BROADVISION INC
Form 10-Q
November 14, 2018
UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2018

OR

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

Commission File Number 001-34205

BROADVISION, INC.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	94-3184303 (I.R.S. Employer Identification No.)
460 Seaport Ct., Suite 102 Redwood City, California (Address of principal executive offices)	94063 (Zip code)

(650) 331-1000

(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.

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 provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

As of November 9, 2018, the registrant had 4,999,154 shares of common stock outstanding.

BROADVISION, INC. AND SUBSIDIARIES

FORM 10-Q

Quarter Ended September 30, 2018

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

BROADVISION, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except par value amounts)

	September 30, 2018 (unaudited)	December 31, 2017 (See Note 1)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 4,349	$ 8,560
Short-term investments	-	1,000
Accounts receivable, net of reserves of $216 and $293 as of September 30, 2018 and December 31, 2017, respectively	320	1,193
Prepaids and other	969	983
Total current assets	5,638	11,736
Property and equipment, net	19	35
Other assets	217	208
Total assets	$ 5,874	$ 11,979
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 335	$ 434
Accrued expenses	1,098	1,658
Unearned revenue	507	1,187
Deferred maintenance	380	808
Total current liabilities	2,320	4,087
Other non-current liabilities	593	583
Total liabilities	2,913	4,670
Stockholders' equity:		
Convertible preferred stock, $0.0001 par value; 1,000 shares authorized; none issued and outstanding		

Common stock, $0.0001 par value; 11,200 shares authorized; 4,999 and 4,995 shares issued and outstanding as of September 30, 2018 and December 31, 2017, respectively	-	-
Additional paid-in capital	1,271,894	1,271,585
Accumulated other comprehensive loss	(1,452)	(1,558)
Accumulated deficit	(1,267,481)	(1,262,718)
Total stockholders' equity	2,961	7,309
Total liabilities and stockholders' equity	$ 5,874	$ 11,979

See Accompanying Notes to Condensed Consolidated Financial Statements.

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BROADVISION, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(In thousands, except per share amounts)

(Unaudited)

	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Revenues:				
Software licenses	$ 489	$ 844	$ 2,033	$ 2,605
Services	475	611	1,777	2,273
Total revenues	964	1,455	3,810	4,878
Cost of revenues:				
Cost of software revenues	28	36	105	134
Cost of services	463	672	1,500	2,200
Total cost of revenues	491	708	1,605	2,334
Gross profit	473	747	2,205	2,544
Operating expenses:				
Research and development	1,085	1,661	3,785	4,995
Sales and marketing	508	974	1,538	2,943
General and administrative	535	825	2,072	2,709
Total operating expenses	2,128	3,460	7,395	10,647
Operating loss	(1,655)	(2,713)	(5,190)	(8,103)
Interest income, net	13	37	49	101
Other income (expense), net	(72)	176	(223)	544
Loss before provision for income taxes	(1,714)	(2,500)	(5,364)	(7,458)
Provision for income taxes	2	2	4	4
Net loss	(1,716)	(2,502)	(5,368)	(7,462)
Other comprehensive (loss) gain, net of tax:				
Foreign currency translation adjustment	29	(198)	106	(531)
Comprehensive loss	$ (1,687)	$ (2,700)	$ (5,262)	$ (7,993)
Net loss per share, basic and diluted:				
Basic and diluted net loss per share	$ (0.34)	$ (0.50)	$ (1.07)	$ (1.50)
Shares used in computing:				
Weighted average shares, basic and diluted	4,998	4,985	4,997	4,970

See Accompanying Notes to Condensed Consolidated Financial Statements.

BROADVISION, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands, Unaudited)

	Nine Months Ended September 30, 2018	2017
Cash flows from operating activities:		
Net loss	$ (5,368)	$ (7,462)
Depreciation and amortization	17	25
Stock-based compensation	300	728
Provision of receivable reserves	(77)	(35)
Accumulated effect on accounting changes	605	-
Changes in operating assets and liabilities:		
Accounts receivable	950	180
Prepaids and other	14	56
Other non-current assets	(9)	(1)
Accounts payable and accrued expenses	(659)	(64)
Unearned revenue and deferred maintenance	(1,108)	(234)
Other noncurrent liabilities	10	(99)
Net cash used in operating activities	(5,325)	(6,906)
Cash flows from investing activities:		
Purchase of property and equipment	(1)	(7)
Purchase of short-term investments	-	(4,497)
Maturities of short-term investments	1,000	10,474
Net cash provided by investing activities	999	5,970
Cash flows from financing activities:		
Proceeds from issuance of common stock, net	9	64
Net cash provided by financing activities	9	64
Effect of exchange rates on cash and cash equivalents	106	(531)
Net (decrease) increase in cash and cash equivalents	(4,211)	(1,403)
Cash and cash equivalents at beginning of period	8,560	11,730
Cash and cash equivalents at end of period	$ 4,349	$ 10,327

See Accompanying Notes to Condensed Consolidated Financial Statements.

BROADVISION, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 1. Organization and Summary of Significant Accounting Policies

BroadVision, Inc. was incorporated in Delaware in May 1993. We develop, market, and support enterprise portal applications that enable companies to unify their e-business infrastructure and conduct both interactions and transactions with employees, partners, and customers through a personalized self-service model that increases revenues, reduces costs, and improves productivity.

Except where specifically noted or the context otherwise requires, the use of terms such as the “Company”, “BroadVision,” “we” and “our” in these Notes to Condensed Consolidated Financial Statements refers to BroadVision, Inc. and its subsidiaries.

On January 1, 2018, we adopted a new revenue recognition standard, Revenue from Contracts with Customers (Topic 606), which was issued by the Financial Accounting Standards Board (“FASB”) in May 2014. See Recent Accounting Pronouncements included below in this Note 1 for additional discussion of our accounting changes related to our adoption of this standard. There have been no other material changes in our critical accounting policies, estimates and judgments during the nine month period ended September 30, 2018 compared to the disclosures in Part II, Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2017, filed with the Securities and Exchange Commission (the “SEC”) on April 2, 2018, as amended.

Basis of Presentation

The condensed consolidated financial results and related information as of and for the nine months ended September 30, 2018 and September 30, 2017 are unaudited. The Condensed Consolidated Balance Sheet at December 31, 2017 has been derived from the audited consolidated financial statements as of that date but does not necessarily reflect all of the disclosures previously reported in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”). The unaudited Condensed Consolidated Financial Statements should be reviewed in conjunction with the audited consolidated financial statements and related notes contained in our 2017 Annual Report on Form 10-K filed with the SEC on April 2, 2018, as amended.

The accompanying unaudited Condensed Consolidated Financial Statements have been prepared in accordance with U.S. GAAP for interim financial information and with the instructions in Form 10-Q and Article 8-03 of Regulation

S-X. Accordingly, these statements do not include all of the information and footnotes required by U.S. GAAP for annual financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of interim financial information have been included. Operating results for the nine months ended September 30, 2018 are not necessarily indicative of the results that may be expected for the remainder of the year ending December 31, 2018 or any future interim period. The condensed consolidated financial statements include our accounts and those of our wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in the consolidation.

Use of Estimates

The preparation of Condensed Consolidated Financial Statements in conformity with U.S. GAAP requires management to make certain assumptions and estimates that affect reported amounts of assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, we evaluate our estimates, including those related to receivable reserves, stock-based compensation, investments, impairment assessments and income taxes, as well as contingencies and litigation. We base our estimates on historical experience and on various other assumptions that we believe are reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates using different assumptions or conditions.

Liquidity

The accompanying Condensed Consolidated Financial Statements have been prepared assuming the Company will continue as a going concern. During the nine months ended September 30, 2018, the Company had a net loss of $5.4 million and net cash used in operations of $5.3 million, and at September 30, 2018 the Company had working capital of $3.3 million. At September 30, 2018, the Company has cash and cash equivalents of $4.3 million. The Company has implemented a series of cost reduction plans since the second half of 2017, has since continued to implement cost reduction plans to reduce the cost of its operations.

Management may implement further cost reductions and seek financing from third parties as needed to ensure that the Company's cash, cash equivalents and short-term investments are sufficient to fund its operations for at least the next twelve months from the date of issuance of these Condensed Consolidated Financial Statements.

However, further cost reduction may result in voluntary departures of highly skilled technical and managerial personnel, which would have a material adverse effect on our business, internal controls, financial condition and results of operations. We expect to opportunistically seek to raise additional funds through private or public sales of securities, strategic relationships, bank debt, financing under leasing arrangements or otherwise. If additional funds are raised through the issuance of equity securities, the percentage ownership of our current stockholders will be reduced, stockholders may experience additional dilution or any equity securities we sell may have rights, preferences or privileges senior to those of the holders of our common stock. We expect that obtaining additional financing on acceptable terms would be difficult, at best. If adequate funds are not available or are not available on acceptable terms, we may be unable to pay our debts as they become due, develop our products, take advantage of future opportunities or respond to competitive pressures or unanticipated requirements, which could have a material adverse effect on our business, financial condition and future operating results. The outcome of these matters cannot be predicted at this time. Our ability to continue as a going concern is dependent upon our ability to successfully accomplish these plans and secure sources of financing and/or reduce costs and ultimately attain profitable operations.

Stock-Based Compensation

The following table sets forth the components of the total stock-based compensation expense recognized in our Condensed Consolidated Statements of Comprehensive Loss for the nine months ended September 30, 2018 and 2017 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Cost of services	$ 13	$ 38	$ 41	$ 101
Research and development	25	89	102	239
Sales and marketing	22	72	84	203
General and administrative	7	63	73	185
	$ 67	$ 262	$ 300	$ 728

Net Loss Per Share

Basic net loss per share is computed using the weighted-average number of shares of common stock outstanding, excluding the effects of any potentially dilutive securities. Diluted net loss per share is computed using the weighted-average number of shares of common stock outstanding and, when dilutive, common equivalent shares from outstanding stock options using the treasury stock method. The Company incurred net losses for the nine months ended September 30, 2018 and 2017, and therefore, basic and diluted net loss per share for those periods are the same, as all potential common equivalent shares would be anti-dilutive. The following table sets forth the basic and diluted net loss per share computational data for the periods presented (in thousands, except per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Net Loss	$ (1,716)	$ (2,502)	$ (5,368)	$ (7,462)
Weighted-average common shares outstanding used to compute basic and diluted net loss per share	4,998	4,985	4,997	4,970
Basic and diluted net loss per share	$ (0.34)	$ (0.50)	$ (1.07)	$ (1.50)

Legal Proceedings

We are subject from time to time to various legal actions and other claims arising in the ordinary course of business. We are not presently a party to any material legal proceedings.

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Foreign Currency Translations

The functional currencies of all foreign subsidiaries are the local currencies of their respective countries. Assets and liabilities of these subsidiaries are translated into U.S. dollars at the balance sheet date. Income and expense items are translated at average exchange rates for the periods presented. Foreign exchange gains and losses resulting from the remeasurement of foreign currency assets and liabilities are included as other income (expense), net in the Condensed Consolidated Statements of Comprehensive Loss. The translation adjustment was $106,000 of income and $531,000 loss for the nine months ended September 30, 2018 and 2017, respectively. These amounts are included in the accumulated other comprehensive loss account in the Condensed Consolidated Balance Sheets.

Comprehensive Loss

Comprehensive loss includes net loss and other comprehensive gains and losses, which primarily consists of foreign currency translation adjustments. Total comprehensive loss is presented in the accompanying Condensed Consolidated Statements of Comprehensive Loss. Total accumulated other comprehensive loss is displayed as a separate component of stockholders’ equity in the accompanying Condensed Consolidated Balance Sheets. The accumulated balances of other comprehensive loss consist of the following, net of taxes (in thousands):

	Accumulated Other Comprehensive Loss	
Balance, December 31, 2017	$	(1,558)
Net change during period		106
Balance, September 30, 2018	$	(1,452)

Recent Accounting Pronouncements

Recently issued accounting pronouncements not yet adopted

In February 2016, FASB issued Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842), which requires the recognition of an asset and liability for lease arrangements longer than twelve months. ASU 2016-02 will be effective for the Company beginning in the first quarter of fiscal 2019. Entities may early adopt the ASU. The ASU requires application at the beginning of the earliest period presented using a modified retrospective approach. The Company is currently assessing the potential impact of adopting this new guidance on its Condensed Consolidated Financial Statements.

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments-Credit Losses (Topic 326). This ASU requires an organization to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Financial institutions and other organizations will now use forward-looking information to better inform their credit loss estimates. ASU 2016-13 is effective for the Company in the first quarter of fiscal 2020. Entities may early adopt the ASU in their fiscal years beginning after December 15, 2018. The Company does not believe this ASU will have a material impact on its Condensed Consolidated Financial Statements.

