 1, 2017.

During the three months ended March 31, 2018, Forward Investments did not convert any principal or accrued interest into shares of the Company's common stock.

Convertible Promissory Note to Frank Jadevaia, Former Owner of IPC

On January 1, 2014, the Company acquired all of the outstanding capital stock of IPC. As part of the purchase price for the acquisition, the Company issued a convertible promissory note to Frank Jadevaia, then President of the Company, in the original principal amount of $6,255. The convertible promissory note accrued interest at the rate of 8% per annum, and all principal and interest accruing thereunder was originally due and payable on December 31, 2014. At the election of Mr. Jadevaia, the convertible promissory note was convertible into shares of the Company's common stock at a conversion price of $6,796.00 per share (subject to equitable adjustments for stock dividends, stock splits, recapitalizations and other similar events). The Company could have elected to force the conversion of the convertible promissory note if the Company's common stock was trading at a price greater than or equal to $6,796.00 for ten consecutive trading days. This note was subordinated until the Senior Secured Convertible Notes issued to the JGB entities are paid in full.

On December 31, 2014, the Company and Mr. Jadevaia agreed to a modification of the convertible promissory note. The term of the convertible promissory note was extended to May 30, 2016 and, in consideration for this modification, the Company issued to Mr. Jadevaia 25,000 shares of common stock.

On May 19, 2015, Mr. Jadevaia assigned $500 of principal related to the convertible promissory note and the assignees converted all $500 principal amount of such note into 581 shares of the Company's common stock with a fair value of $1,352.00 per common share.

On May 30, 2016, the note matured and was due on demand.

On November 4, 2016, Mr. Jadevaia resigned from his role as the Company's President. During July 2017, the Company determined that Frank Jadevaia was no longer a related party and reclassified his note from related party debt to term loans. The effective date of the reclassification was January 1, 2017.

On October 12, 2017, Mr. Jadevaia agreed to exchange $5,430 held in promissory notes into shares of the Company's Series L preferred stock and assigned promissory notes in the principal amount of $400 to RDW Capital LLC.

Promissory Note to Former Owner of Tropical

In August 2011, in connection with the Company's acquisition of Tropical, the Company assumed a promissory note in the principal amount of $106. On April 25, 2017, the holder of the note forgave the remaining balance of principal and interest and cancelled the promissory note. As of April 25, 2017, the note had accrued interest of $25. As a result of the cancellation of the note, the Company recognized a gain on fair value of extinguishment of $131 in the consolidated financial statements for the year ended December 31, 2017.

Tim Hannibal 8% Promissory Note

On November 9, 2017, the Company issued an unsecured promissory note to Tim Hannibal in the principal amount of $300, which bears interest at the rate of 8% per annum, and matured on January 9, 2018.

SCS LLC February 27, 2018 Convertible Promissory Note

On February 27, 2018, the Company issued a convertible promissory note to SCS, LLC. The note has a principal amount of $150, accrues interest at the rate of 12% per annum, and is due on February 27, 2019. The note is convertible into shares of the Company's common stock at a conversion price per share equal to 80% of the average of the three (3) lowest VWAPs over the five (5) trading days prior to the conversion date (refer to Note 9, Derivative Instruments, for further detail on the derivative features associated with the SCS LLC February 27, 2018 convertible note).

9. DERIVATIVE INSTRUMENTS

The Company evaluates and accounts for conversion options embedded in its convertible debt and freestanding instruments in accordance with ASC 815, *Accounting for Derivative Instruments and Hedging Activities* ("ASC Topic 815").

MidMarket Warrants

The Company issued warrants to the lenders under the MidMarket Loan Agreement in 2012. These warrants were outstanding as of March 31, 2018 and December 31, 2017.

The terms of the warrants issued in September 2012 originally provided, among other things, that the number of shares of common stock issuable upon exercise of such warrants amounted to 11.5% of the Company's fully-diluted outstanding common stock and common stock equivalents, whether the common stock equivalents were fully vested and exercisable or not, and that the initial exercise price of such warrants was $5.00 per share of common stock, subject to adjustment. Pursuant to an amendment to the loan agreement, on March 22, 2013, the number of shares for which the warrants are exercisable was fixed at 234,233 shares. On September 17, 2012, when the warrants were issued, the Company recorded a derivative liability in the amount of $194. The amount was recorded as a debt discount and was being amortized over the original life of the related loans. The amount of the derivative liability was computed by using the Black-Scholes option pricing model, which is not materially different from a binomial lattice valuation methodology, to determine the value of the warrants issued. In accordance with ASC Topic 480, the warrants are classified as liabilities because there is a put feature that requires the Company to repurchase any shares of common stock issued upon exercise of the warrants. The derivative liability associated with this debt is revalued each reporting period and the increase or decrease is recorded to the consolidated statement of operations under the caption "change in fair value of derivative instruments." At each reporting date, the Company performs an analysis of the fair value of the warrants using the binomial lattice pricing model and adjusts the fair value accordingly.

On September 17, 2016, the fourth anniversary date of the warrants, the Company failed to meet the minimum adjusted earnings before interest, taxes, depreciation and amortization provisions set forth within the original warrant agreement. As such, the expiration date of the warrants was extended to September 17, 2018.

On March 31, 2018 and December 31, 2017, the Company used a binomial lattice pricing model to determine the fair value of the derivative liability of the warrants on that date, and determined the fair value was $0.

The fair value of the warrant derivative liability as of March 31, 2018 and December 31, 2017 was calculated using a binomial lattice pricing model with the following factors, assumptions and methodologies:

	March 31, 2018	**December 31, 2017**
Fair value of Company's common stock	$0.09	$0.27
Volatility (closing prices of 3-4 comparable public companies, including the Company's historical volatility)	187%	215%
Exercise price per share	$1,600.00 - $2,000.00	$1,600.00 - $2,000.00
Estimated life	0.5 years	0.7 years
Risk free interest rate (based on 1-year treasury rate)	1.95%	1.65%

Forward Investments, LLC Convertible Feature

On February 4, 2014 and March 28, 2014, Forward Investments, LLC made convertible loans to the Company for working capital purposes in the amounts of $1,800 and $1,200, respectively. Such loans are evidenced by convertible promissory notes that bear interest at the rate of 2% and 10% per annum, were to mature on June 30, 2015 and originally were convertible into shares of the Company's common stock at an initial conversion price of $6.36 per share.

The fair value of the embedded conversion feature at the date of issuance was $8,860. The Company recorded a debt discount of $6,475 and a loss on debt discount of $2,385. The debt discount is being amortized over the life of the loans. The Company used a Monte Carlo simulation on the date of issuance to determine the fair value of the embedded conversion feature.

On October 22, 2014, the two convertible promissory notes were modified to reduce the initial conversion price of $6.36 to $3.93. As a result, the Company used a Monte Carlo simulation to determine the fair value on the date of modification. The Company recorded the change in the fair value of the derivative liability as a loss on fair value of derivative instruments of $310.

On March 4, 2015, the Company and Forward Investments, LLC restructured the two promissory notes in order to extend the maturity dates thereof, reduce the seniority and reduce the interest rate accruing thereon (refer to Note 13, Related Parties, for further detail). The Company accounted for this restructuring of the promissory notes as a debt modification under ASC Topic 470-50. As part of the modification, the Company analyzed the embedded conversion feature and recorded a loss on fair value of derivative instruments of $2,600 on the consolidated statement of operations.

In conjunction with the issuance of the 6.5% and 3% convertible notes issued on March 4, 2015, the Company recorded an additional derivative liability as a debt discount in the amount of $260 and $1,970, respectively, on the date of the issuance of the notes.

The debt discounts were amortized over the life of the loans. The Company used a Monte Carlo simulation on the date of issuance to determine the fair value of the embedded conversion features.

On August 3, 2015, the Company and Forward Investments, LLC agreed to reset the conversion price of the convertible notes to $632.00 per share of the Company's common stock. As a result, the Company used a Monte Carlo simulation to determine the fair value of the conversion features on the date of the agreement. On the date of the transaction, the fair value of the Forward Investments convertible notes conversion feature did not change and as such, no change in fair value of derivative instruments was recorded on the consolidated statement of operations.

On October 26, 2015, the ratchet-down feature within the original agreement was triggered and the conversion price of the convertible notes was reset to $500.00 per share of the Company's common stock. Prior to the triggering of the ratchet-down feature, the Company revalued the derivative and recorded a gain on fair value of derivative liabilities of $120 on the consolidated statement of operations. The Company then reduced the existing derivative liability related to the reset provision and recorded the change of $2,310 in the derivative liability value as a loss on change in fair value of derivative instruments on the consolidated statement of operations.

On December 29, 2015, the ratchet-down feature within the original agreement was triggered and the conversion price of the convertible notes was reset to $312.00 per share of the Company's common stock. Prior to the triggering of the ratchet-down feature, the Company revalued the derivative and recorded a gain on fair value of derivative liabilities of $3,380 on the consolidated statement of operations. The Company then reduced the existing derivative liability related to the reset provision and recorded the change of $4,140 in the derivative liability value as a loss on change in fair value of derivative instruments on the consolidated statement of operations.

On March 31, 2018 and December 31, 2017, the fair value of the conversion feature of the Forward Investments, LLC loans was $324 and $348, respectively, which was included in derivative financial instrument at estimated fair value on the unaudited condensed consolidated balance sheets. The change in the fair value of the Forward Investments, LLC derivative liabilities was recorded as a gain in the unaudited condensed consolidated statements of operations of $24 and $1277 for the three months ended March 31, 2018 and 2017, respectively.

The fair value of the Forward Investments, LLC derivative at the measurement date was calculated using the Monte Carlo simulation with the following factors, assumptions and methodologies:

	March 31, 2018				December 31, 2017			
Principal and interest amount	$ 1,826	$ 599	$ 1,271	$ 2,451	$ 1,810	$ 582	$ 1,270	$ 2,438
Conversion price per share	*	*	*	*	*	*	*	*
Risk free rate	2.39%	2.39%	1.73%	1.73%	2.00%	2.00%	1.39%	1.39%
Life of conversion feature (in years)	3.8	3.8	0.3	0.0	4.0	4.0	0.3	0.0
Volatility	151%	151%	304%	304%	142%	142%	195%	195%

* The conversion price per share is equal to the lesser of $7.80 or 95% of VWAP on the conversion date.

Dominion Capital LLC August 6, 2015 Demand Promissory Note – Senior Convertible Note Embedded Features

On August 6, 2015, the Company entered into a senior convertible note agreement with the investor whereby the Company issued a promissory note in the original principal amount of $2,105, with interest accruing at the rate of 12% per annum, which matured on January 6, 2017. The Company evaluated the senior convertible note's settlement provisions and determined that the voluntary conversion feature and fundamental transaction clauses met the criteria to be classified as embedded derivatives as set forth in ASC 815, *Derivatives and Hedging* and ASC 480, *Distinguishing Liabilities from Equity*. On August 6, 2015, the Company used a Monte Carlo simulation to value the settlement features and ascribed a value of $524 related to the voluntary conversion feature and fundamental transaction clauses and recorded these items on the consolidated balance sheets as a debt discount and related derivative liability. The debt discounts were being amortized over the life of the loan.

On December 31, 2016, the Company used a Monte Carlo simulation to value the settlement features of the senior convertible note and determined the fair value to be $176. As a result of the conversion of the outstanding principal balance (refer to Note 8, Term Loans, for further detail), the fair value of the corresponding derivative liability was $0 as of March 31, 2017. The Company recorded a gain on fair value of derivative instruments of $176 on the unaudited condensed consolidated statement of operations for the three months ended March 31, 2017.

