

## TABLE OF CONTENTS

In 2019 and 2018, we had pre-tax losses of \$19,573 and \$25,403 respectively, which are available for carry forward to offset future taxable income. We made determinations to provide full valuation allowances for our net deferred tax assets at the end of 2019 and 2018, including NOL carryforwards generated during the years, based on our evaluation of positive and negative evidence, including our history of operating losses and the uncertainty of generating future taxable income that would enable us to realize our deferred tax assets.

Deferred tax assets (liabilities) consist of the following:

	As of December 31, 2019	As of December 31, 2018
Deferred tax assets:		
Reserves and accruals	\$ 62	\$ 45
Research and development credits and other credits	1,730	1,635
Net operating loss carry forward	27,907	25,733
Stock based compensation	8,402	8,857
Other	11	26
Total deferred tax assets	38,112	36,296
Valuation allowance	(38,112)	(36,296)
Deferred tax assets after valuation allowance	—	—
Total deferred tax liability	—	—
Net deferred tax assets (liabilities)	\$ —	\$ —

In assessing the realization of deferred tax assets, management considers whether it is more likely than not that a portion of the net deferred assets will not be realized. The ultimate realization of the net deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Based on the available objective evidence, management believes it is more likely than not that the net deferred tax assets at December 31, 2019 will not be realizable. Accordingly, management has maintained a full valuation allowance against its net deferred tax assets at December 31, 2019. The net change in the total valuation allowance for the 12 months ended December 31, 2019 was an increase of \$1,816.

At December 31, 2019, we had federal and state net operating loss carryforwards of approximately \$131,055 and \$107,989, respectively, expiring beginning in 2028 for federal and in 2029 for state, respectively. At December 31, 2019, we had federal research and development credit carryforwards of approximately \$1,730, expiring beginning in 2032.

Internal Revenue Code Section 382 places a limitation (the "Section 382 Limitation") on the amount of net operating loss carry forwards that can be used to offset taxable income after a change in control (generally greater than 50% change in ownership) of a loss corporation. California, the state in which our headquarters was once located, has similar rules. Our capitalization may have resulted in such a change. Generally, after a control change, a loss corporation cannot deduct net operating loss carry forwards generated in years prior to the deemed change of control under IRC Section 382 in excess of the Section 382 Limitation.

We are required to recognize the financial statement effects of a tax position when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. As a result, we have provided an allowance for an uncertain tax position under ASC 740-10 of \$0 and \$316 at December 31, 2019 and December 31, 2018, respectively. In 2019, we released all ASC 740-10 uncertain tax positions due to the expiring of the statute of limitation.

Our tax returns are subject to review by various tax authorities. The returns subject to review are those from 2005 forward.

Our policy is to recognize interest and penalties, if any, accrued on any unrecognized tax benefits, as a component of income tax expense. We had no interest or penalties accrued for the year ended December 31, 2019.