In August 2018, the SEC adopted the final rule under SEC Release No. 33-10532, Disclosure Update and Simplification, amending certain disclosure requirements that were redundant, duplicative, overlapping, outdated or superseded. In addition, the amendments expanded the disclosure requirements on the analysis of stockholders' equity for interim financial statements. Under the amendments, an analysis of changes in each caption of stockholders' equity presented in the balance sheet must be provided in a note or separate statement. The analysis should present a reconciliation of the beginning balance to the ending balance of each period for which a statement of comprehensive income is required to be filed. This final rule became effective on November 5, 2018 and allows for the first presentation in the quarter that begins after the effective date. This Release will require additional disclosures in the Company’s interim Condensed Consolidated Financial Statements.

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement (ASU 2018-13), which modifies the disclosure requirements on fair value measurements. ASU 2018-13 is effective for the Company in the first quarter of fiscal 2020. Early adoption is permitted. The Company does not believe this ASU will have a material impact on its Condensed Consolidated Financial Statements.

In August 2018, the FASB issued ASU No. 2018-15, Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement. That Is a Service Contract. ASU 2018-15 clarifies the accounting for implementation costs in cloud computing arrangements. ASU 2018-15 is effective for the Company in the first quarter of fiscal 2020. Early adoption is permitted. The Company is currently assessing the potential impact of adopting this new guidance on its Condensed Consolidated Financial Statements.

Recently adopted accounting pronouncements

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606). Under the standard, revenue is recognized when a customer obtains control of promised goods or services in an amount that reflects the consideration the entity expects to receive in exchange for those goods or services. In addition, the standard requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. On January 1, 2018, we adopted ASU 2014-09 applying the modified retrospective method to all contracts that were not completed as of the transition date. See Note 2 of the Notes to our Condensed Consolidated Financial Statements,

We adopted ASU 2016-09 during the first quarter of fiscal 2017. ASU 2016-09 requires entities to record all tax effects related to share-based payments at settlement or expiration through the statements of comprehensive income and the windfall tax benefit to be recorded when it arises, subject to normal valuation allowance considerations. Our excess tax benefits for the year ended December 31, 2017 and the cumulative effect to retained earnings from previously unrecognized excess tax benefits for Federal and state were $2,652,000 and $1,908,000, respectively. Our excess tax benefits for the nine months ended September 30, 2018 were not significant to our Condensed Consolidated Balance Sheets after offset by the related valuation allowance. We analyze our deferred tax assets with regard to potential realization. We have established a valuation allowance on our deferred tax assets to the extent that management has determined, based upon the uncertainty of realizing such deferred tax assets, that it is more likely than not that some portion or all of the deferred tax assets will not be realized. We consider the effects of estimated future taxable income, current economic conditions and ongoing prudent and feasible tax planning strategies in assessing the amount of the valuation allowance.

Presentation requirements for cash flows related to employee taxes paid for withheld shares had no impact to all periods presented as such cash flows have historically been presented as financing activities. Further, we did not elect an accounting policy change to record forfeitures as they occur and thus we continue to estimate forfeitures at each period.

Note 2. Revenues

On January 1, 2018, we adopted Topic 606 applying the modified retrospective method to all contracts that were not completed as of the transition date. Results for reporting periods beginning after January 1, 2018 are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with the historic accounting under Topic 605. We recorded a net increase of $605,000 to our opening retained earnings balance as of January 1, 2018 due to the cumulative effect of adopting Topic 606. For the nine months ended September 30, 2018, the impact on the Company’s revenue was significant by type of revenue but was not significant to total revenues as a result of the adoption of Topic 606.

The most significant impact of the new revenue standard relates to our accounting for subscription-based Quicksilver products, which are arrangements that include term-based QuickSilver software licenses bundled with maintenance and support. Under the accounting standards in effect prior to January 1, 2018, we recognized revenue attributable to these software subscription licenses ratably over the term of the arrangement. Under Topic 606, the requirement to have VSOE for undelivered elements to enable the separation of revenue for the delivered software licenses is eliminated. Accordingly, effective January 1, 2018, we began to recognize a portion of the arrangement fees allocated to QuickSilver software license as revenue upon delivery. As a result, revenues for these QuickSilver arrangements are generally recorded in an earlier period upon the adoption of Topic 606 and software license revenue recognition in the nine months ended September 30, 2018 has decreased. In contrast, revenue recognition related to hosted software products (cloud offerings) and professional services recognition for the nine months ended September 30, 2018 has increased upon the adoption of Topic 606.

Deferred revenues include unearned revenue and deferred maintenance. The following table shows the reconciliation of our deferred revenues at January 1, 2018, including both current and non-current deferred revenues from what we disclosed in the Form 10-K for the year ended December 31, 2017 and giving effect to our modified retrospective adoption of Topic 606 (in thousands):

Deferred revenues balance at December 31, 2017	$ 2,056
Cumulative effect of adoption of Topic 606	(605)
Deferred revenues balance at January 1, 2018	$ 1,451

In accordance with Topic 606, the disclosure of the impact of adoption to our Condensed Consolidated Statements of Comprehensive Loss is as follows (in thousands):

	Nine Months Ended September 30, 2018		
	As reported	Amounts without adoption of Topic 606	Effect of change - higher (lower)
Revenue			
Software licenses	$ 2,033	$ 2,575	$ (542)
Services	1,777	1,247	530
Total revenues	3,810	3,822	(12)
Gross profit	2,205	2,217	(12)
Operating loss	(5,190)	(5,178)	(12)
Net loss	$ (5,368)	$ (5,356)	$ (12)
Basic and diluted net loss per share	$ (1.07)	$ (1.07)	$ -

In accordance with Topic 606, the disclosure of the impact of adoption to our Condensed Consolidated Balance Sheet is as follows. Deferred revenues includes unearned revenue and deferred maintenance. (in thousands):

	Nine Months Ended September 30, 2018		
	As reported	Amounts without adoption of Topic 606	Effect of change - higher (lower)
Liabilities			
Deferred revenues - current	$ 887	$ 1,439	$ (552)
Deferred revenues - non-current	170	$ 211	(41)
Shareholders' Equity			
Accumulated deficit	(1,267,481)	(1,268,074)	593

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New Revenue Accounting Policies Upon Adoption of Topic 606

Our revenue consists of fees for licenses of our software products, maintenance, consulting services and training. Revenue is recognized upon transfer of control of promised products or services to customers in an amount that reflects the consideration we expect to receive in exchange for those products or services. We enter into contracts that can include various combinations of products and services, which are generally capable of being distinct and accounted for as separate performance obligations. The transaction price is generally in the form of a fixed fee at contract inception without variable considerations. We allocate the transaction price to each distinct performance obligation based on the relative estimated standalone selling prices for each performance obligation. We then look to how control transfers to the customer in order to determine the timing of revenue recognition.

The following is a description of principal activities from which we generate revenue:

Software License Revenues- Products with Non-Ratably Recognized Revenue

Licenses for software products with non-ratably recognized revenue (such as QuickSilver) provide the customer with a right to use the software as it exists when made available to the customer. Customers may purchase perpetual licenses or subscribe to licenses, which provide customers with the same functionality and differ mainly in the duration over which the customer benefits from the software. Revenues from such software licenses are recognized upfront at the point in time when the software is made available to the customer, which is consistent with the timing of the payments received from the customer. We do not grant a right of return for these software products.

Software License Revenues – Products with Ratably-Recognized Revenue

These cloud offerings (such as Vmoso, Clearvale and Clear) allow customers to use software over the subscription period without taking possession of the software. Revenue related to these licenses is recognized ratably over the contract period. We receive payments from our customers in advance based on billing schedules established in each contract. Upfront payments are recorded as deferred revenue and are recognized as revenue as we perform our obligations under these contracts.

Maintenance Revenues

Maintenance revenues, which include revenues that are allocated from software license agreements that entitle the customers to technical support and future unspecified enhancements to our products, are recognized ratably over the related agreement period, which time period is generally twelve months. Customer payments are usually received annually in advance, which are recorded as deferred revenue and are recognized as revenue as we perform our obligations under these agreements.

Consulting Services Revenues

Consulting services revenues and training revenues are recognized as such services are performed based on time and cost incurred. These services are not essential to the functionality of the software. We record reimbursements from our customers for out-of-pocket expenses as an increase to services revenues.

Significant Judgments

Our contracts with customers often include promises to transfer multiple products and services to a customer. Determining whether products and services are considered distinct performance obligations that should be accounted for separately versus together may require significant judgment. Judgment is also required to determine the timing of the recognition, as well as the standalone selling price for each distinct performance obligation. In instances where the standalone selling price is not directly observable, such as when we do not sell the product or service separately, we determine such standalone selling price using information that may include market conditions and other observable inputs.

Practical Expedients and Exemptions

We generally expense sales commissions when incurred because the amortization period would have been one year or less. These costs are recorded within sales and marketing expenses.

Disaggregation of revenues

The following table provides information about disaggregated revenue by geographical region, major product line and timing of revenue recognition (in thousands):

	Nine Months Ended September 30, 2018				
Geographic region:	Software Licenses - Non-hosted	Software Licenses - Hosted	Maintenance	Professional Services	Total
Americas	$ 1,082	$ 187	$ 592	$ 24	$ 1,885
Europe	115	58	548	71	792
Asia/Pacific	2	589	179	363	1,133
Total revenues	$ 1,199	$ 834	$ 1,319	$ 458	$ 3,810

	Nine Months Ended September 30, 2018				
Timing of revenue recognition:	Software Licenses - Non-hosted	Software Licenses - Hosted	Maintenance	Professional Services	Total
Transferred at a point in time	$ 1,199	$ -	$ -	$ -	$ 1,199
Transferred over time	-	834	1,319	458	2,611
Total revenues	$ 1,199	$ 834	$ 1,319	$ 458	$ 3,810

Contract balances

The following table provides information about receivables, contract assets and deferred revenues from contracts with customers. Deferred revenues include unearned revenue and deferred maintenance.(in thousands):

	Nine Months Ended September 30, 2018			
	Balance at beginning of period	Increases	Decreases	Balance at end of period
Receivables	$ 1,193	$ 3,471	$ 4,344	$ 320
Contract assets - current	-	38	34	4
Deferred revenues-current and non-current	1,451 -	2,956	3,350	1,057

We receive payments from customers based upon contractual billing schedules; accounts receivables are recorded when the right to consideration becomes unconditional. Contract assets include amounts related to our contractual right to consideration for completed performance obligations not yet invoiced. Deferred revenues include payments received in advance of performance under the contract and are realized with the associated revenue recognized under the contract, which is generally within a year. Increases to deferred revenues were mainly a result of additional upfront payments received during the period, whereas decreases to deferred revenues were due to performance obligations satisfied.

Note 3. Selected Condensed Consolidated Balance Sheet Detail

Other current assets at September 30, 2018 and December 31, 2017 consisted of the following (in thousands):

	September 30, 2018 (unaudited)	December 31, 2017
VAT receivable	$ 416	$ 427
Other	553	556
Total other current assets	$ 969	$ 983

Accrued expenses at September 30, 2018 and December 31, 2017 consisted of the following (in thousands):

	September 30, 2018 (unaudited)	December 31, 2017
Employee benefits	$ 438	$ 518
Income tax	21	25
Sales and other taxes	318	319
Commissions and bonuses	37	224
Deferred rent	1	57
Other	283	515
Total accrued expenses	$ 1,098	$ 1,658

Other non-current liabilities at September 30, 2018 and December 31, 2017 consisted of the following (in thousands):

	September 30, 2018 (unaudited)	December 31, 2017
Deferred maintenance and unearned revenues	$ 170	$ 61
Other	423	522
Total other non-current liabilities	$ 593	$ 583

Note 4. Fair Value of Financial Instruments

We measure assets and liabilities at fair value based on an exit price as defined by the FASB guidance on fair value measurements, which represents the amount that would be received on the sale of an asset or paid to transfer a liability, as the case may be, in an orderly transaction between market participants. As such, fair value may be based on assumptions that market participants would use in pricing an asset or liability. The authoritative guidance on fair value measurements establishes a consistent framework for measuring fair value on either a recurring or nonrecurring basis whereby inputs, used in valuation techniques, are assigned a hierarchical level. The following are the hierarchical levels of inputs to measure fair value:

- Level 1 - Quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

We measure the following financial assets at fair value on a recurring basis. The fair value of these financial assets as of September 30, 2018 and December 31, 2017 (in thousands) were as follows:

	Fair Value at Reporting Date Using		
September 30, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)

Cash and cash equivalents:				
Cash	$ 2,011	$ 2,011	$ -	$ -
Money market funds	2,338	2,338	-	-
Total cash and cash equivalents	$ 4,349	$ 4,349	$ -	$ -

		Fair Value at Reporting Date Using		
	December 31, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents:				
Cash	$ 4,266	$ 4,266	$ -	$ -
Money market funds	4,294	4,294	-	-
Total cash and cash equivalents	$ 8,560	$ 8,560	$ -	$ -
Fixed income securities				
Corporate bonds - industrial	$ 1,000	$ -	$ 1,000	$ -
Total fixed income securities	$ 1,000	$ -	$ 1,000	$ -

Level 2 securities are priced using quoted market prices for similar instruments, nonbinding market prices that are corroborated by observable market data, or discounted cash flow techniques.