Dominion Capital LLC November 4, 2016 Exchange Agreement – Senior Convertible Debt Features

On November 4, 2016, the Company entered into an exchange agreement with the holder of the September 15, 2016 term promissory note. The principal amount was increased by $40, and the note became convertible into shares of the Company's common stock. The note was convertible at the lower of (i) $40.00, or (ii) 75% of the lowest VWAP day for the 15 days prior to the conversion date (for additional detail refer to Note 8, Term Loans). The Company evaluated the senior convertible note's settlement provisions and determined that the voluntary conversion feature and fundamental transaction clauses met the criteria to be classified as embedded derivatives as set forth in ASC 815, Derivatives and Hedging and ASC 480, Distinguishing Liabilities from Equity. On November 4, 2016, the Company used a Monte Carlo simulation to value the settlement features. The Company ascribed a value of $242 related to the conversion feature and recorded this item on the consolidated balance sheets as a derivative liability.

As a result of conversions, the balance outstanding on the promissory note was $0 as of March 31, 2018. The Company recorded a gain of $59 on the unaudited condensed consolidated statement of operations for the three months ended March 31, 2018. On December 31, 2017, the Company used a Monte Carlo simulation to value the settlement features of the senior convertible note and determined the fair value to be $59. The Company recorded a loss of $323 on the unaudited condensed consolidated statement of operations for the three months ended March 31, 2017.

The fair value of the senior convertible note derivative at the measurement date was calculated using the Monte Carlo simulation with the following factors, assumptions and methodologies:

	December 31, 2017
Principal amount and guaranteed interest	$ 75
Conversion price per share	*
Conversion trigger price per share	None
Risk free rate	1.39%
Life of conversion feature (in years)	0.25
Volatility	195%

* The conversion price per share was equal to the lesser of $10.00 or 75% of average daily VWAP for the fifteen trading days prior to the conversion date.

Dominion Capital LLC January 31, 2017 – Senior Convertible Debt Features

On January 31, 2017, the Company entered into a senior convertible promissory note with Dominion Capital, LLC in the original principal amount of $70, with interest accruing at the rate of 6% per annum, which matures on January 31, 2018. The note is convertible at the lower of (i) $40.00 or (ii) 80% of the lowest VWAP in the 15 trading days prior to the conversion date. (for additional detail refer to Note 8, Term Loans). The Company evaluated the senior convertible note's settlement provisions and determined that the voluntary conversion feature and fundamental transaction clauses met the criteria to be classified as embedded derivatives as set forth in ASC 815, Derivatives and Hedging and ASC 480, Distinguishing Liabilities from Equity. On January 31, 2017, the Company used a Monte Carlo simulation to value the settlement features. The Company ascribed a value of $38 related to the conversion feature and recorded this item on the consolidated balance sheets as a derivative liability.

On March 31, 2018 and December 31, 2017, the Company used a Monte Carlo simulation to value the settlement features of the senior convertible noted and determined the fair value to be $60 and $81, respectively. The Company recorded the change in the fair value of the derivative liability for the three months ended March 31, 2018 and 2017 as a gain and loss in the unaudited condensed consolidated statements of operations of $21 and $24, respectively.

The fair value of the senior convertible note derivative at the measurement date was calculated using the Monte Carlo simulation with the following factors, assumptions and methodologies:

	March 31, 2018	December 31, 2017
Principal amount and guaranteed interest	$ 57	$ 74
Conversion price per share	*	*
Conversion trigger price per share	None	None
Risk free rate	1.73%	1.28%
Life of conversion feature (in years)	0.00	0.08
Volatility	304%	310%

* The conversion price per share is equal to 70% of average daily VWAP for the fifteen trading days prior to the conversion date.

Smithline Senior Convertible Note Embedded Features

On August 6, 2015, the Company issued to Smithline a senior convertible note in the principal amount of $526, with interest accruing at the rate of 12% per annum, which matures on January 11, 2017. The Company evaluated the senior convertible note's settlement provisions and determined that the voluntary conversion feature and fundamental transaction clauses met the criteria to be classified as embedded derivatives as set forth in ASC 815, *Derivatives and Hedging* and ASC 480, *Distinguishing Liabilities from Equity*. On August 6, 2015, the Company used a Monte Carlo simulation to value the settlement features and ascribed a value of $131 related to the voluntary conversion feature and fundamental transaction clauses and recorded these items on the consolidated balance sheets as a debt discount and related derivative liability. The debt discounts are being amortized over the life of the loan.

On July 20, 2016 and September 1, 2016, principal of $55 and $97, respectively, was added to the Smithline senior convertible note (refer to Note 8, Term Loans, for additional detail).

The Smithline senior convertible note matured on January 11, 2017 and was due on demand.

The Company recorded the change in the fair value of the derivative liability for the three months ended March 31, 2017 as a loss in the unaudited condensed consolidated statements of operations of $24.

During the year ended December 31, 2017, Smithline converted the outstanding principal balance into shares of the Company's common stock.

JGB (Cayman) Waltham Ltd. Senior Secured Convertible Debenture Features

On December 29, 2015, the Company entered into a securities purchase agreement with JGB Waltham whereby the Company issued to JGB Waltham, for gross proceeds of $7,500, a 10% original issue discount senior secured convertible debenture in the aggregate principal amount of $7,500. The Company evaluated the senior convertible note's settlement provisions and determined that the voluntary conversion feature and fundamental transaction clauses met the criteria to be classified as embedded derivatives as set forth in ASC 815, *Derivatives and Hedging* and ASC 480, *Distinguishing Liabilities from Equity*. On December 29, 2015, the Company used a Monte Carlo simulation to value the settlement features and ascribed a value of $1,479 related to the voluntary conversion feature and fundamental transaction clauses and recorded these items on the consolidated balance sheets as a debt discount and related derivative liability. The debt discounts were amortized over the life of the loan.

On May 17, 2016, the Company entered into the Debenture Forbearance Agreement with JGB Waltham pursuant to which JGB Waltham agreed to forbear action with respect to certain existing defaults in accordance with the terms of the Debenture Forbearance Agreement (Refer to Note 8, Term Loans, for further details). The Company evaluated the Debenture Forbearance Agreement and accounted for the transaction as a debt extinguishment in accordance with ASC Topic 470-50. In accordance with ASC Topic 470-50, the Company used a Monte Carlo simulation to revalue the settlement features associated with the Debenture Forbearance Agreement. The Company recorded the change in the settlement features as a loss to change in fair value of derivative instruments of $1,154 to its consolidated statement of operations on May 17, 2016.

On May 23, 2016, the Company entered into the Amended Agreement with JGB Concord, JGB Waltham, VaultLogix, and the Guarantors. The Company accounted for this Amended Agreement in accordance with ASC Topic 470-50. In accordance with ASC Topic 470-50, the Company accounted for the Amended Agreement as a debt modification and utilized a Monte Carlo simulation to determine the fair value of the settlement features. The Company recorded a loss on the fair value of the settlement features to change in fair value of derivative instruments of $41 on the consolidated statement of operations as of May 23, 2016.

On June 23, 2016, the Company entered into an amended agreement with JGB Concord and JGB Waltham (refer to Note 8, Term Loans, for further detail). The Company accounted for the amended agreement as a debt extinguishment in accordance with ASC Topic 470-50. In accordance with ASC Topic 470-50, the Company used a Monte Carlo simulation to revalue the settlement features associated with the Amended Agreement. The Company recorded the change in the settlement features as a loss to change in fair value of derivative instruments of $486 to its consolidated statement of operations on June 23, 2016.

On September 1, 2016, the Company entered into an amended agreement with JGB Concord and JGB Waltham (refer to Note 8, Term Loans, for further detail). The Company accounted for the amended agreement in regards to the December Debenture as a debt modification in accordance with ASC Topic 470-50. In accordance with ASC Topic 470-50, the Company used a Monte Carlo simulation to revalue the settlement features associated with the Amended Agreement. The Company recorded the change in the settlement features as a gain to change in fair value of derivative instruments of $1,552 to its consolidated statement of operations on September 1, 2016.

On February 28, 2017, the Company entered into a consent agreement with JGB Concord and JGB Waltham (refer to Note 8, Term Loans, for further detail). The Company accounted for the amended agreement in regards to the JGB Waltham debenture as a debt extinguishment in accordance with ASC Topic 470-50. In accordance with ASC Topic 470-50, the Company used a Monte Carlo simulation to revalue the settlement features associated with the agreement. The Company recorded the change in the settlement features as a loss to change in fair value of derivative instruments of $1,752 to its unaudited condensed consolidated statement of operations for the three months ended March 31, 2017.

On March 9, 2017, JGB (Cayman) Waltham entered into an Assignment and Assumption agreement with MEF I, LP (refer to Note 8, Term Loans, for further detail). The Company accounted for the assumption agreement in regards to the JGB Waltham debenture as a debt extinguishment in accordance with ASC Topic 470-50. In accordance with ASC Topic 470-50, the Company used a Monte Carlo simulation to revalue the settlement features associated with the agreement. The Company recorded the change in the settlement features as a loss to change in fair value of derivative instruments of $349 to its unaudited condensed consolidated statement of operations for the three months ended March 31, 2017.

On March 31, 2018 and December 31, 2017, the Company used a Monte Carlo simulation to value the settlement features of the senior convertible notes issued to JGB Waltham and determined the fair value to be $1,025 and $1,820, respectively. The Company recorded the change in the fair value of the derivative liability for the three months ended March 31, 2018 and 2017 as a gain and loss of $795 and $2,285, respectively, which included all extinguishment accounting for the periods in accordance with ASC Topic 470-50. These changes were recorded in the unaudited condensed consolidated statements of operations.

The fair value of the JGB (Cayman) Waltham Ltd. derivative at the measurement date was calculated using the Monte Carlo simulation with the following factors, assumptions and methodologies:

	March 31, 2018	**December 31, 2017**
Principal amount and guaranteed interest	$ 1,621	$ 3,091
Conversion price per share	*	*
Conversion trigger price per share	None	None
Risk free rate	2.09%	1.76%
Life of conversion feature (in years)	1.17	1.41
Volatility	228%	201%

* The conversion price per share is equal to the lesser of $4.00 or 80% of VWAP on the conversion date.

JGB (Cayman) Waltham Ltd. 2.7 Note Convertible Debenture Features

On September 1, 2016, the Company entered into an amended agreement with JGB Concord and JGB Waltham (refer to Note 8, Term Loans, for further detail). The Company accounted for the amended agreement in regards to the 2.7 Note as a debt extinguishment in accordance with ASC Topic 470-50. In accordance with ASC Topic 470-50, the Company used a Monte Carlo simulation to revalue the settlement features associated with the Amended Agreement and determined that the fair value of the features was $1,200 as of September 1, 2016 and recorded these items on the consolidated balance sheets as a derivative liability. The debt discounts were amortized over the life of the loan.

On February 28, 2017, the Company entered into a consent agreement with JGB Concord and JGB Waltham (refer to Note 8, Term Loans, for further detail). The Company accounted for the amended agreement in regards to the JGB Waltham 2.7 Note as a debt extinguishment in accordance with ASC Topic 470-50. In accordance with ASC Topic 470-50, the Company used a Monte Carlo simulation to revalue the settlement features associated with the agreement. The Company recorded the change in the settlement features as a loss to change in fair value of derivative instruments of $141 to its unaudited condensed consolidated statement of operations for the three months ended March 31, 2017.

On March 31, 2018 and December 31, 2017, the Company used a Monte Carlo simulation to value the settlement feature of the 2.7 Note and determined the fair value to be $55 and $120, respectively. The Company recorded a gain and loss on fair value of derivative instruments of $65 and $179, respectively, for the three months ended March 31, 2018 and 2017, which included all extinguishment accounting for the periods in accordance with ASC Topic 470-50. These changes were recorded on the unaudited condensed consolidated statement of operations.

The fair value of the JGB Waltham derivative at the measurement date was calculated using the Monte Carlo simulation with the following factors, assumptions and methodologies:

	March 31, 2018	December 31, 2017
Principal amount and guaranteed interest	$ 116	$ 294
Conversion price per share	*	*
Conversion trigger price per share	None	None
Risk free rate	1.73%	1.39%
Life of conversion feature (in years)	0.00	0.00
Volatility	304%	195%

* The conversion price per share is equal to the lesser of $4.00 or 80% of VWAP on the conversion date.

JGB (Cayman) Concord Ltd. Senior Secured Convertible Note

On February 17, 2016, the Company entered into a securities exchange agreement by and among the Company, VaultLogix, and JGB Concord, whereby the Company exchanged the White Oak Global Advisors, LLC promissory note and subsequently assigned to the lender party a new 8.25% senior secured convertible note dated February 18, 2016 in the aggregate principal amount of $11,601 (refer to Note 8, Term Loans, for further details).

The Company evaluated the senior secured convertible note's settlement provisions and determined that the conversion feature and fundamental transaction clauses met the criteria to be classified as embedded derivatives as set forth in ASC 815, *Derivatives and Hedging* and ASC 480, *Distinguishing Liabilities from Equity*. On February 18, 2016, the Company used a Monte Carlo simulation to value the settlement features and ascribed a value of $1,350 related to the conversion feature and fundamental transaction clauses and recorded these items on the consolidated balance sheets as a derivative liability. The debt discounts are being amortized over the life of the loan.

On May 17, 2016, the Company entered into the Note Forbearance Agreement with JGB Concord pursuant to which JGB Concord agreed to forbear action with respect to certain existing defaults in accordance with the terms of the Note Forbearance Agreement (Refer to Note 8, Term Loans, for further details). The Company evaluated the Note Forbearance Agreement and accounted for the transaction as a debt extinguishment in accordance with ASC Topic 470-50. In accordance with ASC Topic 470-50, the Company used a Monte Carlo simulation to revalue the settlement features associated with the Note Forbearance Agreement. The Company recorded the change in the settlement features as a loss to change in fair value of derivative instruments of $2,196 to its consolidated statement of operations on May 17, 2016.

On May 23, 2016, the Company entered into the Amended Agreement with JGB Concord, JGB Waltham, VaultLogix, and the Guarantors. The Company accounted for this Amended Agreement in accordance with ASC Topic 470-50. In accordance with ASC Topic 470-50, the Company accounted for the Amended Agreement as a debt modification and utilized a Monte Carlo simulation to determine the fair value of the settlement features. The Company recorded a loss on the fair value of the settlement features to change in fair value of derivative instruments of $79 on the consolidated statement of operations as of May 23, 2016.

On June 23, 2016, the Company entered into an amended agreement with JGB Concord and JGB Waltham (refer to Note 8, Term Loans, for further detail). The Company accounted for the amended agreement as a debt extinguishment in accordance with ASC Topic 470-50. In accordance with ASC Topic 470-50, the Company used a Monte Carlo simulation to revalue the settlement features associated with the Amended Agreement to determine the fair value. The Company recorded the change in the settlement features as a loss to change in fair value of derivative instruments of $924 to its consolidated statement of operations on June 23, 2016.

As part of the June 23, 2016 amended agreement with JGB Concord, the Company issued 900,000 shares of the Company's common stock on June 23, 2016 to JGB Concord, which included a make-whole provision whereby the Company would pay JGB Concord in cash the difference between $376.00 per share of the Company's common stock and the average volume weighted average price per share of the Company's common stock sixty days after shares of the Company's common stock are freely tradable. The Company accounted for the make-whole provision within the June 23, 2016 amendment agreement as a derivative liability and utilized a binomial lattice model to ascribe a value of $280, which was recorded as a derivative liability on the Company's consolidated balance sheet and as a loss on extinguishment of debt on the Company's consolidated statement of operations on June 23, 2016.

On September 1, 2016, the Company entered into an amended agreement with JGB Concord and JGB Waltham (refer to Note 8, Term Loans, for further detail). The Company accounted for the amended agreement as a debt extinguishment in accordance with ASC Topic 470-50. In accordance with ASC Topic 470-50, the Company used a Monte Carlo simulation to revalue the settlement features associated with the Amended Agreement. The Company recorded the change in the settlement features as a gain to change in fair value of derivative instruments of $1,308 to its consolidated statement of operations on September 1, 2016.

On February 28, 2017, the Company entered into a consent agreement with JGB Concord and JGB Waltham (refer to Note 8, Term Loans, for further detail). The Company accounted for the amended agreement in regards to the JGB Concord Debenture as a debt extinguishment in accordance with ASC Topic 470-50. In accordance with ASC Topic 470-50, the Company used a Monte Carlo simulation to revalue the settlement features associated with the agreement. The Company recorded the change in the settlement features as a gain to change in fair value of derivative instruments of $2 to its unaudited condensed consolidated statement of operations for the three months ended March 31, 2017.

On March 31, 2018 and December 31, 2017, the Company used a Monte Carlo simulation to value the settlement features of the senior secured convertible notes and determined the fair value to be $7 and $7, respectively. The Company recorded the change in fair value of derivative instruments for the three months ended March 31, 2017 and as a gain of $245, respectively, which included all extinguishment accounting for the periods in accordance with ASC Topic 470-50. These changes were recorded in the unaudited condensed consolidated statement of operations.

The fair value of the JGB (Cayman) Concord Ltd. derivative at the measurement date was calculated using the Monte Carlo simulation with the following factors, assumptions and methodologies:

	March 31, 2018	December 31, 2017
Principal amount and guaranteed interest	$ 11	$ 11
Conversion price per share	*	*
Conversion trigger price per share	None	None
Risk free rate	2.09%	1.76%
Life of conversion feature (in years)	1.17	1.41
Volatility	228%	201%

* The conversion price per share is equal to the lesser of $4.00 or 80% of VWAP on the conversion date.

JGB Concord Make-Whole Provision

On December 31, 2016, the Company used a binomial lattice model to value the make-whole provision and determined the fair value to be $819. Proceeds from the January 31, 2017 sale of the Company's Highwire subsidiary were used to pay the remaining balance of the make-whole provision. On February 28, 2017, the Company used a binomial lattice model to value the make-whole provision and determined the fair value to be $814.

During the year ended December 31, 2017, the Company paid the balance owed for the make-whole provision.

The Company recorded a gain on fair value of derivative instruments of $5 for the three months ended March 31, 2017 on the unaudited condensed consolidated statement of operations.

February 28, 2017 JGB Waltham Warrant

On February 28, 2017, the Company entered into a securities exchange agreement with JGB Waltham whereby the Company issued a warrant giving JGB Waltham the right to purchase from the Company shares of common stock for an aggregate purchase price of up to $1,000. The warrant had an original expiration date of November 28, 2018 and contained a cashless exercise feature. The warrants had an exercise price of $16.00 until May 29, 2017 and the lower of (a) $16.00 and (b) 80% of the lowest VWAP of the Company's common stock for the prior 30 days thereafter. On February 28, 2017, the Company used a binomial lattice calculation to value the warrants. The Company ascribed a value of $65 related to the warrants and recorded this item on the consolidated balance sheets as a derivative liability.

The Company recorded a loss of $328 on the unaudited condensed consolidated statement of operations for the three months ended March 31, 2017.

During the year ended December 31, 2017, JGB Waltham exercised the warrant in full for an aggregate purchase price of $1,000.

MEF I, L.P. Assignment and Assumption Agreement

On March 9, 2017, the Company entered into a convertible promissory note with MEF I, L.P. pursuant to an assignment and assumption agreement (refer to Note 11, Term Loans, for additional detail on the assignment). The note is convertible at the lower of (i) $16.00 or (ii) 80% of the lowest VWAP in the 30 trading days prior to the conversion date. The Company evaluated the convertible note's settlement provisions and determined that the voluntary conversion feature and fundamental transaction clauses met the criteria to be classified as embedded derivatives as set forth in ASC 815, Derivatives and Hedging and ASC 480, Distinguishing Liabilities from Equity. On March 9, 2017, the Company used a Monte Carlo simulation to value the settlement features. The Company ascribed a value of $250 related to the conversion feature and recorded this item on the consolidated balance sheets as a derivative liability.

The Company recorded a loss of $20 on the unaudited condensed consolidated statement of operations for the three months ended March 31, 2017.

As a result of the conversion of the outstanding principal balance during the year ended December 31, 2017 (refer to Note 8, Term Loans, for further detail), the fair value of the corresponding derivative liability was $0 as of December 31, 2017.

SRFF Warrant and Derivative

On September 8, 2016, the Company issued a warrant to purchase up to a total of 6,250 shares of common stock at any time on or prior to April 1, 2017. The exercise price of the warrant is $0.40. The warrant was issued in consideration for the outstanding accounts payable to the holder of the warrant. Based on the agreement, the proceeds from the eventual sale of the common stock based on the exercise of all or a portion of the warrant will be applied towards unpaid invoices for services previously rendered to the Company. The Company determined that the fair value of the warrants was $460, which was included in common stock warrants within the stockholders' deficit section on the consolidated balance sheet as of December 31, 2016.

During the three months ended December 31, 2016, the warrant value became less than the accounts payable owed. As a result, a derivative had to be recorded on the consolidated balance sheet as of December 31, 2016 in accordance with ASC 480.

As of March 31, 2017, the Company did not have sufficient authorized shares for the remaining equity warrants to qualify as equity. Per ASC 815-40-35-9, the Company reclassified these warrants to a derivative liability at their fair value as of March 31, 2017. Based on a warrant to purchase up to a total of 2,500,000 shares of common stock and an underlying price of $0.03 per share, the Company recorded these warrants at fair value of $75 on the unaudited condensed consolidated balance sheet as of March 31, 2017.

On March 31, 2018 and December 31, 2017, the Company used a binomial lattice model to value the warrant derivative and determined the fair value to be $132 and $234, respectively. The Company recorded a gain on fair value of derivative instruments of $102 and $37 for the three months ended March 31, 2018 and 2017, respectively, on the unaudited condensed consolidated statement of operations.

On March 31, 2018, the expiration date was extended until June 30, 2018.

The fair value of the warrant derivative as of March 31, 2018 and December 31, 2017 was calculated using a binomial lattice pricing model with the following factors, assumptions and methodologies:

	March 31, 2018	December 31, 2017
Fair value of Company’s common stock	$ 0.09	$ 0.27
Volatility	198%	201%
Exercise price	0.40	0.400
Estimated life (in years)	0.25	0.25
Risk free interest rate	1.73%	1.39%

RDW April 3, 2017 2.5% Convertible Promissory Note

On April 3, 2017, Scott Davis assigned 100% of his promissory note in the original principal amount of $250, reduced to $225 based on a $25 conversion into common stock, to RDW. This note was convertible at a price of $888.00 per share and was due on demand. As consideration for the assignment RDW paid Scott Davis $40. RDW then exchanged this original note for a new 2.5% convertible promissory note in the principal amount of $100 due April 3, 2018. This conversion price of the new note is equal to 75% of the average of the five lowest VWAPS over the seven trading days prior to the date of conversion. The Company evaluated the convertible note’s settlement provisions and determined that the voluntary conversion feature and fundamental transaction clauses met the criteria to be classified as embedded derivatives as set forth in ASC 815, Derivatives and Hedging and ASC 480, Distinguishing Liabilities from Equity. On April 25, 2017, the Company used a Monte Carlo simulation to value the settlement features. The Company ascribed a value of $39 related to the conversion feature and recorded this item on the consolidated balance sheets as a derivative liability.