The fair value of cash and cash equivalents, short-term investments, accounts receivable and accounts payable for all periods presented approximates their respective carrying amounts due to the short-term nature of these balances.

Note 5. Commitments and Contingencies

Warranties and Indemnification

We provide a warranty to our perpetual license customers that our software will perform substantially in accordance with the documentation we provide with the software, typically for a period of 90 days following receipt of the software. Historically, costs related to these warranties have been immaterial. Accordingly, we have not recorded any warranty liabilities as of September 30, 2018 and December 31, 2017, respectively.

Our perpetual software license agreements typically provide for indemnification of customers for intellectual property infringement claims caused by use of a current release of our software consistent with the terms of the license agreement. The term of these indemnification clauses is generally perpetual. The potential future payments we could be required to make under these indemnification clauses are generally limited to the amount the customer paid for the software. Historically, costs related to these indemnification provisions have been immaterial. We also maintain liability insurance that limits our exposure to any indemnification claims that may arise. As a result, we believe the potential liability of these indemnification clauses is minimal. Accordingly, we did not record any liabilities for these agreements as of September 30, 2018 and December 31, 2017, respectively.

We entered into agreements whereby we indemnify our officers and directors for certain events or occurrences while the officer is, or was, serving in such capacity. The term of the indemnification period is for so long as such officer or director is subject to an indemnifiable event by reason of the fact that such person was serving in such capacity. The maximum potential amount of future payments we could be required to make under these indemnification agreements may be unlimited; however, we have a director and officer insurance policy that limits our exposure to such claims and enables us to recover a portion of any future amounts paid. As a result of our insurance policy coverage, we believe the estimated fair value of these indemnification agreements is insignificant. Accordingly, we have no liabilities recorded for these agreements as of either September 30, 2018 or December 31, 2017. We assess the need for an indemnification reserve on a quarterly basis and there can be no guarantee that an indemnification reserve will not become necessary in the future.

Leases

We lease our headquarters facility and our other facilities under noncancelable operating lease agreements each of which will expire at various dates during or before June 2020. We recognize the rent expense on a straight line basis over the lease period. Under the terms of our lease agreements, we are required to pay property taxes, insurance and normal maintenance costs.

A summary of total future minimum lease payments under noncancelable operating lease agreements as of September 30, 2018 (in thousands) is as follows:

Years ending December 31,	Operating Lease
2018 (three months)	$ 51
2019	130
2020	45
2021 and thereafter	-
Total minimum lease payments	$ 226

Note 6. Geographic, Segment and Significant Customer Information

We operate in one segment: electronic business solutions. The disaggregated revenue information regarding types of revenues is as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Software licenses				
Non-hosted licenses	$ 286	$ 568	$ 1,199	$ 1,756
Hosted licenses	203	276	834	849
Services				
Consulting services	54	229	458	977
Maintenance	421	382	1,319	1,296
Total revenues	$ 964	$ 1,455	$ 3,810	$ 4,878

We currently operate in three primary geographical territories: North and South America (Americas); Europe, Middle East and Africa (Europe); and Asia, Pacific and Japan (Asia/Pacific).

Disaggregated financial information regarding our geographic revenues is as follows (in thousands):

Revenues:	Three Months Ended September 30, 2018	2017	Nine Months Ended September 30, 2018	2017
Americas	$ 526	$ 724	$ 1,885	$ 2,320
Europe	222	268	792	861
Asia/Pacific	216	463	1,133	1,697
Total revenues	$ 964	$ 1,455	$ 3,810	$ 4,878

For the three months ended September 30, 2018, no customer accounted for more than 10% of our revenues. For the three months ended September 30, 2017, Indian Railways Catering and Tourism Corporation Limited (IRCTC) accounted for 12% and NTT Communications Corporation (NTTCC) accounted for 11% of our revenues. For the nine months ended September 30, 2018, no customer accounted for 10% of our revenues. For the nine months ended September 30, 2017, IRCTC accounted for 13% and NTTCC accounted for 11% of our revenues.

Note 7. Related Party Transactions

On November 14, 2008, BroadVision (Delaware) LLC, a Delaware limited liability company ("BVD"), which was then our wholly owned subsidiary, entered into a Share Purchase Agreement with CHRM LLC, a Delaware limited liability company, that is controlled by Dr. Pehong Chen, our Chairman, President, Chief Executive Officer, Interim Chief Financial Officer and largest stockholder and in which our former Chief Financial Officer, Peter Chu holds a minority interest. We and CHRM LLC then entered into an Amended and Restated Operating Agreement of BroadVision (Delaware) LLC dated as of November 14, 2008 (the "BVD Operating Agreement"). Under these agreements, CHRM LLC received, in exchange for the assignment of certain intellectual property rights, 20 Class B Shares of BVD, representing the right to receive a portion of any distribution of Funds from "Capital Transactions" (as such term is defined in the BVD Operating Agreement), with the exact amount to be determined based on our and CHRM LLC's capital account balances at the time of such distribution. A "capital transaction" under that agreement is any merger or sale of substantially all of the assets of BVD as a result of which the members of BVD will no longer have an interest in BVD or the assets of BVD will be distributed to its members. Class B Shares do not participate in any profits of

BVD except for net profits related to a “capital transaction,” in which case the net profits are allocated to the owners of Class A and Class B Shares in proportion to their respective number of shares. To the extent BVD’s losses do not exceed undistributed net profits accumulated since the date of issuance of Class B Shares, such losses are allocated to Class A Shares. To the extent net losses exceed the undistributed net profits accumulated since the date of issuance of Class B Shares, such excess is allocated to the owners of Class A and Class B Shares in proportion to their respective cumulative capital contributions less any return of capital, until allocation of such losses results in having the capital account balances equal to zero. Then, net losses are allocated to the owners of Class A and Class B Shares in proportion to their respective number of shares. Upon liquidation the net assets of BVD are distributed to the owners of Class A and Class B in proportion to their capital account balances.

BVD is the sole owner of BroadVision (Barbados) Limited ("BVB") and BVB is the sole owner of BroadVision On Demand, a Chinese entity ("BVOD"). We have invested approximately $9.0 million in BVOD (directly and through BVD and BVB) from 2007 through 2016. In 2014 we began making payments directly to BVOD for certain labor outsourcing services and expect to continue to pay BVOD for such services at the rate of approximately $500,000 per quarter for the foreseeable future. We made aggregate payments to BVOD of $1.3 million and $1.9 million (based on the RMB to USD exchange rates on the applicable dates of payment) for such services in the nine months ended September 30, 2018 and 2017, respectively. These payments in part covered services rendered outside of the applicable years. We have a controlling voting interest in BVD. Pursuant to the terms of the BVD Operating Agreement, the Class B Shares held by CHRM LLC have no voting rights.

The 20 Class B Shares of BVD represent a non-controlling interest. We allocate profits and losses of BVD to the non-controlling interest under the Hypothetical Liquidation Book Value ("HLBV") method. Under this method the profits and losses are allocated by reference to the profit sharing provisions in the BVD Operating Agreement assuming liquidation of BVD at its book value at the end of each reporting period. Profits and losses allocated to the balance of such interest under the HLBV method have not been material.

See Note 8 of the Notes to our Condensed Consolidated Financial Statements included elsewhere in this Quarterly Report for additional discussion regarding an anticipated financing in a wholly owned subsidiary, Vmoso, Inc., (VMSO), in a related party transaction.

Note 8. Subsequent Event

Anticipated Related Party Financing of Subsidiary

In October 2018, the Company publicly announced its intention to establish VMSO as a wholly-owned subsidiary of the Company and raise $3.0 million from its stockholders through the sale of common shares of VMSO representing approximately 80% of VMSO's outstanding shares of VMSO. The investment opportunity was made available to Company stockholders who were accredited investors as defined in the rules of the Securities and Exchange Commission. Following the sale, the Company will own preferred shares of VMSO representing approximately 20% of its outstanding shares. The Company will provide substantially all of the personnel, facilities and equipment required for the activities of the subsidiary under a shared services agreement and will be reimbursed for such support on a basis intended to cover its costs. The Company currently anticipates that its Chairman, President, Chief Executive Officer, Interim Chief Financial Officer and largest stockholder, Dr. Pehong Chen, will be the sole investor in the financing of VMSO, which is anticipated to be completed on or about December 31, 2018.

VMSO will hold all of the intellectual property and other assets related to the Company’s Clearvale and Vmoso platforms, including the current Clearvale and Vmoso products and the My Vmoso Network (MVN) development project. Proceeds of the VMSO financing will be used to continue the commercialization of the Clearvale and Vmoso products and the development of MVN, which is a personal digital hub that will utilize the Vmoso platform in conjunction with blockchain technology to act as a bank for consumers’ personal data, as well as provide secure, personalized, persistent, symmetrical engagement channels between consumers and the businesses with which they have relationships. The Company anticipates that it will primarily facilitate commercialization costs with services provided under the shared services agreement. The Company first announced the MVN development project in April 2018.

On completion of the anticipated transactions, the Company will no longer account for its investment in VMSO using the equity method and will no longer record VMSO’s financial results in the Company’s consolidated financial statements. Instead, the Company’s investment in the equity securities of VMSO, a privately-held company, will be accounted for using the cost method. The Company will include its investment in VMSO within the ‘other assets’ category in the consolidated balance sheet. The Company will review this investment periodically for impairment.

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

This report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, which are subject to the "safe harbor" created by those sections. Forward-looking statements include all statements that are not historical facts, including statements regarding our future results of operations and financial position, our business strategy and plans, and our objectives for future operations. The words "expect," "anticipate," "intend," "believe," "hope," "assume," "estimate," "plan," "will" and other similar words and expressions. These forward-looking statements, including those described in the section titled “Risk Factors” included under Part II, Item 1A below. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the future events and trends discussed in this report may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements. We undertake no obligation to publicly release any revisions to the forward-looking statements or to reflect events and circumstances after the date of this document.

Overview

Since 1993, BroadVision has been a pioneer and consistent innovator of e-business solutions. We deliver a combination of technologies and services into the global market that enable customers of all sizes to power mission-critical web, cloud and mobile initiatives that ultimately deliver high-value to their bottom line. Our offering consists of a robust framework for personalization and self-service, modular applications and agile toolsets that customers use to create e-commerce, portal solutions, Enterprise Social Networks (ESN), and collaboration and knowledge management solutions. Most recently, we have added mobile and cloud capabilities to our platforms to enable rapid deployment of robust, secure, and scalable solutions for our customers.

Our objective is to further our position as a global supplier of innovative e-business solutions with the addition of enterprise collaboration and engagement solutions such as our mobile and cloud-based Vmoso, a collaboration and knowledge management product, and Clearvale, an ESN product. Together with our legacy Business Agility Suite, Commerce Agility Suite and QuickSilver solutions, our new enterprise collaboration and engagement solutions are designed to enhance the communication, collaboration and knowledge management capabilities of organizations with their customers, partners and employees to improve productivity and efficiency. In 2017, we announced a major incremental release of our Vmoso platform with a range of new functionality across several key modules.

We generate revenues from fees for licenses or access and use of our software products and related maintenance, consulting services and customer training. We generally charge fees for licenses of our software products based on (1) the number of persons registered to use the product; or (2) the number of CPUs utilized by the machines on which the product is installed. We also charge fees for access and use of Cloud or SaaS solutions. Payment terms are generally 30 to 60 days from the date that the software products are delivered, the maintenance or subscription contracts are booked, or the consulting services are provided.

We have not generated net income since 2009. Our ability to generate profits or positive cash flows in future periods remains uncertain.

Our operations face two key challenges: maturity of our major revenue-generating legacy products, and competing in a crowded ESN solution space. We continue to invest heavily in cloud-based, mobile, messaging and collaboration technologies, while continuing to support our legacy base. Total revenues of $1.0 million in the third quarter of 2018 declined from total revenues of $1.5 million for the third quarter of 2017, with the decrease mainly in legacy revenue. We expect that the decline in our legacy revenue, which is the majority of our revenue mix, will continue to dominate our overall financial performance until a significant installed base of new product revenues is established. We are continuing to diligently invest in new technologies in an effort to maintain our competitive advantages in the mobile communications and collaboration and knowledge management spaces.