As a result of the conversion of the outstanding principal balance during the year ended December 31, 2017 (refer to Note 8, Term Loans, for further detail), the fair value of the corresponding derivative liability was $0 as of December 31, 2017.

RDW July 14, 2017 9.9% Convertible Promissory Note

On July 14, 2017, the Company issued a convertible promissory note to RDW in the principal amount of $155, which bore interest at the rate of 9.9% per annum, and had an original maturity date of July 14, 2018. The note was convertible at the lower of (i) $4.00 or (ii) 75% of the average of the lowest five VWAPS over the seven trading days prior to the date of conversion. The Company evaluated the convertible note’s settlement provisions and determined that the voluntary conversion feature and fundamental transaction clauses met the criteria to be classified as embedded derivatives as set forth in ASC 815, Derivatives and Hedging and ASC 480, Distinguishing Liabilities from Equity. On July 14, 2017, the Company used a Monte Carlo simulation to value the settlement features. The Company ascribed a value of $126 related to the conversion feature and recorded this item on the consolidated balance sheets as a derivative liability.

As a result of the conversion of the outstanding principal balance during the three months ended March 31, 2018 (refer to Note 8, Term Loans, for further detail), the fair value of the corresponding derivative liability was $0 as of March 31, 2018. The Company recorded a gain on fair value of derivative instruments of $64 for the three months ended March 31, 2018, on the unaudited condensed consolidated statement of operations.

The fair value of the convertible note derivative at the measurement date was calculated using the Monte Carlo simulation with the following factors, assumptions and methodologies:

	December 31, 2017
Principal amount and guaranteed interest	$ 162
Conversion price per share	*
Conversion trigger price per share	None
Risk free rate	1.53%
Life of conversion feature (in years)	0.53
Volatility	198%

* The conversion price per share was equal to the lesser of $4.00 or 75% of the average of the lowest 5 prices during the 7 days preceding the conversion date.

Assignment of Tim Hannibal Note - RDW July 18, 2017 2.5% Convertible Promissory Note

On July 18, 2017, Tim Hannibal assigned 100% of his 8% convertible promissory note in the original principal amount of $1,215, due October 9, 2017, to RDW. This note was convertible into the Company's common stock at a price of $2,548.00 per share. RDW then exchanged this original note for a new 2.5% convertible promissory note in the principal amount of $1,215 due July 18, 2018. The conversion price of the new note was equal to the lower of (i) $4.00 or (ii) 75% of the average of the lowest five VWAPS over the seven trading days prior to the date of conversion. The Company evaluated the convertible note's settlement provisions and determined that the voluntary conversion feature and fundamental transaction clauses met the criteria to be classified as embedded derivatives as set forth in ASC 815, Derivatives and Hedging and ASC 480, Distinguishing Liabilities from Equity. On July 18, 2017, the Company used a Monte Carlo simulation to value the settlement features. The Company ascribed a value of $911 related to the conversion feature and recorded this item on the consolidated balance sheets as a derivative liability.

During the year ended December 31, 2017, the holder of the July 18, 2017 convertible promissory note converted the outstanding principal balance into shares of the Company's common stock (refer to Note 8, Term Loans, for further detail). As a result of the conversions, the fair value of the derivative liability was $0 at December 31, 2017.

RDW September 27, 2017 9.9% Convertible Promissory Note

On September 27, 2017, the Company entered into a convertible promissory note with RDW in the principal amount of $155, which bears interest at the rate of 9.9% per annum, and matures on September 27, 2018. The note is convertible at the lower of (i) $4.00 or (ii) 75% of the average of the lowest five VWAPS over the twenty trading days prior to the date of conversion. The Company evaluated the convertible note's settlement provisions and determined that the voluntary conversion feature and fundamental transaction clauses met the criteria to be classified as embedded derivatives as set forth in ASC 815, Derivatives and Hedging and ASC 480, Distinguishing Liabilities from Equity. On September 27, 2017, the Company used a Monte Carlo simulation to value the settlement features. The Company ascribed a value of $122 related to the conversion feature and recorded this item on the consolidated balance sheets as a derivative liability.

On March 31, 2018 and December 31, 2017, the Company used a Monte Carlo simulation to value the settlement features of the convertible note and determined the fair value to be $131 and $108, respectively. The Company recorded a loss on fair value of derivative instruments of $23 for the three months ended March 31, 2018 on the unaudited condensed consolidated statement of operations.

The fair value of the convertible note derivative at the measurement date was calculated using the Monte Carlo simulation with the following factors, assumptions and methodologies:

	December 31, 2017
Principal amount and guaranteed interest	$ 163
Conversion price per share	*
Conversion trigger price per share	None
Risk free rate	1.95%
Life of conversion feature (in years)	0.49
Volatility	255%

* The conversion price per share is equal to the lesser of $4.00 or 75% of the average of the lowest 5 prices during the 20 days preceding the conversion date.

RDW October 12, 2017 9.9% Convertible Promissory Note

On October 12, 2017, Frank Jadevaia, former owner of IPC, assigned $400 of his outstanding promissory notes to RDW. The new note is in the principal amount of $400, bears interest at the rate of 9.9% per annum, and matures on September 27, 2018. The note is convertible at the lower of (i) $4.00 or (ii) 75% of the lowest VWAP over the twenty trading days prior to the date of conversion. The Company evaluated the convertible note's settlement provisions and determined that the voluntary conversion feature and fundamental transaction clauses met the criteria to be classified as embedded derivatives as set forth in ASC 815, Derivatives and Hedging and ASC 480, Distinguishing Liabilities from Equity. On October 12, 2017, the Company used a Monte Carlo simulation to value the settlement features. The Company ascribed a value of $374 related to the conversion feature and recorded this item on the consolidated balance sheets as a derivative liability.

On March 31, 2018 and December 31, 2017, the Company used a Monte Carlo simulation to value the settlement features of the convertible note and determined the fair value to be $147 and $121, respectively. The Company recorded a loss on fair value of derivative instruments of $26 for the three months ended March 31, 2018 on the unaudited condensed consolidated statement of operations.

The fair value of the convertible note derivative at the measurement date was calculated using the Monte Carlo simulation with the following factors, assumptions and methodologies:

	March 31, 2018	December 31, 2017
Principal amount and guaranteed interest	$ 137	$ 140
Conversion price per share	*	*
Conversion trigger price per share	None	None
Risk free rate	1.93%	1.73%
Life of conversion feature (in years)	0.53	0.78
Volatility	255%	191%

* The conversion price per share is equal to the lesser of $4.00 or 75% of the lowest VWAP over the twenty trading days prior to the date of conversion

RDW December 8, 2017 9.9% Convertible Promissory Note

On December 8, 2017, London Bay – VL Holding Company LLC assigned $600 of an outstanding promissory note to RDW. The new note is in the principal amount of $600, bears interest at the rate of 9.9% per annum, and matures on December 8, 2018. The note is convertible at the lower of (i) $4.00 or (ii) 65% of the lowest VWAP over the twenty trading days prior to the date of conversion. The Company evaluated the convertible note's settlement provisions and determined that the voluntary conversion feature and fundamental transaction clauses met the criteria to be classified as embedded derivatives as set forth in ASC 815, Derivatives and Hedging and ASC 480, Distinguishing Liabilities from Equity. On December 8, 2017, the Company used a Monte Carlo simulation to value the settlement features. The Company ascribed a value of $600 related to the conversion feature and recorded this item on the consolidated balance sheets as a derivative liability.

On March 31, 2018 and December 31, 2017, the Company used a Monte Carlo simulation to value the settlement features of the convertible note and determined the fair value to be $475 and $617, respectively. The Company recorded a gain on fair value of derivative instruments of $142 for the three months ended March 31, 2018 on the unaudited condensed consolidated statement of operations.

The fair value of the convertible note derivative at the measurement date was calculated using the Monte Carlo simulation with the following factors, assumptions and methodologies:

	March 31, 2018	December 31, 2017
Principal amount and guaranteed interest	$ 342	$ 484
Conversion price per share	*	*
Conversion trigger price per share	None	None
Risk free rate	1.93%	1.76%
Life of conversion feature (in years)	0.69	0.94
Volatility	255%	225%

* The conversion price per share is equal to the lesser of $4.00 or 65% of the lowest VWAP over the twenty trading days prior to the date of conversion

London Bay – VL Holding Company LLC November 17, 2017 Amendment

On November 17, 2017, the Company amended a convertible promissory note originally issued to London Bay – VL Holding Company LLC on October 9, 2014. The amendment extended the maturity date to October 9, 2018. The amended note is in the principal amount of $2,003 and does not accrue interest. The note is convertible at 95% of the average of the three lowest prices during the 5 days preceding conversion. The Company evaluated the convertible note's settlement provisions and determined that the voluntary conversion feature and fundamental transaction clauses met the criteria to be classified as embedded derivatives as set forth in ASC 815, Derivatives and Hedging and ASC 480, Distinguishing Liabilities from Equity. On November 17, 2017, the Company used a Monte Carlo simulation to value the settlement features. The Company ascribed a value of $282 related to the conversion feature and recorded this item on the consolidated balance sheets as a derivative liability.

On March 31, 2018 and December 31, 2017, the Company used a Monte Carlo simulation to value the settlement features of the convertible note and determined the fair value to be $227 and $190, respectively. The Company recorded a loss on fair value of derivative instruments of $37 for the three months ended March 31, 2018 on the unaudited condensed consolidated statement of operations.

The fair value of the convertible note derivative at the measurement date was calculated using the Monte Carlo simulation with the following factors, assumptions and methodologies:

	March 31, 2018	**December 31, 2017**
Principal amount and guaranteed interest	$ 1,454	$ 1,426
Conversion price per share	*	*
Conversion trigger price per share	None	None
Risk free rate	1.93%	1.76%
Life of conversion feature (in years)	0.53	0.77
Volatility	255%	204%

* The conversion price per share is equal to 95% of the average of the three lowest prices during the 5 days preceding conversion

WV VL Holding Corp November 17, 2017 Amendment

On November 17, 2017, the Company amended a convertible promissory note originally issued to WV VL Holding Corp on October 9, 2014. The amendment extended the maturity date to October 9, 2018. The amended note is in the principal amount of $2,005 and does not accrue interest. The note is convertible at 95% of the average of the three lowest prices during the 5 days preceding conversion. The Company evaluated the convertible note's settlement provisions and determined that the voluntary conversion feature and fundamental transaction clauses met the criteria to be classified as embedded derivatives as set forth in ASC 815, Derivatives and Hedging and ASC 480, Distinguishing Liabilities from Equity. On November 17, 2017, the Company used a Monte Carlo simulation to value the settlement features. The Company ascribed a value of $282 related to the conversion feature and recorded this item on the consolidated balance sheets as a derivative liability.

On March 31, 2018 and December 31, 2017, the Company used a Monte Carlo simulation to value the settlement features of the convertible note and determined the fair value to be $323 and $271, respectively. The Company recorded a loss on fair value of derivative instruments of $52 for the three months ended March 31, 2018 on the unaudited condensed consolidated statement of operations.

The fair value of the convertible note derivative at the measurement date was calculated using the Monte Carlo simulation with the following factors, assumptions and methodologies:

	March 31, 2018	**December 31, 2017**
Principal amount and guaranteed interest	$ 2,068	$ 2,028
Conversion price per share	*	*
Conversion trigger price per share	None	None
Risk free rate	1.93%	1.76%
Life of conversion feature (in years)	0.53	0.77
Volatility	255%	204%

* The conversion price per share is equal to 95% of the average of the three lowest prices during the 5 days preceding conversion

SCS LLC February 27, 2018 Convertible Promissory Note

On February 27, 2018, the Company issued a convertible promissory note to SCS, LLC. The note has a principal amount of $150, accrues interest at the rate of 12% per annum, and is due on February 27, 2019. The note is convertible into shares of the Company's common stock at a conversion price per share equal to 80% of the average of the three (3) lowest VWAPs over the five (5) trading days prior to the conversion date. The Company evaluated the convertible note's settlement provisions and determined that the voluntary conversion feature and fundamental transaction clauses met the criteria to be classified as embedded derivatives as set forth in ASC 815, Derivatives and Hedging and ASC 480, Distinguishing Liabilities from Equity. On February 27, 2018, the Company used a Monte Carlo simulation to value the settlement features. The Company ascribed a value of $70 related to the conversion feature and recorded this item on the consolidated balance sheets as a derivative liability.

On March 31, 2018, the Company used a Monte Carlo simulation to value the settlement features of the convertible note and determined the fair value to be $69. The Company recorded a gain on fair value of derivative instruments of $1 for the three months ended March 31, 2018 on the unaudited condensed consolidated statement of operations.

The fair value of the convertible note derivative at the measurement date was calculated using the Monte Carlo simulation with the following factors, assumptions and methodologies:

	March 31, 2018
Principal amount and guaranteed interest	$ 151
Conversion price per share	*
Conversion trigger price per share	None
Risk free rate	2.09%
Life of conversion feature (in years)	0.91
Volatility	228%

* The conversion price per share is equal to 80% of the average of the three lowest prices during the 5 days preceding conversion

Pryor Cashman LLP Warrant

On February 23, 2018, the Company issued a warrant to purchase up to 5,000,000 shares of its common stock to Pryor Cashman LLP. The warrant expirers on May 23, 2019 and is exercisable at a per share price of the lower of (i) $0.075 and (ii) 25% of the closing price of the Company's common stock on the trading day immediately preceding the date of exercise. The Company evaluated the warrant's settlement provisions and determined that the voluntary conversion feature and fundamental transaction clauses met the criteria to be classified as embedded derivatives as set forth in ASC 815, Derivatives and Hedging and ASC 480, Distinguishing Liabilities from Equity. On February 23, 2018, the Company used a Monte Carlo simulation to value the settlement features. The Company ascribed a value of $1,798 related to the conversion feature and recorded this item on the consolidated balance sheets as a derivative liability.

On March 31, 2018, the Company used a Monte Carlo simulation to value the settlement features of the convertible note and determined the fair value to be $394. The Company recorded a gain on fair value of derivative instruments of $1,404 for the three months ended March 31, 2018 on the unaudited condensed consolidated statement of operations.

The fair value of the convertible note derivative at the measurement date was calculated using the Monte Carlo simulation with the following factors, assumptions and methodologies:

	March 31, 2018
Fair value of Company's common stock	$ 0.09
Volatility	201%
Exercise price	0.0225
Estimated life (in years)	1.15
Risk free interest rate	2.12%

Series K, L, and M Preferred Stock Embedded Conversion Features

On October 12, 2017, the Company issued 227 shares of the Company's Series L preferred stock pursuant to an exchange of promissory notes (refer to Note 14, Preferred Stock, for further detail). The Series L preferred stock is convertible into common stock of the Company at 105% of the weighted average trading price for the five days prior to conversion

On November 10, 2017, the Company issued 1,512 shares of the Company's Series K preferred stock pursuant to an exchange of promissory notes (refer to Note 14, Preferred Stock, for further detail). The Series K preferred stock is convertible into common stock of the Company at the lower of $3.00 or 95% of the weighted average trading price for the five days prior to conversion.

On December 1, 2017, the Company issued 386 shares of the Company's Series M preferred stock pursuant to an exchange of warrants (refer to Note 14, Preferred Stock, for further detail). The Series M preferred stock is convertible into common stock of the Company at 105% of the weighted average trading price for the five days prior to conversion. In accordance with ASC 480, *Distinguishing Liabilities from Equity*, the Company has classified the Series M preferred stock as a liability.

The Company evaluated the embedded conversion features of the Series K and L preferred stock and concluded that they needed to be bifurcated. The Series M preferred stock was also recorded at its fair value. At the issuance dates, the Company used a Monte Carlo simulation to value the settlement features. The Company ascribed values of $15,748 and $1,664 related to the conversion features of the Series K and L preferred stock, respectively, and recorded these items on the consolidated balance sheets as a derivative liability. The Series M preferred stock was ascribed a value of $3,015 and recorded as a liability.

On March 31, 2018, the Company used a Monte Carlo simulation to value the settlement features of the Series K, L, and M preferred stock and determined the fair values to be $13,162, $1,725, and $2,972, respectively. On December 31, 2017, the Company used a Monte Carlo simulation to value the settlement features of the Series K, L, and M preferred stock and determined the fair values to be $14,247, $1,743, and $3,021, respectively. The Company recorded a gain on fair value of derivative instruments of $1,085 for the three months ended March 31, 2018 on the unaudited condensed consolidated statement of operations for the settlement features of the Series K preferred stock. The Company recorded a gain on fair value of derivative instruments of $18 for the three months ended March 31, 2018 on the unaudited condensed consolidated statement of operations for the settlement features of the Series L preferred stock. The Company also recorded a gain on fair value of the Series M preferred stock liability of $49 for the three months ended March 31, 2018 on the unaudited condensed consolidated statement of operations.

The fair value of the embedded conversion features of the Series K and L preferred stock, as well as the fair value of the Series M preferred stock, at the measurement date was calculated using the Monte Carlo simulation with the following factors, assumptions and methodologies:

	Series K Preferred Stock	Series L Preferred Stock	Series M Preferred Stock	Series K Preferred Stock	Series L Preferred Stock	Series M Preferred Stock
	March 31, 2018	**March 31, 2018**	**March 31, 2018**	**December 31, 2017**	**December 31, 2017**	**December 31, 2017**
Fair value of Company's common stock	$ 0.09	$ 0.09	$ 0.09	$ 0.27	$ 0.27	$ 0.27
Volatility	166%	167%	166%	160%	160%	159%
Exercise price	3.00	3.00	3.00	3.00	3.00	3.00
Estimated life	4.62	4.54	4.67	4.86	4.78	4.92
Risk free interest rate (based on 1-year treasury rate)	2.56%	2.56%	2.56%	2.20%	2.20%	2.26%

10. INCOME TAXES

Sections 382 and 383 of the Internal Revenue Code of 1986, as amended, provide for annual limitations on the utilization of net operating loss and credit carryforwards if the Company were to undergo an ownership change, as defined in Section 382 of the Code. In general, an ownership change occurs whenever the percentage of the shares of a corporation owned, directly or indirectly, by 5-percent shareholders, as defined in Section 382 of the Code, increases by more than 50 percent over the lowest percentage of the shares of such corporation owned, directly or indirectly, by such 5-percent shareholders at any time over the preceding three years. In the event such ownership change occurs, the annual limitation may result in the expiration of the net operating losses prior to full utilization. The Company has completed a study to assess whether an ownership change has occurred or whether there have been multiple ownership changes since the Company became a "loss corporation" under the Code. As disclosed, the Company has taken these limitations into account in determining its available NOL's.

During 2012 and 2013, the Company acquired 100% of a Puerto Rican limited liability company, thereby subjecting the Company to Puerto Rico income taxes on any Puerto Rico-sourced taxable income. Such taxes paid are considered foreign taxes that may be credited against federal income taxes payable in future years.

The Internal Revenue Service (IRS) has completed its examination of the Company's 2013 Federal Corporation Income tax Return. The Company has agreed to certain adjustments proposed by the IRS and is appealing others. Separately, the IRS has questioned the Company's classification of certain individuals as independent contractors rather than employees. The Company estimates its potential liability to be $165 but the liability, if any, upon final disposition of these matters is uncertain.

The Company’s 2016 U.S. corporation income tax return is currently under examination.

11. STOCKHOLDERS' DEFICIT

Common Stock:

Issuance of shares pursuant to JGB Waltham senior secured convertible debenture

During January 2018, the Company issued an aggregate of 154,489 shares of common stock to JGB Waltham pursuant to conversion of $30 principal amount related to the outstanding February 2016 senior secured convertible debenture. The shares were issued at an average of $0.19 per share, per the terms of the note payable.

During February 2018, the Company issued an aggregate of 298,470 shares of common stock to JGB Waltham pursuant to conversion of $50 principal amount related to the outstanding February 2016 senior secured convertible debenture. The shares were issued at an average of $0.17 per share, per the terms of the note payable.

During March 2018, the Company issued an aggregate of 1,619,132 shares of common stock to JGB Waltham pursuant to conversion of $190 principal amount related to the outstanding February 2016 senior secured convertible debenture. The shares were issued at an average of $0.12 per share, per the terms of the note payable.

Issuance of shares pursuant to RDW December 8, 2017 convertible promissory note

During January 2018, the Company issued an aggregate of 321,429 shares of its common stock to RDW upon the conversion of $45 principal amount of a note outstanding. The shares were issued at an average of $0.14 per share, per the terms of the note payable.

During March 2018, the Company issued an aggregate of 1,189,723 shares of its common stock to RDW upon the conversion of $105 principal amount of a note outstanding. The shares were issued at an average of $0.09 per share, per the terms of the note payable.

Issuance of shares pursuant to RDW July 14, 2017 convertible promissory note

During February 2018, the Company issued an aggregate of 428,572 shares of its common stock to RDW upon the conversion of $55 principal amount of a note outstanding. The shares were issued at an average of $0.13 per share, per the terms of the note payable.

During March 2018, the Company issued an aggregate of 1,063,829 shares of its common stock to RDW upon the conversion of $100 principal amount of a note outstanding. The shares were issued at an average of $0.09 per share, per the terms of the note payable.

Issuance of shares pursuant to Dominion Capital LLC November 4, 2016 promissory note

During February 2018, the Company issued an aggregate of 131,150 shares of common stock to Dominion Capital LLC upon the conversion of $28 of principal and accrued interest of a note outstanding. The shares were issued at an average of $0.21 per share, per the terms of the notes payable.

During March 2018, the Company issued an aggregate of 367,324 shares of common stock to Dominion Capital LLC upon the conversion of $50 of principal and accrued interest of a note outstanding. The shares were issued at an average of $0.14 per share, per the terms of the notes payable.

Issuance of shares pursuant to Dominion January 31, 2017 convertible promissory note

During March 2018, the Company issued an aggregate of 317,932 shares of its common stock to Dominion Capital LLC upon the conversion of $20 of principal and accrued interest of a note outstanding. The shares were issued at an average of $0.09 per share, per the terms of the note payable.

Issuance of shares pursuant to Form S-8 registration statement

During March 2018, the Company issued an aggregate of 100,000 shares of its common stock to Pryor Cashman LLP in satisfaction of fees owed totaling $16. The shares were issues at $0.16 per share.

During March 2018, the Company issued an aggregate of 200,000 shares of its common stock to Dealy Silberstein & Braverman, LLP in satisfaction of fees owed totaling $30. The shares were issued at $0.15 per share.

During March 2018, the Company issued an aggregate of 681,818 shares of its common stock to Sichenzia Ross Ference Kesner LLP in satisfaction of fees owed totaling $102. The shares were issued at $0.15 per share.