Recent Developments

MyVmoso Network Product Development Initiatives

In 2018, we began working on initiatives to develop and advance a new platform, MyVmoso Network (MVN), a personal digital hub that will utilize our Vmoso platform in conjunction with blockchain technology to act as a bank for consumers' personal data, as well as provide secure, personalized, persistent, symmetrical engagement channels between consumers and the businesses with which they have relationships. We are developing MVN to provide secure storage for important data such as health records, financial transactions, product purchases and warranties, such that users can trust, unify, manage and monetize their personal data. We are designing MVN to provide:

- a place for users to communicate with organizations that they deal with on their terms;
- a platform for businesses to build blockchain-enabled applications for customer engagement;
- a way for users to monetize their personal data by allowing third parties to use it in exchange for compensation;
- a consent audit trail for users to keep track of who they have allowed to access their data, for what purpose and for how long; and
- a toolkit for exercising data-related digital rights.

MVN is intended to be made available to consumers at no charge, and MVN users will be able to receive compensation for various actions in the form of a new cryptocurrency called the My Vmoso Token (MVT) or possibly an existing cryptocurrency. Examples of the types of actions that would entitle a user to receive cryptocurrency tokens from third parties include loading personal profile information, purchasing history and other personal data into the network, allowing a third party to use personal data for a specified purpose, and responding to a third-party product offer or survey. We would be compensated through small transaction fees paid by the third parties.

We expect to launch MVN in 2019. In September 2018, we formed a new company, Vmoso, Inc. (VMSO), which will develop, launch, operate and expand MVN. We have a 25-year history in the web personalization business and a team of employees experienced in building, operating, selling and marketing personalized web applications that we intend to contribute to VMSO for the development of MVN. Since 2008, we have invested over $70 million on research and development, most of which was for our Vmoso platform, and have received two critical U.S. patents related to permission-based content sharing and distributed public/private hybrid cloud architecture, all of which we intend to fully leverage into MVN.

In October 2018, we publicly announced our intention to raise $3 million from our stockholders through the sale of common shares of VMSO representing approximately 80 percent of VMSO's outstanding shares. Following the sale, we will own preferred shares representing approximately 20 percent of outstanding shares of VMSO. We will provide substantially all of the personnel, facilities and equipment required for the activities of the subsidiary under a shared services agreement and will be reimbursed for such support on a basis intended to cover our costs.. We currently anticipate that our Chairman, President, Chief Executive Officer, Interim Chief Financial Officer and largest stockholder, Dr. Pehong Chen, will be the sole investor in the financing of VMSO, which is anticipated to be completed on or about December 31, 2018. See Note 8 of the Notes to our Condensed Consolidated Financial Statements for additional information.

VMSO will hold all of the intellectual property and other assets related to our Clearvale and Vmoso platforms, including the current Clearvale and Vmoso products and the MVN development project. We intend to use the proceeds of the VMSO financing to continue the commercialization of the Clearvale and Vmoso products and the development of MVN.

For information about some of the risks associated with this new product development initiative, see Part II, Item 1A –Risk Factors—Risks relating to our MVN initiatives.

Results of Operations

The following table sets forth certain items reflected in our Condensed Consolidated Statements of Comprehensive Loss expressed as a percent of total revenues for the periods indicated:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Revenues:				
Software licenses	51 %	58 %	53 %	53 %
Services	49	42	47	47
Total revenues	100	100	100	100
Cost of revenues:				
Cost of software revenues	3	2	3	3
Cost of services	48	46	39	45
Total cost of revenues	51	48	42	48
Gross profit	49	52	58	52
Operating expenses:				
Research and development	113	114	99	102
Sales and marketing	53	67	41	60
General and administrative	55	57	54	56
Total operating expenses	221	238	194	218
Operating loss	(172)	(186)	(136)	(166)
Interest income, net	1	2	1	2
Other income (expense), net	(7)	12	(6)	11
Loss before provision for income taxes	(178)	(172)	(141)	(153)
Provision for income taxes	-	-	-	-
Net loss	(178)%	(172)%	(141)%	(153)%

Revenues. License revenue from the sales of software licenses for the three months ended September 30, 2018 was $0.5 million, a decline of $0.4 million, or 42%, from $0.8 million for the three months ended September 30, 2017.

License revenue from the sales of software licenses for the nine months ended September 30, 2018 was $2.0 million, a decline of $0.6 million, or 22%, from $2.6 million for the nine months ended September 30, 2017. Services revenues consist of maintenance revenues and consulting services revenues. Maintenance revenue is generally derived from maintenance contracts sold with initial customer licenses and from subsequent contract renewals and was relatively flat at $0.4 million and $1.3 million for the three and nine months ended September 30, 2018 and 2017. Consulting service revenue is primarily related to services in connection with our licensed software. Consulting service revenue for the three months ended September 30, 2018 was $0.1 million, a decrease of $0.2 million, or 77%, from $0.2 million for the three months ended September 30, 2018. Consulting revenue for the nine months ended September 30, 2018 was $0.5 million, a decrease of $0.5 million, or 54%, from $1.0 million for the nine months ended September 30, 2017. As compared to the comparable periods in the prior year, the decline in license revenues primarily reflects a decline due to the change in our accounting policy resulting from the adoption of Topic 606. The decline in services revenues primarily reflects a decline of our legacy business, partially offset an increase in revenue from the change in our accounting policy resulting from the adoption of Topic 606. For the nine months ended September 30, 2018, the impact on our total revenues was not significant as a result of the adoption of Topic 606.

Cost of software revenues. Cost of software revenues includes the cost of our Cloud hosting operation, net costs of product media, duplication, packaging, and other manufacturing costs as well as royalties payable to third parties for software that is either embedded in or bundled and sold with, our products. Cost of software licenses for the three and nine months ended September 30, 2018 remained relatively flat in comparison to the same periods of the prior year.

Cost of services. Cost of services consists primarily of employee-related costs, third-party consultant fees incurred on consulting projects, post-contract customer support and instructional training services. Cost of services was $0.5 million for the three months ended September 30, 2018, a decrease of $0.2 million, or 31% from $0.7 million for the three months ended September 30, 2017. Cost of services was $1.5 million for the nine months ended September 30, 2018, a decrease of $0.7 million, or 32%, from $2.2 million for the nine months ended September 30, 2017. The decrease in cost of services for the nine months ended September 30, 2018 was primarily due reductions to in employee-related wages and stock-based compensation arising from headcount reductions, and a reduction in rent expense associated relocation of our corporate office. The decreases in cost of services were partially offset by an increase in third-party consultant fees incurred on consulting projects.

Research and development. Research and development expenses consist primarily of salaries, employee-related benefit costs and consulting fees incurred in association with the development of our products. Research and development expenses were $1.1 million for the three months ended September 30, 2018, a decrease of $0.6 million, or 35%, from $1.7 million for the three months ended September 30, 2017. Research and development expenses were $3.8 million for the nine months ended September 30, 2018, a decrease of $1.2 million, or 24%, from $5.0 million for the nine months ended September 30, 2018. The decrease in research and development expense was primarily due to reduction in employee-related salary and wages, fringe benefits, and stock-based compensation expense arising from headcount reductions, a reduction in third-party consultant fees incurred on consulting projects, and a reduction in rent expense associated with lower office rent costs.

Sales and marketing. Sales and marketing expenses consist primarily of salaries, employee-related benefit costs, commissions and other incentive compensation, travel and entertainment and marketing program-related expenditures such as for collateral materials, trade shows, public relations, advertising and creative services. Sales and marketing expenses were $0.5 million for the three months ended September 30, 2018, a decrease of $0.5 million, or 48%, from $1.0 million for the three months ended September 30, 2018. Sales and marketing expenses were $1.5 million for the nine months ended September 30, 2018, a decrease of $1.4 million, or 48%, from $2.9 million for the nine months ended September 30, 2017. The decrease in sales and marketing expense was primarily due to a reduction in employee-related salary and wages, commissions, and stock-based compensation arising from headcount reductions, a reduction in third-party consultant fees incurred on consulting projects, and a reduction in rent expense associated lower rent costs.

General and administrative. General and administrative expenses consist primarily of salaries, employee-related benefit costs, provisions and credits related to uncollectible accounts receivable, professional service fees and legal fees. Our general and administrative expenses were $0.5 million for the three months ended September 30, 2018, a decrease of $0.3 million, or 35% from $0.8 million for the three months ended September 30, 2017. General and administrative expenses were $2.1 million for the nine months ended September 30, 2018, down $0.6 million, or 24%, from $2.7 million for the nine months ended September 30, 2017. The decrease in general and administrative expense was primarily due to a reduction in employee-related salary and wages and stock-based compensation expenses arising from headcount reductions, a reduction to bad debt expense related to a decrease in our provision for bad debt reserve, and a reduction in rent expense associated with lower office costs. These decreases were partially offset by increases in legal costs, relocation costs and in internet provider costs.

Interest income, net. Net interest income includes interest income on investment funds. We generated $49,000 and $0.1 million in interest income from our cash and cash equivalents as well as short-term investment balances during the nine months ended September 30, 2018 and 2017, respectively.

Other income (expense), net. Other income (expense), net during the nine months ended September 30, 2018, was $0.2 million in expense, net compared to $0.5 million in income, net in the nine months ended September 30, 2018 and 2017, respectively. The variances between the periods were primarily due to gains and losses from the remeasurement of the foreign currency exchange rate fluctuation on our Euro cash and investment balances.

Provision for income taxes. The provision for income taxes was $4,000 for the nine months ended September 30, 2018 and 2017. The provision for the nine months ended September 30, 2018 and 2017 primarily related to foreign income tax expenses.

Liquidity and Capital Resources

Overview

During the nine months ended September 30, 2018, we had a net loss of $5.4 million and cash flow used for operations of $5.3 million, and at September 30, 2018, we had working capital of $3.3 million. At September 30, 2018, we had $4.3 million in cash and cash equivalents. Our combined cash, cash equivalents and short-term investment balances as of September 30, 2018 decreased $5.2 million compared to such balances as of December 31, 2017. This decrease was mainly due to net cash flow used in operating activities, as described in the Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2018. Our cash, cash equivalents and investment balances may fluctuate during the remainder of fiscal 2018 due to various risks and uncertainties, including, but not limited to, the risks detailed in Part II, Item 1A titled “Risk Factors”.

We currently expect to be able to fund our working capital requirements from our existing cash and cash equivalents and short-term investments through the next twelve months from the date the accompanying condensed consolidated financial statements were issued, however, we could experience unforeseen circumstances, such as an economic downturn, difficulties in retaining customers and/or employees, or other factors that could increase our use of available cash and require us to seek additional financing. We may find it necessary to obtain additional equity or debt financing due to the factors listed above or in order to support a more rapid expansion, develop new or enhanced products or services, respond to competitive pressures, acquire complementary businesses or technologies or respond to unanticipated requirements.

In October 2018, we publicly announced our intention to raise $3 million from our stockholders through the sale of common shares of VMSO representing approximately 80 percent of VMSO’s outstanding shares. Following the sale, we will own preferred shares representing approximately 20 percent of outstanding shares of VMSO. We will provide substantially all of the personnel, facilities and equipment required for the activities of the subsidiary under a shared services agreement and will be reimbursed for such support on a basis intended to cover our costs. We currently anticipate that our Chairman, President, Chief Executive Officer, Interim Chief Financial Officer and largest stockholder, Dr. Pehong Chen, will be the sole investor in the financing of VMSO, which is anticipated to be completed on or about December 31, 2018. VMSO will hold all of the intellectual property and other assets related to our Clearvale and Vmoso platforms, including the current Clearvale and Vmoso products and the MVN development project. We intend to use the proceeds of the VMSO financing to continue the commercialization of the Clearvale and Vmoso products and the development of MVN.

Our future capital requirements will depend on many factors including growth or decline in customer accounts, the timing and extent of spending to support product development efforts, including with respect to our MVN initiatives, and ongoing investments in our products and services, the introduction of new and enhanced products or services, features and functionality, and our ability to control expenses generally. We have implemented a series of cost reduction plans since the second half of 2017 and have since continued to implement cost reduction plans to reduce the cost of our operations. Management may implement further cost reductions or seek financing from third parties as needed to ensure that our cash and cash equivalents and short-term investments are sufficient to fund operations for the next twelve months. However, further cost reductions may result in voluntary departures of highly skilled technical and managerial personnel from our company, which would have a material adverse effect on our business, internal controls, financial condition and results of operations. For more information, see Note 8 of the Notes to our Condensed Consolidated Financial Statements.