12. STOCK-BASED COMPENSATION

Restricted Stock

The following table summarizes the Company's restricted stock activity during the three months ended March 31, 2018:

	Number of Shares	Weighted Average Grant Date Fair Value
Outstanding at January 1, 2018	16,858	$ 169.00
Granted	-	-
Vested	-	-
Forfeited/Cancelled	-	-
Exercised	-	-
Outstanding at March 31, 2018	16,858	$ 169.00

For the three months ended March 31, 2018 and 2017, the Company incurred $0 and $13, respectively, in stock compensation expense from the issuance of common stock to employees and consultants.

The Company recorded an additional $70 and $487 in stock compensation expense on shares subject to vesting terms in previous periods during the quarters ended March 31, 2018 and 2017, respectively.

Options

There were no options granted during the three months ended March 31, 2018 or 2017.

The following table summarizes the Company's stock option activity and related information for the three months ended March 31, 2018:

		Weighted Average		
	Shares Underlying Options	Exercise Price	Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding at January 1, 2018	417	$ 1,488.00	4.29	$ -
Granted	-	-	-	-
Forfeited and expired	-	-	-	-
Exercised	-	-	-	-
Outstanding at March 31, 2018	417	$ 1,488.00	4.04	$ -
Exercisable at March 31, 2018	417	$ 1,488.00	4.04	$ -

The aggregate intrinsic value for outstanding options is calculated as the difference between the exercise price of the underlying awards and the quoted price of the Company's common stock as of March 31, 2018 and December 31, 2017 of $0.09 and $0.27, respectively.

13. RELATED PARTIES

At March 31, 2018 and December 31, 2017, the Company had outstanding the following loans due to related parties:

	March 31, 2018	December 31, 2017
Receivables purchase agreement with Pascack Road, LLC, due on demand	$ 266	$ 75
Receivables purchase agreement with 1112 Third Avenue Corp, due on demand	266	-
	532	75
Less: current portion of debt	(532)	(75)
Long-term portion of notes payable, related parties	$ -	$ -

The interest expense, including amortization of debt discounts, associated with the related-party notes payable in the three months ended March 31, 2018 and 2017 was $0 and $656, respectively.

All notes payable to related parties are subordinate to the JGB (Cayman) Waltham Ltd. and JGB (Cayman) Concord Ltd. term loan notes.

Related Party Promissory Notes to Mark Munro, CamaPlan FBO Mark Munro IRA, 1112 Third Avenue Corp, and Pascack Road, LLC

On July 25, 2017, Mark Munro, CEO, and Mark Durfee, Board Member, exchanged their outstanding related party debt for the Company's Series J preferred stock with special voting rights. Mark Munro converted principal and interest of $1,709 and $195, respectively. Mark Durfee converted principal and interest of $2,550 and $464, respectively. As a result of the exchange, Mark Munro and Mark Durfee received 387 and 613 shares, respectively, of the Company's Series J preferred stock (Refer to Note 14, Preferred Stock, for further detail).

Convertible Promissory Note to Scott Davis, Former Owner of Nottingham

On July 1, 2014, the Company issued an unsecured $250 convertible promissory note to Scott Davis, who was a related party. The note bore interest at the rate of 8% per annum, originally matured on January 1, 2015 and was convertible into shares of the Company's common stock at an initial conversion price of $2,636.00. The Company evaluated the convertible feature and determined that the value was de minimis and as such, the Company did not bifurcate the convertible feature.

On March 25, 2015, the Company and Mr. Davis agreed to a modification of the convertible promissory note. The term of the note was extended to May 30, 2016, the initial conversion price was amended to $888.00 per share of the Company's common stock and, in consideration for this modification, the Company issued to Mr. Davis 56 shares of common stock with a fair value of $864.00 per share.

On May 31, 2015, Mr. Davis converted $25 of principal amount of the note into 29 shares of common stock, with a fair value of $1,412.00 per share and the Company recorded a loss on debt conversion of $13 on the consolidated statement of operations.

On May 30, 2016, the note matured and was due on demand.

On April 3, 2017, Scott Davis assigned the full outstanding principal amount of the note to a third party (refer to Note 8, Term Loans, for additional detail).

Related Party Promissory Note to Pascack Road, LLC

On December 28, 2017, Pascack Road, LLC advanced $75 to the Company in return for a promissory note. The note did not accrue interest and was due on demand.

On January 3, 2018, the Company entered into a receivables purchase agreement whereby the Company sold $275 of receivables to Pascack Road, LLC in exchange for $200 in cash and the conversion of the $75 promissory note outstanding. The sale was unconditional, irrevocable, and without recourse to the Company.

During the three months ended March 31, 2018, the Company received and remitted $9 of the receivables sold.

1112 Third Avenue Corp Receivables Purchase Agreement – January 3, 2018

On January 3, 2018, the Company entered into a receivables purchase agreement whereby the Company sold $275 of receivables to 1112 Third Avenue Corp in exchange for $275 in cash. The sale was unconditional, irrevocable, and without recourse to the Company.

During the three months ended March 31, 2018, the Company received and remitted $9 of the receivables sold.

Loans to Employees

During the year ended December 31, 2016, the Company issued loans to employees totaling $928. As of December 31, 2017, the Company had outstanding loans to four employees with total principal of $928. These loans are collateralized by shares of the Company's common stock held by the employees. As of December 31, 2017, the value of the collateral was below the principal value. As a result, the Company recorded a reserve for the balance of $924 on the consolidated balance sheet as of December 31, 2017. As of March 31, 2018, the balance in loans to employees was $0.

14. PREFERRED STOCK

Designation of Series J Preferred Stock

On July 20, 2017, the Board of Directors designated 1,000 shares of the Company's authorized preferred stock, with a par value of $0.0001 per share, as Series J preferred stock. The Series J preferred stock has a stated value of $4,916 per share, is not redeemable and, except as otherwise required by law, shall be voted together with the Company's common stock and any other series of preferred stock then outstanding, and not as a separate class, at any meeting of the stockholders of the Company upon any matter upon which the holders of common stock have the right to vote, except that the aggregate voting power of the Series J preferred stock shall be equal to 51% of the total voting power of the Company. The holders of Series J preferred stock also have a liquidation preference in the amount of $4,916 per share that is senior to the distributions, if any, to be paid to the holders of common stock.

Designation of Series K Preferred Stock

On November 10, 2017, the Board of Directors designated 3,000 shares of the Company's authorized preferred stock, with a par value of $0.0001 per share, as Series K preferred stock. The Series K preferred stock has a stated value of $10,000 per share. The Series K preferred stock is convertible into common stock of the Company at the lower of $3.00 or 95% of the weighted average trading price for the five days prior to conversion. The Series K preferred stock has a liquidation preference equal to $10,000 per share. There are no dividends on the Series K preferred stock. 1,512 shares of the Series K preferred stock were issued and outstanding as of March 31, 2018 and December 31, 2017.

Designation of Series L Preferred Stock

On October 12, 2017, the Board of Directors designated 1,000 shares of the Company's authorized preferred stock, with a par value of $0.0001 per share, as Series L preferred stock. The Series L preferred stock has a stated value of $10,000 per share. The Series L preferred stock is convertible into common stock of the Company at 105% of the weighted average trading price for the five days prior to conversion. The Series L preferred stock has a liquidation preference equal to $10,000 per share. There are no dividends on the Series L preferred stock. 227 shares of the Series L preferred stock were issued and outstanding as of March 31, 2018 and December 31, 2017.

Designation of Series M Preferred Stock

On December 1, 2017, the Board of Directors designated 500 shares of the Company's authorized preferred stock, with a par value of $0.0001 per share, as Series M preferred stock. The Series M preferred stock has a stated value of $10,000 per share. The Series M preferred stock is convertible into common stock of the Company at 105% of the weighted average trading price for the five days prior to conversion. The Series M preferred stock has a liquidation preference equal to $10,000 per share. There are no dividends on the Series M preferred stock. 386 shares of the Series M preferred stock were issued and outstanding as of March 31, 2018 and December 31, 2017.

Exchange of related party debt for preferred stock

On July 25, 2017, Mark Munro, CEO, and Mark Durfee, Board Member, exchanged their outstanding related party debt for the Company's Series J preferred stock with special voting rights. Mark Munro converted principal and interest of $1,709 and $195, respectively. Mark Durfee converted principal and interest of $2,550 and $464, respectively. As a result of the exchange, Mark Munro and Mark Durfee received 387 and 613 shares, respectively, of the Company's Series J preferred stock (Refer to Note 13, Related Parties, for further detail). The fair value of the Series J Preferred Stock on date of issuance was $1,753. The difference between the fair value of the preferred stock and the debt converted was included in additional paid in capital.

Exchange of term loan Debt and Employee Warrants for Preferred Stock

On October 12, 2017, a note holder agreed to exchange $5,430 held in promissory notes into 227 shares of the Company's Series L preferred stock.

On November 10, 2017, two note holders converted $15,128 of principal and accrued interest into 1,512 shares of the Company's Series K preferred stock

On December 1, 2017, two employees exchanged warrants to purchase 382,300 shares of the Company's common stock for 386 shares of the Company's Series M preferred stock.

Temporary Equity

The Company evaluated and concluded that it's Series K and L Preferred Stock did not meet the criteria in ASC 480-10 and thus were not considered liabilities. The Company evaluated and concluded that the embedded conversion feature in Preferred Series K and L and determined that the embedded conversion feature needs to be bifurcated (refer to Note 9, Derivative Instruments, for further information regarding the embedded conversions features of the Series K and L preferred stock). In accordance with ASR 268 these equity securities are required to be classified outside of permanent equity since they are redeemable for cash. These shares are not currently redeemable and are not probable of being redeemed and thus have been recorded based on their fair value at the time of issuance. If redemption becomes probable, or the shares will become redeemable, they will be recorded to redemption value.

15. DISCONTINUED OPERATIONS

On January 31, 2017, the Company sold the Highwire division of ADEX. Under the terms of the sale, the Company received $4,000 in total proceeds and an additional working capital adjustment of approximately $400 that was paid in October 2017. The results of operations of Highwire have been included on the unaudited condensed consolidated statement of operations within the line item labelled loss on discontinued operations, net of tax for the three months ended March 31, 2017.

Effective April 1, 2017, the Company returned its interest in Nottingham, a former VIE of the Company. The assets and liabilities of Nottingham have been included within the consolidated balance sheets as current assets and long term assets and current liabilities of discontinued operations as of December 31, 2017. The results of operations of Nottingham have been included within the line-item labelled loss on discontinued operations, net of tax within the unaudited condensed consolidated statement of operations for the three months ended March 31, 2017.

On May 15, 2017, the Company sold its SDNE subsidiary. Under the terms of the sale, the Company was to receive $1,400 in cash and a working capital adjustment of $61 to be paid within 150 days of closing. The Company received cash proceeds of $1,411. The results of operations of SDNE have been included within the line-item labelled loss on discontinued operations, net of tax within the unaudited condensed consolidated statement of operations for the three months ended March 31, 2017.

On November 6, 2017, the Company consummated the disposal of certain assets and liabilities of its former wholly-owned subsidiary, IPC. The assets and liabilities of IPC have been included within the unaudited condensed consolidates balance sheet as current and long term assets and current liabilities of discontinued operations as of March 31, 2018. The assets and liabilities of IPC have been included within the consolidated balance sheet as current assets and long term assets and current liabilities of discontinued operations as of December 31, 2017. The results of operations of IPC have been included within the line-item labelled loss on discontinued operations, net of tax within the unaudited condensed consolidated statement of operations for the three months ended March 31, 2017.

On February 27, 2018, the Company sold the ADEX Entities for $3,000 in cash plus a one-year convertible promissory note in the aggregate principal amount of $2,000 (refer to Note 4, Loans Receivable, for further detail). $2,500 in cash was received at closing, with $500 to be retained by the buyer for 90 days, of which $250 has been received. The assets and liabilities of the ADEX Entities have been included within the consolidated balance sheet as current assets and long term assets and current liabilities of discontinued operations as of December 31, 2017. The results of operations of the ADEX Entities have been included within the line-item labelled loss on discontinued operations, net of tax within the unaudited condensed consolidated statement of operations for the three months ended March 31, 2018 and 2017.

The following table shows the balance sheets of the Company's discontinued operations as of March 31, 2018 and December 31, 2017.

	March 31, 2018	December 31, 2017
Current assets:		
Cash	$ -	$ 305
Accounts receivable, net of allowances	2	5,628
Current assets of discontinued operations	$ 2	$ 5,933
Long-term Assets:		
Property and equipment, net	$ -	$ 6
Intangible assets, net	-	1,354
Other assets	-	8
Long-term assets of discontinued operations	$ -	$ 1,368
Current liabilities:		
Accrued trade payables	$ 2,847	$ 3,138
Accrued expenses	335	2,660
Current liabilities of discontinued operations	$ 3,182	$ 5,798

The following table shows the statements of operations of the Company's discontinued operations for the three months ended March 31, 2018 and 2017.

	For the three months ended March 31,	
	2018	2017
Revenues	$ 3,565	$ 8,463
Cost of revenue	3,153	6,569
Gross profit	412	1,894
Operating expenses:		
Depreciation and amortization	33	254
Salaries and wages	261	1,603
Selling, general and administrative	124	944
Goodwill impairment charge	-	3,146
Intangible asset impairment charge	-	797
Total operating expenses	418	6,744
Pre-tax loss from operations	(6)	(4,850)
Other income (expenses):		
Interest expense	-	(1)
Gain on disposal of subsidiary	108	695
Total other income	108	694
Pre-tax loss on discontinued operations	102	(4,156)
Provision for income taxes	-	-
Gain (loss) on discontinued operations, net of tax	$ 102	$ (4,156)

16. SUBSEQUENT EVENTS

RDW September 27, 2017 Promissory Note Conversions

During April 2018, the Company issued an aggregate of 463,822 shares of its common stock to RDW upon the conversion of $20 of principal of a note outstanding.

During May 2018, the Company issued an aggregate of 480,769 shares of its common stock to RDW upon the conversion of $25 of principal of a note outstanding.

RDW December 8, 2017 Promissory Note Conversions

During April 2018, the Company issued an aggregate of 1,000,000 shares of its common stock to RDW upon the conversion of $50 of principal of a note outstanding.

Dominion January 31, 2017 Promissory Note Conversions

During April 2018, the Company issued an aggregate of 445,226 shares of its common stock to Dominion Capital LLC upon the conversion of $26 of principal and accrued interest of a note outstanding.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion of our financial condition and results of operations for the three months ended March 31, 2018 and 2017 should be read in conjunction with our unaudited condensed consolidated financial statements and the notes to those statements that are included elsewhere in this report. Our discussion includes forward-looking statements based upon current expectations that involve risks and uncertainties, such as our plans, objectives, expectations and intentions. Actual results and the timing of events could differ materially from those anticipated in these forward-looking statements as a result of a number of factors, including those set forth under Item 1A. Risk Factors appearing in our Annual Report on Form 10-K for the year ended December 31, 2017, as filed on April 17, 2018 with the Securities and Exchange Commission. We use words such as "anticipate," "estimate," "plan," "project," "continuing," "ongoing," "expect," "believe," "intend," "may," "will," "should," "could," and similar expressions to identify forward-looking statements. See the information under the caption "Forward Looking Statements" on page 1 of this report.

Unless expressed otherwise, all dollar amounts other than per share amounts are expressed in thousands.

Overview

In January 2017, we sold the Highwire division of ADEX, in April 2017, we sold the AWS Entities, in May 2017, we sold SDNE, in November 2017, we sold IPC, and in February 2018, we sold ADEX. The operations of Highwire, SDNE, IPC, and ADEX have been excluded from the comparative tables noted below.

Results of Continuing Operations – Three months ended March 31, 2018 and 2017

Revenues:

	Three months ended March 31,		Change	
	2018	**2017**	**Dollars**	**Percentage**
Revenue	$ 4,765	$ 5,487	$ (722)	-13%

Revenues for the three-month period ended March 31, 2018 decreased $0.7 million, or 13%, to $4.8 million, as compared to $5.5 million for the corresponding period in 2017. The decrease in revenue was primarily caused by the sale in April 2017 of the AWS Entities. During the three months ended March 31, 2017, the AWS Entities accounted for $2.7 million of revenues. This decrease was partially offset by an increase in revenues for TNS, which accounted for $3.9 million of revenues during the three months ended March 31, 2018, as compared to $2.4 million in the same period in 2017.

Cost of revenue and gross margin:

	Three months ended March 31,		Change	
	2018	**2017**	**Dollars**	**Percentage**
Cost of revenue	$ 2,983	$ 4,014	$ (1,031)	-26%

Cost of revenue for the three-month periods ended March 2018 and 2017 primarily consisted of direct labor provided by employees, services provided by subcontractors, direct material and other related costs. For a majority of the contract services we perform, our customers provide all necessary materials and we provide the personnel, tools and equipment necessary to perform installation and maintenance services. The decrease in cost of revenue of $1.0 million, or 26%, for the three-month period ended March 31, 2018 was primarily attributable to the sale of the AWS Entities described above. Costs of revenue as a percentage of revenues was 63% for the three-month period ended March 31, 2018, as compared to 73% for the same period in 2017.

Our gross profit percentage was 37% for the three-month period ended March 31, 2018, as compared to 27% for the comparable period in 2017. The overall increase in gross profit percentage was primarily due to the sale of the AWS Entities, which historically had lower margins than the subsidiaries still operating in 2018.

Salaries and wages:

	Three months ended March 31,		Change	
	2018	2017	Dollars	Percentage
Salaries and wages	$ 729	$ 1,672	$ (943)	-56%

For the three-month period ended March 31, 2018, salaries and wages decreased approximately $1.0 million to $0.7 million as compared to approximately $1.7 million for the same period in 2016. The decrease resulted primarily from the disposals of certain subsidiaries during 2017, along with a reduction in our corporate personnel. Salaries and wages were 15% and 30% of revenue in the three-month periods ended March 31, 2018 and 2017, respectively.

Selling, General and Administrative:

	Three months ended March 31,		Change	
	2018	2017	Dollars	Percentage
Selling, general and administrative	$ 835	$ 2,027	$ (1,192)	-59%

Selling, general and administrative costs include all of our corporate costs, as well as the costs of our subsidiaries' management personnel and administrative overhead. These costs consist of office rental, legal, consulting and professional fees, travel costs and other costs that are not directly related to the performance of our services under customer contracts. Selling, general and administrative expenses decreased approximately $1.2 million, or 59%, to $0.8 million in the three-month period ended March 31, 2018, as compared to $2.0 million in the comparable period of 2017. The decrease was a result of our focus on reducing salaries and wages and SG&A costs. Selling, general and administrative expenses decreased to 18% of revenues in the three-month period ended March 31, 2018, from 37% in the comparable period in 2017.

Interest Expense:

Interest expense for the three-month periods ended March 31, 2018 and 2017 was $0.4 million and $4.3 million, respectively. The decrease in interest expense primarily resulted from a decrease in overall outstanding debt as of the beginning of the three months ended March 31, 2018 compared to the same period of 2017.

Income (loss) from operations

During the three months ended March 31, 2018, income from operations was $159, compared to a loss from operations of $2,414 during the same period of 2017. The increase in gain from operations was a result of the decrease in operating expenses of $2,064, which was a result of our cost cutting efforts, along with an increase in gross profit of $309.

Net Loss Attributable to our Common Stockholders.

Net income attributable to our common stockholders was $5.3 million for the three-month period ended March 31, 2018, as compared to net loss attributable to common stockholders of $14.2 million for the three months ended March 31, 2017. The change was primarily due to non-cash gains related to our derivative instruments of $6.3 million during the three months ended March 31, 2018, as compared to non-cash losses related to our derivative instruments of $2.4 million during the three months ended March 31, 2017. Additionally, we incurred interest expense of $0.4 million during the three months ended March 31, 2018, as compared to $4.3 million during the three months ended March 31, 2017. Operating expenses decreased from $3.9 million during the three months ended March 31, 2017, to $1.6 million during the three months ended March 31, 2018.

Intangible Asset Impairment

We consider the results of an income approach and a market approach in determining the fair value of the reportable units. We evaluated the forecasted revenue using a discounted cash flow model for each of the reporting units. We also noted no unusual cost factors that would impact operations based on the nature of the working capital requirements of the components comprising the reportable units. Current operating results, including any losses, are evaluated by us in the assessment of intangible assets. The estimates and assumptions used in assessing the fair value of the reporting units and the valuation of the underlying assets and liabilities are inherently subject to significant uncertainties.

While we use available information to prepare estimates and to perform impairment evaluations, actual results could differ significantly from these estimates or related projections, resulting in impairment related to recorded balances. Additionally, adverse conditions in the economy and future volatility in the equity and credit markets could impact the valuation of our reporting units. We can provide no assurances that, if such conditions occur, they will not trigger impairments of intangible assets in future periods.

Events that could cause the risk for impairment to increase are the loss of a major customer or group of customers, the loss of key personnel and changes to current legislation that may impact our industry or its customers' industries.

Liquidity and Capital Resources

We believe that our available cash balance as of the date of this filing will not be sufficient to fund our anticipated level of operations for at least the next 12 months. Our management believes there is substantial doubt about our ability to continue as a going concern. Management believes that our ability to continue our operations depends on our ability to sustain and grow revenue and results of operations as well as our ability to access capital markets when necessary to accomplish our strategic objectives. Management believes that we will incur losses for the immediate future. For the quarter ended March 31, 2018, we generated gross profits from operations, but we incurred negative cash flow from operations. We expect to finance our cash needs from the results of operations and, depending on results of operations, we may need additional equity or debt financing until we can achieve profitability and positive cash flows from operating activities, if ever.

At March 31, 2018, we had a working capital deficit of $15.1 million, as compared to a working capital deficit of $20.5 million at December 31, 2017.

Within the next 12 months, we have obligations relating to the payment of indebtedness on term loans and notes to related parties of $10.3 million and $0.5 million, respectively.

We anticipate meeting our cash obligations on our indebtedness that is payable within the next 12 months from the results of operations and, depending on results of operations, we may need additional equity or debt financing. Additionally, during February 2018, we sold our ADEX Entities for $3.0 million in cash plus a one-year convertible promissory note in the aggregate principal amount of $2.0 million. $2.5 million in cash was received at closing, with $0.5 million to be retained by the buyer for 90 days, of which $0.3 million has been received. $1.0 million of the $2.5 million in cash received at closing was applied to the repayment of our indebtedness to JGB Concord, with an additional $0.9 million in cash placed in an escrow account controlled by JGB Concord, to be released to us if certain conditions are met.

Our future capital requirements for our operations will depend on many factors, including the profitability of our businesses, the number and cash requirements of other acquisition candidates that we pursue, and the costs of our operations. Our management has taken several actions to ensure that we will have sufficient liquidity to meet our obligations through the next 12 months, including the reduction of certain general and administrative expenses, consulting expenses and other professional services fees, and the sale of certain of our operating subsidiaries. Additionally, if our actual revenues are less than forecasted, we anticipate implementing headcount reductions to a level that more appropriately matches then-current revenue and expense levels. We also are evaluating other measures to further improve our liquidity, including the sale of equity or debt securities and entering into joint ventures with third parties. Lastly, we may elect to reduce certain related-party and third-party debt by converting such debt into preferred or common shares. We are currently in discussions with a third party on a credit facility to enhance our liquidity position. Our management believes that these actions will enable us to meet our liquidity requirements through the next 12 months. There is no assurance that we will be successful in any capital-raising efforts that we may undertake to fund operations during the next twelve months.