We expect to opportunistically seek to raise additional funds through private or public sales of securities, strategic relationships, bank debt, financing under leasing arrangements or otherwise. If additional funds are raised through the issuance of equity securities, the percentage ownership of our current stockholders will be reduced, stockholders may experience additional dilution or any equity securities we sell may have rights, preferences or privileges senior to those of the holders of our common stock. We expect that obtaining additional financing on acceptable terms would be difficult, at best. If adequate funds are not available or are not available on acceptable terms, we may be unable to pay our debts as they become due, develop our products, take advantage of future opportunities or respond to competitive pressures or unanticipated requirements, which could have a material adverse effect on our business, financial condition and future operating results. The outcome of these matters cannot be predicted at this time. Our ability to continue as a going concern is dependent upon our ability to successfully accomplish these plans and secure sources of financing and/or reduce costs and ultimately attain profitable operations.

The following table represents our liquidity at September 30, 2018 and December 31, 2017 (dollars in thousands):

	September 30, 2018	December 31, 2017
Cash and cash equivalents	$ 4,349	$ 8,560
Short-term investments	$ -	$ 1,000
Working capital	$ 3,318	$ 7,649
Working capital ratio	2.43	2.87

Cash Used In Operating Activities

Cash used in operating activities was $5.3 million for the nine months ended September 30, 2018, and was primarily attributable to a $5.4 million operating loss offset by noncash items and changes in operating assets and liabilities. Cash used in operating activities was $6.9 million for the nine months ended September 30, 2017, primarily attributable to a $7.4 million operating loss offset by other noncash items and changes in operating assets and liabilities.

Cash Provided By Investing Activities

Cash provided by investing activities was $1.0 million for the nine months ended September 30, 2018. Cash provided by investing activities was $6.0 million for the nine months ended September 30, 2017. Cash provided by investing activities for the nine months ended September 30, 2018 was primarily due maturities of short-term investment. Cash provided by investing activities in both periods was primarily related to the net maturities of short-term investments.

Cash Provided By Financing Activities

Cash provided by financing activities was $9,000 for the nine months ended September 30, 2018. Cash provided by financing activities was $64,000 for the nine months ended September 30, 2018. Cash provided by financing activities in both periods was primarily attributable to purchases of common stock under the Employee Stock Purchase Plan.

Leases and Other Contractual Obligations

As of September 30, 2018, we leased our headquarters facility and other facilities under noncancelable operating lease agreements each of which will expire at various dates during or before June 2020.

Off-Balance Sheet Arrangements

We did not have any off-balance sheet arrangements in the third quarter of 2018 or in any prior periods.

Critical Accounting Policies, Estimates and Judgments

On January 1, 2018, we adopted a new revenue recognition standard, Revenue from Contracts with Customers (Topic 606), which was issued by FASB in May 2014. See Note 1 of the Notes to our Condensed Consolidated Financial Statements included elsewhere in this Quarterly Report for additional discussion of our accounting changes related to our adoption of this standard. There have been no other material changes in our critical accounting policies, estimates and judgments during the three month period ended September 30, 2018 compared to the disclosures in Part II, Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2017, other than as disclosed herein.

Recent Accounting Pronouncements

For information with respect to recent accounting pronouncements, if any, and the impact of these pronouncements on our Condensed Consolidated Financial Statements, if any, see Note 1 of the Notes to our Condensed Consolidated Financial Statements included elsewhere in this Quarterly Report.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

As a smaller reporting company, we are not required to provide the information required by this Item.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and Interim Chief Financial Officer, as of September 30, 2018, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")). Based upon that evaluation, our Chief Executive Officer and Interim Chief Financial Officer concluded that our disclosure controls and procedures were effective as of September 30, 2018 to provide reasonable assurance that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms, and is accumulated and communicated to management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

On January 1, 2018, we adopted a new revenue recognition standard, Topic 606, which was issued by FASB in May 2014. We are continuing to adjust our internal controls as a result of our adoption of Topic 606 but do not expect there will be material changes. There has been no other change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended September 30, 2018 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Limitations on the Effectiveness of Controls

Our disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives and our Chief Executive Officer and Interim Chief Financial Officer has concluded that our disclosure controls and procedures are effective at that reasonable assurance level. However, our management, including our Chief Executive Officer and Interim Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal controls will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our Company have been detected.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We are subject from time to time to various legal actions and other claims arising in the ordinary course of business. We are not presently a party to any material legal proceedings.

Item 1A. Risk Factors

The risks and uncertainties described below are not the only ones facing us. Additional risks and uncertainties not presently known to us or that we currently deem immaterial also may impair our business operations. If any of the following risks actually occur, our business could be harmed. In that event, the trading price of our common stock could decline.

Risks related to our business and industry

Our business currently depends on revenue related to BroadVision e-business solutions, and we expect that this revenue will continue to decline.

We generate a large portion of our revenue from legacy products, including Business Agility Suite, Commerce Agility Suite and QuickSilver. We expect that these products, and future upgraded versions, will continue to account for a large portion of our revenue in the foreseeable future. We expect that our future financial performance, until we establish a significant installed base of new product revenues, will depend on our ability to sustain our legacy business, which we expect to continue to decline as the result of a decrease in market demand for these products and related products and services. If we fail to deliver the product enhancements that customers want, or if competitors overtake our legacy customers, demand for our legacy products and services, and our revenue, may further decline.

We continue to introduce new products, services and technologies and our business will be harmed if we are not successful in selling these offerings to our existing customers and new customers.

We entered into the business of ESN with the initial release of Clearvale in 2009. We announced the integration of Clearvale's social and mobile capabilities into our legacy products, as BroadVision 9 in 2013. We have been actively enhancing Clearvale, by adding new functions and editions. We have spent significant resources in developing these offerings and training our employees to implement, support, operate, sell and market the offerings. In February 2015 we launched our newest communication and collaboration offering, Vmoso, and we announced a major incremental release of our Vmoso platform with a range of new functionality across several key modules in September 2016. To date our Vmoso, Clearvale and BroadVision 9 offerings have only contributed to a minor portion of our revenue. We do not yet know whether any of these new offerings will grow into a significant business line, and if so, whether sales of these new offerings will be sufficient for us to offset the costs of development, implementation, support, operation, sales and marketing. Although we have performed extensive testing of our products and technologies, their broad-based implementation may require more support than we anticipate, which would further increase our expenses. If sales of our new products, services and technologies are lower than we expect, or if we must lower our prices or delay implementation to fix unforeseen problems and develop modifications, our operating margins are likely to decrease and we may not be able to operate profitably.

We face liquidity challenges and will need additional financing in the future.

We currently expect to be able to fund our working capital requirements from our existing cash and cash equivalents and short-term investments through the next twelve months. However, we could experience unforeseen circumstances, such as an economic downturn, difficulties in retaining customers and/or employees, or other factors that could increase our use of available cash and require us to seek additional financing. We may find it necessary to obtain additional equity or debt financing due to the factors listed above or in order to support a more rapid expansion, develop new or enhanced products or services, respond to competitive pressures, acquire complementary businesses or technologies or respond to unanticipated requirements.

We have implemented a series of cost reduction plans since the second half of 2017 and have since continued to implement cost reduction plans to reduce the cost of our operations." Management may implement further cost reductions or seek financing from third parties as needed to ensure that our cash and cash equivalents and short-term investments are sufficient to fund operations for the next twelve months. However, further cost reductions may result in voluntary departures of highly skilled technical and managerial personnel from our company, which would have a material adverse effect on our business, internal controls, financial condition and results of operations. We may seek to raise additional funds through private or public sales of securities, strategic relationships, bank debt, financing under leasing arrangements or otherwise. If additional funds are raised through the issuance of equity securities, the percentage ownership of our current stockholders will be reduced, stockholders may experience additional dilution or any equity securities we sell may have rights, preferences or privileges senior to those of the holders of our common stock. We expect that obtaining additional financing on acceptable terms would be difficult. If adequate funds are not available or are not available on acceptable terms, we may be unable to pay our debts as they become due, develop our products, take advantage of future opportunities or respond to competitive pressures or unanticipated requirements, which could have a material adverse effect on our business, financial condition and future operating results. The outcome of these matters cannot be predicted at this time. Our ability to continue as a going concern is dependent upon our ability to successfully accomplish these plans and secure sources of financing and/or reduce costs and ultimately attain profitable operations.

We have introduced Cloud-based offerings. Our business will be harmed and our growth potential will be limited, if we are unable to provide reliable, scalable, and cost-efficient Cloud hosting operation.

Historically, BroadVision has offered perpetual software licenses, with customers responsible for the IT equipment needed for running BroadVision software. The Vmoso, Clearvale and Clear products, on the other hand, include Cloud-based offerings, where BroadVision provides hosted IT equipment and operation for subscribing customers. The Cloud model is also known as Software-as-a-Service, or SaaS. Our SaaS operations rely upon a distributed computing infrastructure platform for business operations. We have designed our software and computer systems so as to utilize data processing, storage capabilities and other services provided by cloud computing service providers. Currently, our worldwide cloud service providers include leading cloud infrastructure providers such as Amazon. Any disruption of or interference with our use of cloud computing services would impact our operations and our business would be adversely impacted. BroadVision has limited prior experience in operating Cloud hosting. We may be unable to timely provide adequate computing capacity to keep up with business growth and performance requirements. Our hosted operation may fail due to hardware problems, software problems, power problems, network problems, scalability problems, human errors, hacker attacks, disasters, third-party data center problems and other reasons. The failures may cause us to compromise security, lose customer data or identity, endure prolonged downtime, etc., all of which will harm our business and limit our growth. BroadVision has limited prior experience in estimating the costs of Cloud hosting. If we underestimate the costs or under-charge customers, we may not have adequate margins to sustain our Cloud hosting operation. Vmoso and Clearvale allow customers to use basic functions for free, a business practice gaining popularity in our industry. If we do not have enough customers upgrading to for-fee premium packages, we may be unable to sustain our Cloud hosting operation economically.

Current and potential competitors could make it difficult for us to acquire and retain customers now and in the future.

The market for our products is intensely competitive. We expect competition in this market to persist and increase in the future. If we fail to compete successfully with current or future competitors, we may be unable to attract and retain customers. Increased competition could also result in price reductions for our products and lower profit margins and reduced market share, any of which could harm our business, results of operations and financial condition.

Many of our competitors have significantly greater financial, technical, marketing and other resources, greater name recognition, a broader range of products and a larger installed customer base, any of which could provide them with a significant competitive advantage. In addition, new competitors, or alliances among existing and future competitors, may emerge and rapidly gain significant market share. Some of our competitors, particularly established software vendors, may also be able to provide customers with products and services comparable to ours at lower or at aggressively reduced prices in an effort to increase market share or as part of a broader software package they are selling to a customer. We may be unable to match competitor's prices or price reductions, and we may fail to win customers that choose to purchase an information technology solution as part of a broader software and services package. As a result, we may be unable to compete successfully with current or new competitors.

If we are unable to keep pace with the rapid technological changes in online commerce, portal, social networking and enterprise software, our products and services may fail to be competitive.

Our products and services may fail to be competitive if we do not maintain or exceed the pace of technological developments in mobile, cloud-computing, social and enterprise solutions. Failure to be competitive could cause our revenue to decline. The information services, software and communications industries are characterized by rapid technological change, changes in customer requirements, frequent new product and service introductions and enhancements and evolving industry standards and practices. The introduction of products and services embodying new technologies and the emergence of new industry standards and practices can render existing products and services obsolete. Our future success will depend, in part, on our ability to:

- develop leading technologies;
- enhance our existing products and services;
- develop new products and services that address the increasingly sophisticated and varied needs of our prospective customers; and
- respond to technological advances and emerging industry standards and practices on a timely and cost-effective basis.

We have a history of losses and our future profitability on a quarterly or annual basis is uncertain, which could have a harmful effect on our business and the value of BroadVision common stock.

Our quarterly operating results have fluctuated in the past and may fluctuate significantly in the future as a result of a variety of factors, many of which are outside of our control.   As of September 30, 2018, we had an accumulated deficit of approximately $1.3 billion.

For the foreseeable future we expect our results of operations to fluctuate, and during this period we may incur losses and/or negative cash flows. If our revenue does not increase or if we fail to maintain our expenses at an amount less than our projected revenue, we will not be able to achieve or sustain operating profitability on a consistent basis.

Our failure to operate profitably or control negative cash flows on a quarterly or annual basis could harm our business and the value of BroadVision common stock. If the negative cash flow continues, our liquidity and ability to operate our business would be severely and adversely impacted. Additionally, our ability to raise financial capital may be hindered due to our operational losses and negative cash flows, reducing our operating flexibility.