We plan to generate positive cash flow from our subsidiaries. However, as discussed above, to execute our business plan, service our existing indebtedness and implement our business strategy, we will need to obtain additional financing from time to time and may choose to raise additional funds through public or private equity or debt financings, a bank line of credit, borrowings from affiliates or other arrangements. We cannot be sure that any additional funding, if needed, will be available on terms favorable to us or at all. Furthermore, any additional capital raised through the sale of equity or equity-linked securities may dilute our current stockholders' ownership in us and could also result in a decrease in the market price of our common stock. The terms of those securities issued by us in future capital transactions may be more favorable to new investors and may include the issuance of warrants or other derivative securities, which may have a further dilutive effect. We also may be required to recognize non-cash expenses in connection with certain securities we issue, such as convertible notes and warrants, which may adversely impact our financial condition. Furthermore, any debt financing, if available, may subject us to restrictive covenants and significant interest costs. There can be no assurance that we will be able to raise additional capital, when needed, to continue operations in their current form.

As of March 31, 2018, we had cash of $0.4 million, which was exclusively denominated in U.S. dollars and consisted of bank deposits.

The following summary of our cash flows for the periods indicated has been derived from our unaudited condensed consolidated financial statements, which are included elsewhere in this report:

Summary of Cash Flows

	Three months ended March 31,	
(dollars amounts in thousands)	**2018**	**2017**
Net cash provided by (used in) operating activities	(2,022)	$ (605)
Net cash provided by investing activities	2,950	3,931
Net cash provided by (used in) financing activities	(940)	(4,300)

Net cash in operating activities for the three months ended March 31, 2018 was $2.0 million, which included the net income for the period of $5.3 million. The net income was offset by gains on the fair value of derivative liabilities of $6.3 million and changes in operating assets and liabilities of $1.6 million.

Net cash provided by investing activities for the three months ended March 31, 2018 was $3.0 million. This consisted primarily of cash and restricted cash received from the sale of the ADEX Entities of $1.9 million and $0.9 million, respectively.

Net cash used in financing activities for the three months ended March 31, 2018 was $0.9 million. This consisted primarily of $0.9 million of term loan related repayments from proceeds of the sale of the ADEX Entities and repayments of term loans of $0.5 million. These changes were partially offset by proceeds from related party loans of $0.5 million.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Not applicable for a smaller reporting company.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

We maintain "disclosure controls and procedures," as such term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). In designing and evaluating our disclosure controls and procedures, our management recognized that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of disclosure controls and procedures are met. Additionally, in designing disclosure controls and procedures, our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. The design of any disclosure controls and procedures also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

As of the end of the period covered by this Quarterly Report on Form 10-Q, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as defined in Rule 13a-15(e) and 15d-15(e) of the Exchange Act. Based on that evaluation and the material weaknesses described below, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were not effective such that the information relating to our company required to be disclosed in our SEC reports (i) is not recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and (ii) is not accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our financial statements will not be prevented or detected on a timely basis. The material weaknesses relate to our inability to timely file our reports and other information with the SEC as required under Section 13 of the Exchange Act, together with material weaknesses in our internal control over financial reporting. Our management also has identified material weaknesses in our internal controls over financial reporting relating to (i) our failure to effectively implement comprehensive entity-level internal controls, (ii) our lack of a sufficient complement of personnel with an appropriate level of knowledge and experience in the application of U.S. GAAP commensurate with our financial reporting requirements and, (iii) our lack of the quantity of resources necessary to implement an appropriate level of review controls to properly evaluate the completeness and accuracy of the transactions into which we enter. Our management believes that these weaknesses are due in part to the small size of our staff, which makes it challenging to maintain adequate disclosure controls. We plan to hire additional experienced accounting and other personnel to assist with filings and financial record keeping and to take additional steps to improve our financial reporting systems and implement new policies, procedures and controls.

Changes in Internal Control over Financial Reporting

None.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

Pending Litigation

There have been no material developments in any of the legal proceedings discussed in Item 3 of our Annual Report on Form 10-K for the year ended December 31, 2017.

Item 1A. Risk Factors.

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2017, which could materially affect our business, financial condition, or future results. The risks described in our Annual Report on Form 10-K are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and operating results.

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

During the quarter ended March 31, 2018, we issued securities in the following transactions, each of which was exempt from the registration requirements of the Securities Act. Except for the shares of our common stock that were issued upon the conversion of our convertible debt securities or the grants of shares of common stock under our 2012 Performance Incentive Plan, all of the below-referenced securities were issued pursuant to the exemption from registration under Section 4(2) of the Securities Act and are deemed to be restricted securities for purposes of the Securities Act. There were no underwriters or placement agents employed in connection with any of these transactions. Use of the exemption provided in Section 4(2) for transactions not involving a public offering is based on the following facts:

- Neither we nor any person acting on our behalf solicited any offer to buy or sell securities by any form of general solicitation or advertising.
- The recipients were either accredited or otherwise sophisticated individuals who had such knowledge and experience in business matters that they were capable of evaluating the merits and risks of the prospective investment in our securities.
- The recipients had access to business and financial information concerning our company.
- All securities issued were issued with a restrictive legend and may only be disposed of pursuant to an effective registration or exemption from registration in compliance with federal and state securities laws.

The shares of our common stock that were issued upon the conversion of our convertible debt securities were issued pursuant to the exemption from registration under Section 3(a)(9) of the Securities Act and are deemed to be restricted securities for purposes of the Securities Act.

The shares of our common stock that were granted to employees under our 2012 Performance Incentive Plan were issued pursuant to the exemption from registration under the Securities Act in reliance on Rule 701 of the Securities Act as offers and sales of securities under compensatory benefit plans and contracts relating to compensation in compliance with Rule 701. Each of the recipients of securities in any transaction exempt from registration either received or had adequate access, through employment, business or other relationships, to information about us.

All dollar amounts presented below are in thousands, except share and per share data.

During January 2018, we issued 154,489 shares of common stock to JGB Waltham pursuant to conversion of $30 principal amount related to the outstanding February 2016 senior secured convertible debenture. The shares were issued at an average fair value of $0.19 per share, per the terms of the note payable.

During January 2018, we issued 321,429 shares of its common stock to RDW upon the conversion of $45 principal amount of a note outstanding. The shares were issued at an average fair value of $0.14 per share, per the terms of the note payable.

During February 2018, we issued 298,470 shares of common stock to JGB Waltham pursuant to conversion of $50 principal amount related to the outstanding February 2016 senior secured convertible debenture. The shares were issued at an average fair value of $0.17 per share, per the terms of the note payable.

During February 2018, we issued 428,572 shares of its common stock to RDW upon the conversion of $55 principal amount of a note outstanding. The shares were issued at an average fair value of $0.13 per share, per the terms of the note payable.

During February 2018, we issued 131,150 shares of common stock to Dominion Capital LLC upon the conversion of $28 of principal and accrued interest of a note outstanding. The shares were issued at an average fair value of $0.21 per share, per the terms of the notes payable.

During March 2018, we issued 1,619,132 shares of common stock to JGB Waltham pursuant to conversion of $190 principal amount related to the outstanding February 2016 senior secured convertible debenture. The shares were issued at an average fair value of $0.12 per share, per the terms of the note payable.

During March 2018, we issued 1,189,723 shares of its common stock to RDW upon the conversion of $105 principal amount of a note outstanding. The shares were issued at an average fair value of $0.09 per share, per the terms of the note payable.

During March 2018, we issued 1,063,829 shares of its common stock to RDW upon the conversion of $100 principal amount of a note outstanding. The shares were issued at an average fair value of $0.09 per share, per the terms of the note payable.

During March 2018, we issued 367,324 shares of common stock to Dominion Capital LLC upon the conversion of $50 of principal and accrued interest of a note outstanding. The shares were issued at an average fair value of $0.14 per share, per the terms of the notes payable.

During March 2018, we issued 317,932 shares of its common stock to Dominion Capital LLC upon the conversion of $20 of principal and accrued interest of a note outstanding. The shares were issued at an average fair value of $0.09 per share, per the terms of the note payable.

During March 2018, we issued 100,000 shares of its common stock to Pryor Cashman LLP in satisfaction of fees owed totaling $16. The shares were issues at a fair value of $0.16 per share. Per the terms of the agreement.

During March 2018, we issued 200,000 shares of its common stock to Dealy Silberstein & Braverman, LLP in satisfaction of fees owed totaling $30. The shares were issued at a fair value of $0.15 per share, per the terms of the agreement.

During March 2018, we issued 681,818 shares of its common stock to Sichenzia Ross Ference Kesner LLP in satisfaction of fees owed totaling $102. The shares were issued at a fair value of $0.15 per share, per the terms of the agreement.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

31.1	Certification of Principal Executive Officer Pursuant to Section 302 of Sarbanes-Oxley Act of 2002.
31.2	Certification of Principal Financial Officer Pursuant to Section 302 of Sarbanes-Oxley Act of 2002.
32.1	Certification of Principal Executive Officer Pursuant to Section 906 of Sarbanes-Oxley Act of 2002.
32.2	Certification of Principal Financial Officer Pursuant to Section 906 of Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

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.

INTERCLOUD SYSTEMS, INC.

May 21, 2018

By: /s/ Daniel Sullivan
Daniel Sullivan,
Chief Accounting Officer,
Principal Financial Officer and
Principal Accounting Officer

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

I, Mark Munro, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of InterCloud Systems, 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 present in this Quarterly Report;

4. The registrant's other certifying officer(s) 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 Quarterly Report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financing 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(s) 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.

Date: May 21, 2018

By: /s/ Mark Munro
Mark Munro
Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

I, Daniel Sullivan, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of InterCloud Systems, 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 present in this Quarterly Report;

4. The registrant's other certifying officer(s) 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 Quarterly Report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financing 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(s) 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.

Date: May 21, 2018

By: /s/ Daniel Sullivan
Daniel Sullivan
Chief Accounting Officer

Exhibit 32.1

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the accompanying Quarterly Report on Form 10-Q of InterCloud Systems, Inc. for the quarter ended March 31, 2018, I, Mark Munro, Chief Executive Officer of InterCloud Systems, Inc., hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge and belief, that:

1. Such Quarterly Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in such Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of InterCloud Systems, Inc.

Date: May 21, 2018

By: /s/ Mark Munro
Mark Munro
Chief Executive Officer

The foregoing certification is being furnished as an exhibit to the Form 10-Q pursuant to Item 601(b)(32) of Regulation S-K and Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code) and accordingly, is not being filed as part of the Form 10-Q for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not incorporated by reference into any filing of InterCloud Systems, Inc., whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the accompanying Quarterly Report on Form 10-Q of InterCloud Systems, Inc. for the quarter ended March 31, 2018, I, Daniel Sullivan, Chief Financial Officer of InterCloud Systems, Inc., hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge and belief, that:

1. Such Quarterly Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in such Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of InterCloud Systems, Inc.

Date: May 21, 2018

By: /s/ Daniel Sullivan
Daniel Sullivan
Chief Accounting Officer

The foregoing certification is being furnished as an exhibit to the Form 10-Q pursuant to Item 601(b)(32) of Regulation S-K and Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code) and accordingly, is not being filed as part of the Form 10-Q for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not incorporated by reference into any filing of InterCloud Systems, Inc., whether made before or after the date hereof, regardless of any general incorporation language in such filing.