Our quarterly operating results are volatile and difficult to predict, and our stock price may decline if we fail to meet the expectations of securities analysts or investors.

Historically our quarterly operating results have varied significantly from quarter to quarter and are likely to continue to vary significantly in the future. If our revenues, operating results, earnings or projections are below the levels expected by securities analysts or investors, our stock price is likely to decline.

We are likely to continue to experience significant fluctuations in our future results of operations due to a variety of factors, some of which are outside of our control, including:

- introduction of products and services and enhancements by us and our competitors;
- competitive factors that affect our pricing;
- market acceptance of new products;
- the mix of products sold by us;
- the timing of receipt, fulfillment and recognition as revenue of significant orders;
- changes in our pricing policies or our competitors;

- changes in our sales incentive plans;
- the budgeting cycles of our customers;
- customer order deferrals in anticipation of new products or enhancements by our competitors or us or because of macro-economic conditions;
- nonrenewal of our maintenance agreements, which generally automatically renew for one-year terms unless earlier terminated by either party upon 90 days notice;
- product life cycles;
- changes in strategy;
- seasonal trends;
- the mix of distribution channels through which our products are sold;
- the mix of international and domestic sales;
- the rate at which new sales people become productive;
- changes in the level of operating expenses to support projected growth;
- increase in the amount of third party products and services that we use in our products or resell with royalties attached; and
- costs associated with litigation, regulatory compliance and other corporate events such as operational reorganizations.

As a result of these factors, we believe that quarter-to-quarter comparisons of our revenue and operating results are not necessarily meaningful, and that these comparisons are not accurate indicators of future performance. Because our staffing and operating expenses are based on anticipated revenue levels, and because a high percentage of our costs are fixed, small variations in the timing of the recognition of specific revenue could cause significant variations in operating results from quarter to quarter. If we were unable to adjust spending in a timely manner to compensate for any revenue shortfall, any significant revenue shortfall would likely have an immediate negative effect on our operating results. If our operating results in one or more future quarters fail to meet the expectations of securities analysts or investors, we would expect to experience an immediate and significant decline in the trading price of our stock.

Our sales and product implementation cycles are lengthy and subject to delay, which make it difficult to predict our quarterly results.

Our sales and product implementation cycles generally span months. Delays in customer orders or product implementations, which are difficult to predict, can affect the timing of revenue recognition and can adversely affect our quarterly operating results. Licensing our products is often an enterprise-wide decision by prospective customers. The importance of this decision requires that we engage in a lengthy sales cycle with prospective customers. A successful sales cycle may last up to nine months or longer. Our sales cycle is also affected by a number of other factors, some of which we have little or no control over, including the volatility of the overall software market, the business condition and purchasing cycle of each prospective customer, and the performance of our technology partners, systems integrators and resellers. The implementation of our products can also be time and resource intensive, and subject to unexpected delays. Delays in either product sales or implementations could cause our operating results to vary significantly from quarter to quarter.

Because a significant portion of our sales activity occurs at the end of each fiscal quarter, delays in a relatively small number of license transactions could adversely affect our quarterly operating results.

A significant proportion of our sales are concentrated in the last month of each fiscal quarter. Gross margins are high for our license transactions. Customers and prospective customers may use these conditions in an attempt to obtain more favorable terms. While we endeavor to avoid making concessions that could result in lower margins, the negotiations often result in delays in closing license transactions. Small delays in a relatively small number of license transactions could have a significant impact on our reported operating results for that quarter.

If we are unable to maintain our disclosure controls and procedures, including our internal control over financial reporting, our ability to report our financial results on a timely and accurate basis may be adversely affected.

We have evaluated our "disclosure controls and procedures" as such term is defined in Rule 13a-15(e) under the Exchange Act. Effective controls are necessary for us to provide reliable financial reports and effectively prevent fraud. If we cannot provide reliable financial reports or prevent fraud, our operating results could be harmed. Our internal control over financial reporting has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. For example, we delayed the filing of our Annual Report on Form 10-K for the year ended December 31, 2015, in connection with our discovery that a former employee of one of our wholly-owned German subsidiaries, Interleaf Germany, had fraudulently misappropriated funds from us and falsified records to conceal the theft.

We cannot assure you that our controls and procedures will prevent all errors or fraud, or that any related losses would be recoverable. We also cannot assure you that similar circumstances will not arise in the future that will cause us to delay the filing of our periodic consolidated financial reports and, if we are unable to produce accurate or timely consolidated financial statements, we may be subject to adverse regulatory consequences, including sanctions or investigations by the Securities and Exchange Commission, our stock price may be adversely affected, our reputation may suffer and we may be unable to maintain compliance with the Nasdaq Capital Market continued listing requirements. Further, our independent registered public accounting firm did not perform an evaluation of our internal control over financial reporting during the impacted periods in accordance with the provisions of the Sarbanes-Oxley Act. In light of the fraudulent activities that were identified as a result of the limited procedures performed, it is possible that, had our independent registered public accounting firm performed an evaluation of our internal control over financial reporting in accordance with the provisions of the Sarbanes-Oxley Act, additional instances of fraud, or significant deficiencies or material weaknesses, may have been identified.

In addition, maintaining sufficient expertise and historical institutional knowledge in our accounting and finance organization is dependent upon retaining existing employees and filling any open positions with experienced personnel in a timely fashion. In particular, in March 2018, Peter Chu resigned as our Chief Financial Officer and we do not yet have a replacement for him. The market for skilled accounting and finance personnel is competitive and we may have continued difficulty in retaining our staff because the region in which we compete consists of many established companies that can offer more lucrative compensation packages. Our inability to staff the department with competent personnel with sufficient training will affect our internal controls over financial reporting to the extent that we may not be able to prevent or detect material misstatements.

Our reported financial results may be adversely affected by changes in accounting principles generally accepted in the U.S.

We prepare our financial statements in conformity with accounting principles generally accepted in the U.S. These accounting principles are subject to interpretation by the FASB and the SEC. A change in these policies or interpretations could have a significant effect on our reported financial results, may retroactively affect previously reported results, could cause unexpected financial reporting fluctuations, and may require us to make costly changes to our operational processes and accounting systems. For example, on January 1, 2018, we adopted a new revenue recognition standard, Topic 606, which was issued by FASB in May 2014. We adopted Topic 606 applying the modified retrospective method to all contracts that were not completed as of such date, which resulted in a net decrease of $0.6 million to our opening accumulated deficit as of January 1, 2018. In addition, effective January 1, 2018, we began to recognize a portion of the arrangement fees allocated to our QuickSilver software licenses as revenue upon delivery resulting in revenues for these QuickSilver arrangements generally being recorded in an earlier period than prior to the adoption of Topic 606. Since results for our reporting periods beginning on or after January 1, 2018 are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with the historic accounting under Topic 605, this may cause financial reporting fluctuations that are not reflective of changes in our actual operating results.

We are dependent on direct sales personnel and third-party distribution channels to achieve revenue growth.

To date, we have sold our products primarily through our direct sales force. Our ability to achieve significant revenue growth in the future largely will depend on our success in recruiting, training and retaining sufficient direct sales personnel and establishing and maintaining relationships with distributors, resellers and systems integrators. Our products and services require a sophisticated sales effort targeted at the senior management of our prospective customers. New hires as well as employees of our distributors, resellers and systems integrators require training and may take a significant amount of time before achieving full productivity. Our recent hires may not become as productive as necessary, and we may be unable to hire and retain sufficient numbers of qualified individuals in the future. We have entered into strategic alliance agreements with partners, under which partners have agreed to resell and support our current BroadVision product suite. These contracts are generally terminable by either party upon 30 days' notice of an uncured material breach or for convenience upon 90 days' notice prior to the end of any annual term. Termination of any of these alliances could harm our expected revenues. We may be unable to expand our other distribution channels, and any expansion may not result in revenue increases. If we fail to maintain and expand our direct sales force or other distribution channels, our revenues may not grow or they may decline. Revenue generated from third-party distributors in recent years has not been significant.

We may be unable to manage or grow our international operations and assets, which could impair our overall growth or financial position.

We derive a significant portion of our revenue from our operations outside North America. In the quarter ended September 30, 2018, approximately 47% of our revenue was derived from international sales. If we are unable to manage or grow our existing international operations, we may not generate sufficient revenue required to establish and maintain these operations, which could slow our overall growth and impair our operating margins.

As we rely materially on our operations outside of North America, we are subject to significant risks of doing business internationally, including:

- difficulties in staffing and managing foreign operations and safeguarding foreign assets;
- unexpected changes in regulatory requirements;
- export controls relating to encryption technology and other export restrictions;
- tariffs and other trade barriers;
- political and economic instability;
- fluctuations in currency exchange rates;
- reduced protection for intellectual property rights in some countries;
- cultural barriers;
- seasonal reductions in business activity during the summer months in Europe and certain other parts of the world; and
- potentially adverse tax consequences.

Our international sales growth could be limited if we are unable to establish additional foreign operations, expand international sales channel management and support, hire additional personnel, customize products for local markets and develop relationships with international service providers, distributors and system integrators. Even if we are able to successfully expand our international operations, we may not succeed in maintaining or expanding international market demand for our products.

Our success and competitive position will depend on our ability to protect our proprietary technology.

Our success and ability to compete are dependent to a significant degree on our proprietary technology. We hold a U.S. patent, issued in March 2017, related to the secure sharing of task data over one or more networks, and another U.S. patent, issued January 2014, on the elements of creating and sharing tasks over one or more networks. We also hold a U.S. patent, issued in January 2004, on elements of the BroadVision platform, which covers mechanisms for translating between a word processing document and an XML file. Although we hold these patents, they may not provide an adequate level of intellectual property protection. In addition, litigation may be necessary in the future to enforce our intellectual property rights, to protect our trade secrets, or to determine the validity and scope of the proprietary rights of others. Third parties have claimed and may claim in the future that we have infringed their patent, trademark, copyright or other proprietary rights. Claims may be made for indemnification resulting from allegations of infringement. Intellectual property infringement claims may be asserted against us as a result of the use by third parties of our products. Claims or litigation, with or without merit, could result in substantial costs and diversions of resources, either of which could harm our business.

We also rely on copyright, trademark, service mark, trade secret laws and contractual restrictions to protect our proprietary rights in products and services. We have registered "BroadVision", "Clearvale", "Interleaf" and the Clearvale logo as trademarks in the United States and/or in other countries. It is possible that our competitors or other companies will adopt product names similar to these trademarks, impeding our ability to build brand identity and possibly confusing customers.

As a matter of company policy, we enter into confidentiality and assignment agreements with our employees, consultants, partners and vendors. We also control access to and distribution of our software, documents and other proprietary information. Notwithstanding these precautions, it may be possible for an unauthorized third party to copy or otherwise obtain and use our software or other proprietary information or to develop similar software independently. Policing unauthorized use of our products will be difficult, particularly because the global nature of the Internet makes it difficult to control the ultimate destination or security of software and other transmitted data. The laws of other countries may afford us little or no effective protection of our intellectual property.

A breach of the encryption technology that we use could expose us to liability and harm our reputation, causing a loss of customers.

Cyber-attacks and other malicious Internet-based activity continue to increase generally. If any breach of the security technology embedded in our products or hosted Cloud operations were to occur, we would be exposed to liability and our reputation could be harmed, which could cause us to lose customers. A significant barrier to online commerce, portal, social networking and enterprise software is the secure exchange of valuable and confidential information over public networks. We rely on encryption and authentication technology, such as Open SSL, public key cryptography, encryption algorithms RC2 and MD5, digital certificates and HTTPS, to provide the security and authentication necessary to affect the secure exchange of confidential information. Advances in computer capabilities, new discoveries in the field of cryptography, new hacking methods, security holes in 3rd-party components (such as operating system bugs) or other events or developments could cause a breach of the above measures that we use to protect customer data and identity.

The loss or malfunction of technology from third parties could delay the introduction of our products and services.

We rely in part on technology that we license from third parties or we obtain from open sources, including cloud-based solutions from Amazon Web Services; relational database management systems from Oracle; Microsoft and MySQL; J2EE from Oracle and JBoss; and others. The loss or malfunction of any third-party technology could harm our business. We integrate or sublicense third-party technology with internally developed software to perform key functions. For example, our products and services incorporate data encryption and authentication technology from Open SSL. Third-party technology might not continue to be available to us on commercially reasonable terms, or at all. Moreover, third-party technology may contain defects that we cannot control. Problems with third-party technology could cause delays in introducing our products or services until equivalent technology, if available, is identified, licensed or obtained, and integrated. Delays in introducing our products and services could adversely affect our results of operations.

Our use of open source software could negatively affect our ability to sell our products and subject us to possible litigation.

We use open source software in our products and may continue to use open source software in the future. We may face claims from others claiming ownership of, or seeking to enforce the terms of, an open source license, including by demanding release of the open source software, derivative works, or our proprietary source code that was developed using such software. These claims could also result in litigation, require us to purchase a costly license, or require us to devote additional research and development resources to change our platform, any of which would have a negative effect on our business and operating results. In addition, if the license terms for the open source software we utilize change, we may be forced to reengineer or discontinue our products or incur additional costs. We cannot be certain that we have not incorporated open source software in our products in a manner that is inconsistent with our policies.

Our officers, and highly skilled technical and managerial personnel are critical to our business, and they may not remain with us.

Our performance substantially depends on the performance of our management team. We also rely on our ability to retain and motivate qualified personnel, especially our management and highly skilled development teams. The loss of the services of any of our officers or highly skilled technical and managerial personnel, particularly our founder, Chief Executive Officer, President and Interim Chief Financial Officer, Dr. Pehong Chen, could cause us to incur increased operating expenses and divert senior management resources in searching for replacements. In March 2018, Peter Chu resigned as our Chief Financial Officer and Vice President of Strategy and Product Management. In connection with Mr. Chu's resignation, Dr. Chen was appointed as our Interim Chief Financial Officer. As a result of this change, Dr. Chen has taken on substantially more responsibility for the management of our business and of our financial reporting, which has resulted in greater workload demands and could divert his attention away from certain key areas of our business. Changes in our organization as a result of Mr. Chu's departure may have a disruptive impact on our ability to implement our strategy and could have a material adverse effect on our business, internal controls, financial condition and results of operations. Management transition inherently causes some loss of institutional knowledge, which can negatively affect strategy and execution. Until we find and integrate a replacement for Dr. Chu, and unless his replacement is able to succeed in the position, we may be unable to successfully manage and grow our business, and our results of operations, internal controls and financial condition could suffer as a result. The loss of the services of our officers or other personnel also could harm our reputation if our customers were to become concerned about our future operations. We do not carry "key person" life insurance policies on any of our employees. Our future success also depends on our continuing ability to identify, hire, train and retain other highly qualified technical and managerial personnel. Competition for these personnel is intense, especially in the Internet industry. We have in the past experienced, and may continue to experience, difficulty in hiring and retaining sufficient numbers of highly skilled employees. The significant downturn in our business over the past several years has had and may continue to have a negative impact on our operations. We have restructured our operations by reducing our workforce and implementing other cost containment activities. These actions could lead to disruptions in our business, reduced employee morale and productivity, increased attrition, and problems with retaining existing and recruiting future employees.

Limitations on the online collection of profile information could impair the effectiveness of our products.

Online (web or mobile) users' resistance to providing personal data, and laws and regulations prohibiting use of personal data gathered online without express consent or requiring businesses to notify their web site visitors of the possible dissemination of their personal data, could limit the effectiveness of our products. This in turn could adversely affect our sales and results of operations.

One of the principal features of our products is the ability to develop and maintain profiles of online users to assist business managers in determining the nature of the content to be provided to these online users. Typically, profile information is captured when consumers, business customers and employees visit a web site or use applications and volunteer information in response to survey questions or to application forms concerning their backgrounds, interests and preferences. Profiles can be augmented over time through the subsequent collection of usage data. Although our products are designed to enable the development of applications that permit online users to prevent the distribution of any of their personal data beyond that specific web site or application services, privacy concerns may nevertheless cause visitors to resist providing the personal data necessary to support this profiling capability. The mere perception by prospective customers that substantial security and privacy concerns exist among online users, whether or not valid, may indirectly inhibit market acceptance of our products.

In addition, new laws and regulations could heighten privacy concerns by requiring businesses to notify online users that the data captured from them while online may be used by marketing entities to direct product messages to them. We are subject to increasing regulation at the federal and state levels relating to online privacy and the use of personal user information. Several states have proposed legislation that would limit the uses of personal user information gathered online. In addition, the U.S. Federal Trade Commission (the “FTC”), has urged Congress to adopt legislation regarding the collection and use of personal identifying information obtained from individuals when accessing web sites. The FTC has settled several proceedings resulting in consent decrees in which Internet companies have been required to establish programs regarding the manner in which personal information is collected from users and provided to third parties. While we adhere to the privacy policies published with our solutions, we could become a party to a similar enforcement proceeding. These regulatory and enforcement efforts could also harm our customers' ability to collect demographic and personal information from users, which could impair the effectiveness of our products.

In addition, the collection and use of personal data in the European Union, presently governed by the provisions of the Data Protection Directive, will be replaced with the General Data Protection Regulation, or GDPR, in May 2018. GDPR will impose several requirements relating to the collection, use, processing and transfer of personal data, such as requirements for using consent or other legal grounds to process personal data, providing information to individuals about how their personal data is used, maintaining adequate security and data protection measures, giving data breach notifications, complying with individuals’ requests to access, correct or delete their personal

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data and using third party processors of personal data. GDPR will also maintain the European Union's strict rules limiting the transfer of personal data out of the European Economic Area. Failure to comply with the requirements of GDPR and the applicable national data protection laws of the European Union Member States may result in fines and other administrative penalties. GDPR will introduce substantial potential fines for violations and increase our responsibility and liability in relation to personal data that we process. To comply with the GDPR we may be required to put in place additional technical and administrative measures and controls mechanisms. This may be onerous and adversely affect our business, financial condition, results of operations and prospects.

We may not have adequate back-up systems, and natural or manmade disasters could damage our operations, reduce our revenue and lead to a loss of customers.

We may not have adequate back-up and redundant systems for both customer-used service and internal information technology. A natural or manmade disaster could severely harm our business because our service and operation could be interrupted for an indeterminate length of time. Our operations depend upon our ability to maintain and protect our computer systems at our facility in Redwood City, California, which reside on or near known earthquake fault zones. These systems are vulnerable to damage from fire, floods, earthquakes, power loss, cyber-attacks, acts of terrorism, telecommunications failures and similar events. We also have significantly reduced our workforce since 2000, which has placed different requirements on our systems and has caused us to lose personnel knowledgeable about our systems, both of which could make it more difficult to quickly resolve system disruptions. Disruptions in our internal business operations could harm our business by resulting in delays, disruption of our customers' business, loss of data, and loss of customer confidence.

We are subject to foreign currency exchange risk.

A total of 50% and 49% revenues for each of the nine months of 2018 and 2017, respectively, were derived from international operations for which we transact business in foreign currencies. International revenues and expenses denominated in foreign currencies translate into higher or lower revenues and expenses in U.S. Dollars as the U.S. Dollar weakens or strengthens against such other currencies. Substantially all of the revenues of our international operations are received, and substantially all expenses are incurred, in currencies other than the U.S. Dollar, which increases or decreases the related U.S. Dollar-reported revenues and expenses depending on the fluctuations in foreign currency exchange rates. These fluctuations could cause our revenues outside the United States and other results of operations to differ from our expectations or the expectations of our investors. Additionally, such foreign currency exchange rate fluctuations could make it more difficult to detect underlying trends in our business and results of operations. In addition, a total of 39% of our cash and cash equivalents as well as investments were denominated in foreign currencies as of September 30, 2018. Accordingly, changes in the value of foreign currencies relative to the U.S. dollar can affect our operating results due to transactional and translational re-measurements that are reflected in our results of operations. To the extent that fluctuations in currency exchange rates cause our results of operations to differ from our expectations or the expectations of our investors, the trading price of our common stock could be adversely affected.

We do not engage in any hedging activities in order to manage any potential adverse financial impact resulting from unfavorable changes in foreign currency exchange rates. We cannot predict with any certainty changes in foreign currency exchange rates or the degree to which we can address these risks.

Our business could be negatively affected as a result of actions of activist stockholders.

The actions of activist stockholders could adversely affect our business. Specifically, responding to common actions of an activist stockholder, including without limitation public proposals, requests to pursue a strategic combination or other transaction or other special requests, could disrupt our operations, be costly and time-consuming or divert the attention of our management and employees. In addition, perceived uncertainties as to our future direction in relation to the actions of an activist stockholder may result in the loss of potential business opportunities or the perception that we are unstable as a company, which may be exploited by our competitors and make it more difficult to attract and retain personnel as well as consumers and service providers. Actions of an activist stockholder may also cause fluctuations in our stock price based on speculative market perceptions or other factors that do not necessarily reflect the underlying fundamentals and prospects of our business.

Weakened global economic conditions or tariffs and other trade restrictions may harm our industry, business, and results of operations.

We derive revenue from clients in many countries, and our overall performance depends in part on worldwide economic conditions. Global financial developments and downturns seemingly unrelated to us, our products or our industry may harm us. The United States and other key international economies have been impacted by falling demand for a variety of goods and services, restricted credit, poor liquidity, reduced corporate profitability, volatility in credit, equity and foreign exchange markets, bankruptcies, and overall uncertainty with respect to the economy. The revenue growth and potential profitability of our business depends on demand for our products generally. Historically, during economic downturns there have been reductions in spending on technology systems as well as pressure for extended billing terms and other financial concessions, which would negatively affect our operating results. These conditions affect the rate of technology spending and could adversely affect our customers' ability or willingness to purchase our products, delay prospective customers' purchasing decisions, reduce the value or duration of their subscriptions, or affect renewal rates, all of which could harm our operating results.

Additionally, the new U.S. presidential administration has called for substantial changes to foreign trade policy and has raised the possibility of imposing significant increases in tariffs on international trade. We also rely on various U.S. corporate tax provisions related to international commerce. If we are subject to new regulations, or if restrictions and tariffs increase our operating costs in the future, and we are not able to recapture those costs from our customers, or if such initiatives regulations, restrictions and tariffs make it more difficult for us to compete in overseas markets, our business, financial condition and results of operations could be adversely impacted.

Risks related to our MVN initiatives

We have no history operating and managing a platform utilizing blockchain-based technology, which makes it hard to evaluate our ability to generate revenue through operation of such a platform, and at the date of this filing, we have not generated revenue from any blockchain-based products.

We have no history or experience developing or operating a platform utilizing blockchain-based technology, such as MVN, which makes it difficult to evaluate our prospects for success with the MVN initiative. We are likely to encounter risks and difficulties frequently experienced by growing companies in rapidly developing and changing industries, including challenges in forecasting accuracy, determining appropriate uses of our limited resources, gaining market acceptance, managing a complex regulatory landscape and developing new products. We are still developing MVN and MVT, we have not generated revenue from any blockchain-based products and we may never generate revenue from MVN, MVT or any blockchain-based product or platform.

Our management has relatively little experience in the blockchain technology industry.

Our management only recently determined to dedicate significant corporate resources and management efforts towards the exploration of, and investment in, utilizing blockchain technology to develop MVN and MVT. Our management has limited experience in the blockchain technology industry. As a result, our management may be unable to successfully develop, launch, implement and maintain MVN and MVT.

Following our anticipated VMSO financing, our ability to benefit from our MVN initiatives as well as our Clearvale and Vmoso platforms will be significantly reduced.

In September 2018, we formed a new company, VMSO, which will develop, launch, operate and expand MVN. In October 2018, we publicly announced our intention to raise $3 million from our stockholders through the sale of common shares of VMSO representing approximately 80 percent of VMSO's outstanding shares. Following the sale, we will own preferred shares representing approximately 20 percent of outstanding shares of VMSO. We will provide substantially all of the personnel, facilities and equipment required for the activities of the subsidiary under a shared services agreement and will be reimbursed for such support on a basis intended to cover our costs. We currently anticipate that our Chairman, President, Chief Executive Officer, Interim Chief Financial Officer and largest stockholder, Dr. Pehong Chen, will be the sole investor in the financing of VMSO, which is anticipated to be completed on or about December 31, 2018. VMSO will hold all of the intellectual property and other assets related to our Clearvale and Vmoso platforms, including the current Clearvale and Vmoso products and the MVN development project. As a result, after the VMSO financing is consummated, our share of the potential upside, but also our exposure to the development and commercialization cost, of Clearvale, Vmoso and MVN will be significantly reduced.

Even if we successfully develop MVN, we may not be able to successfully market and launch MVN, or MVN and MVT may not be widely adopted.

MVN, if successfully developed, may not meet customer or user expectations. Furthermore, despite our efforts to develop and complete the launch of, and subsequently to maintain, MVN and MVT, it is possible that they will experience malfunctions or otherwise fail to be adequately secured and maintained. We may not have or may not be able to obtain the technical skills, expertise, or regulatory approvals needed to successfully develop MVN and MVT and progress them to a successful launch. In addition, there are significant legal and regulatory considerations that will need to be addressed in order to develop and maintain MVN, and addressing such considerations will require significant time and resources. There can be no assurance that we will be able to develop MVN in such a way that achieves all of the features we anticipate that it will provide, or that the features provided will be sufficient to attract a significant number of users such that MVN and MVT will be widely adopted.   If we are not successful in our efforts to demonstrate to customers and users the utility and value of MVN, there may not be sufficient demand for MVN and MVT, and our business would be materially adversely affected.

MVN and MVT, if successfully developed and launched, may not function properly.

MVN and MVT may not function properly or the technology may not operate as anticipated, which would have a material adverse effect on our plans, operations and financial condition. The technology may malfunction because of internal problems or as a result of cyber-attacks or external security breaches. Any problems in the functionality of the technology underlying MVN and MVT would have a direct materially adverse effect on our plans and expectations for revenues.

MVN and blockchains on which MVN and its associated cryptocurrency may rely may be the target of malicious cyber-attacks or may contain exploitable flaws in its underlying code, which may result in security breaches and the loss or theft of cryptocurrency tokens or other digital assets. If such attacks occur or security is compromised, this could expose us to liability and reputational harm and could seriously curtail the adoption and utilization of MVN and could result in claims against us. This is a significant risk in light of the importance of consumer trust to MVN’s success.

If we successfully develop and launch MVN and MVT, our software, the software applications and other interfaces or applications upon which they rely, and any software that may be built upon MVN, will be unproven, and there can be no assurances that MVN and the creation, transfer or storage of its associated cryptocurrency will be uninterrupted or fully secure, which may result in impermissible or unauthorized transfers, a complete loss of users’ cryptocurrency tokens or an unwillingness of customers and users to access, adopt and utilize MVN. MVT will be an ERC20-compliant token based on the Ethereum protocol. As such, any malfunction, unintended function, unexpected functioning of or attack on the Ethereum protocol may cause MVT to malfunction or function in an unexpected or unintended manner. Such attacks may come in anticipated forms or unanticipated forms.

We and our subsidiaries are, and MVN, if developed and launched, may be, subject to cyber-attacks, security risks and risks of security breaches. This is an especially significant risk for MVN, since its success is completely dependent on large numbers of consumers placing enough trust in the MVN’s security to store their sensitive personal data on the network. An attack or a breach of security could result in a loss of private data, lost or stolen cryptocurrency tokens and an interruption of functionality or inability to access MVN for an extended period of time. Any such attack or breach could adversely affect our ability to effectively operate MVN, attract new users to MVN and retain existing users of MVN, which could have a material adverse effect on our operations and financial condition. Such an attack may also damage our reputation and any breach of data security that exposes or compromises the security of any of the private digital keys used to authorize or validate transactions within MVN, or that enables any unauthorized person to generate any of the private digital keys, could result in lost or stolen cryptocurrency tokens. The occurrence of any of the foregoing could result in claims against us and us and could have a material adverse effect on us and the holders of our common stock.

The prices of digital assets are extremely volatile. Fluctuations in the price of digital assets could materially and adversely affect our business.

The prices of cryptocurrencies, such as Bitcoin and Ether, and other digital assets have historically been subject to dramatic fluctuations and are highly volatile. A decrease in the price of a single digital asset may cause volatility in the entire digital asset and security token industry. For example, a security breach that affects purchaser or user confidence in Bitcoin or Ether may affect the industry as a whole. This volatility may adversely affect interest in and demand for MVN, which would materially adversely affect our business.

The value of existing blockchain assets such as Bitcoin and Ether has historically been subject to significant volatility. The market price of our common stock could be subject to similar volatility if the value of our business and common stock is viewed as being linked to the price and value of certain cryptocurrencies and blockchain assets.

Market prices for publicly traded common stock such as our common stock often are subject to arbitrary pricing factors that are not necessarily directly associated with traditional factors that influence stock prices or the value of non-cryptocurrency assets such as revenue, cash flows, profitability, growth prospects or corporate events such as new product introductions, entry into major contracts or achievement of other corporate milestones. As we develop, launch and implement MVN, the market price of shares of our common stock may be influenced by investors' perception of and speculative expectations regarding existing blockchain assets such as Bitcoin and Ether as well as future anticipated adoption or appreciation in value of cryptocurrencies, such as MVT, or overall growth in and demand for blockchain-based technologies, factors over which the Company has little or no influence or control. If investors view our business and the value of our common stock as dependent upon or linked to the value or growth of cryptocurrencies generally or blockchain assets, the price of such cryptocurrencies or blockchain asset may influence significantly the market price of shares of our common stock. The prices of blockchain assets such as Bitcoin have historically been subject to dramatic fluctuations and are highly volatile which may cause the market price of our common stock to experience significant volatility.

The market price of shares of our common stock may also be subject to speculative forces—both positive and negative --following announcement of our intent to develop MVN due to the highly speculative investment environment currently surrounding blockchain technologies and cryptocurrencies. Growth in mainstream media coverage has resulted in investors that were previously unfamiliar with the cryptocurrency markets and digital assets now seeking out investment opportunities in these areas. With few or limited public company options for investment exposure to blockchain technologies or cryptocurrencies, interest in our common stock may be unusually high for a period of time, and our common stock price may continue to be volatile as we provide updates on the development, launch and implementation of MVN. If blockchain technology development or acceptance slows or is subject to unfavorable media coverage or investor sentiment, if the trading prices of cryptocurrency decrease or if we are unable to successfully develop and launch MVN and MVT in a timely way, the trading price of our common stock may decrease dramatically. When significant stock price volatility occurs, particularly when accompanied by signs of speculative trading, it is not uncommon for the Securities and Exchange Commission or other regulatory or self-regulatory authorities to investigate the circumstances, which can be costly and divert the attention of senior management from the management of normal business operations.

The regulatory regime governing blockchain technologies, cryptocurrencies, digital assets, MVN and distribution and utilization of digital assets such as MVT is uncertain, and new regulations or policies may materially adversely affect the development and the value of MVN and MVT.

The regulation of blockchain technologies and platforms like MVN, cryptocurrencies and other digital assets and cryptocurrency exchanges is currently undeveloped and uncertain and likely to rapidly evolve as government agencies take action to regulate and monitor them. Regulation also varies significantly among international, federal, state and local jurisdictions and is subject to significant uncertainty.

Various legislative and executive bodies in the United States and in other countries may in the future adopt laws, regulations, or guidance, or take other actions, which may severely impact the operability of MVN and permissibility of cryptocurrencies generally and the technology behind them or the means of transaction or in transferring them. Failure by us to comply with any laws, rules and regulations, some of which may not exist yet or are subject to interpretation and may be subject to change, could result in a variety of adverse consequences, including civil penalties and fines.

Blockchain-based networks and distributed ledger technologies also face an uncertain regulatory landscape in many foreign jurisdictions such as the European Union, China and Russia. Various foreign jurisdictions may, in the near future, adopt laws, regulations or directives that may conflict with those of the United States or may directly and negatively impact our business. The effect of any future regulatory change is impossible to predict, but such change could be substantial and materially adverse to our business.

The further development and acceptance of blockchain networks, which represent a new and rapidly changing industry, are subject to a variety of factors that are difficult to evaluate. The slowing or stopping of the development or acceptance of blockchain networks and blockchain assets would have a material adverse effect on our business plans and could have a material adverse effect on us.

The growth of the blockchain industry in general, as well as the blockchain networks on which MVN will rely, is subject to a high degree of uncertainty. The factors affecting the further development of the cryptocurrency and cryptosecurity industries, as well as blockchain networks, include uncertainty regarding:

- Worldwide growth in the adoption and use of cryptocurrencies, and other blockchain technologies;
- Government and quasi-government regulation of cryptocurrencies and other blockchain assets and their use, or restrictions on or regulation of access to and operation of blockchain networks or similar systems;
- The maintenance and development of the open-source software protocol of the blockchain networks;
- Changes in consumer demographics and public tastes and preferences;
- The availability and popularity of other forms or methods of buying and selling goods and services, or trading assets including new means of using traditional currencies or existing networks;
- General economic conditions and the regulatory environment relating to cryptocurrencies; and
- The popularity or acceptance of Bitcoin or other blockchain-based tokens.

The cryptocurrency and cryptosecurities industries as a whole have been characterized by rapid changes and innovations and are continually evolving. Although blockchain networks and blockchain assets have experienced significant growth in recent years, the slowing or stopping of the development, general acceptance and adoption and usage of these networks and assets may materially adversely affect our business plans and results of operations.

The development and operation of MVN and MVT may require us to in-license technology and intellectual property rights.

Our ability to develop and operate MVN and MVT may depend on technology and intellectual property rights that we may license from unaffiliated third parties. If for any reason we were to fail to obtain or develop the technology and intellectual property that MVN or MVT requires or fail to comply with our obligations under any material license agreement, MVN might be unable to operate effectively, which would have a material adverse effect on our operations and financial condition and could have a material adverse effect on us.

MVN may face substantial competition from a number of known and unknown competitors. Alternative networks may be established that compete with or are more widely used than MVN.

It is possible that alternative networks or technologies could be established that utilize the same or similar open source code and protocol underlying MVN and attempt to facilitate services that are materially similar to the services and feature that we intend to make available on MVN. Additionally, existing technologies that do not rely on blockchain technologies may perform better or be more trusted by consumers than MVN. Competition with new and existing alternatives to MVN could negatively impact the success and adoption of MVN and MVT.

Risks related to our common stock

One stockholder beneficially owns a substantial portion of the outstanding BroadVision common stock, and as a result exerts substantial control over us.

As of September 30, 2018, Dr. Pehong Chen, our Chairman, President, Chief Executive Officer and Interim Chief Financial Officer, beneficially owned approximately 1.6 million shares of our common stock, which represents approximately 32% of the outstanding common stock as of such date. As a result, Dr. Chen exerts substantial control over all matters coming to a vote of our stockholders, including with respect to:

- the composition of our board of directors and, through it, any determination with respect to our business direction and policies, including the appointment and removal of officers;
- any determinations with respect to mergers and other business combinations;
- our acquisition or disposition of assets;
- our financing activities; and
- the payment of dividends on our capital stock.

This control by Dr. Chen could depress the market price of our common stock or delay or prevent a change in control of BroadVision.

We recently transferred the listing of our common stock from the Nasdaq Global Market to the Nasdaq Capital Market. If we fail to maintain the requirements for continued listing on the Nasdaq Capital Market, our common stock could be delisted from trading, which would adversely affect the liquidity of our common stock and our ability to raise additional capital.

In November 2017, we transferred the listing of our common stock from the Nasdaq Global Market to the Nasdaq Capital Market as our stockholders’ equity had decreased from $12.1 million at June 30, 2017 to $9.7 million at September 30, 2017. We are required to meet specified listing criteria in order to maintain our listing on the Nasdaq Capital Market. If we fail to satisfy the Nasdaq Capital Market’s continued listing requirements, our common stock could be delisted from the Nasdaq Capital Market, in which case we may be able to transfer to the over-the-counter bulletin board. For example, Nasdaq Rule 5550(b)(1) requires companies listed on the Nasdaq Capital Market to maintain a minimum of $2.5 million in stockholders’ equity for continued listing. At September 30, 2018, our stockholders’ equity was approximately $3.0 million. If our stockholders’ equity falls below $2.5 million, the Nasdaq Capital Market may take formal action and determine that we are no longer suitable for listing and may commence delisting procedures. Any potential delisting of our common stock from the Nasdaq Capital Market would make it more difficult for our stockholders to sell our stock in the public market and would likely result in decreased liquidity and increased volatility for our common stock.

Our stock price has been highly volatile.

The high and low price of BroadVision common stock on the Nasdaq Stock Market ranged from $1.59 per share to $5.95 per share between October 1, 2016 and September 30, 2018. Our stock price is subject to wide fluctuations in response to a variety of factors, including:

- quarterly variations in operating results;
- announcements of technological innovations;
- announcements of new software or services by us or our competitors;
- changes in financial estimates by securities analysts;
- low trading volume on the Nasdaq Stock Market;
- general economic conditions; or
- other events or factors that are beyond our control.

In addition, the stock market has experienced significant price and volume fluctuations that have particularly affected the trading prices of equity securities of many technology companies. These fluctuations have often been unrelated or disproportionate to the operating performance of these companies. Any negative change in the public's perception of the prospects of Internet, enterprise social networking or electronic commerce companies could further depress our stock price regardless of our results. Other broad market fluctuations may decrease the trading price of BroadVision common stock. In the past, following declines in the market price of a company's securities, securities class action litigation, such as the class action lawsuits filed against us and certain of our officers and directors in early 2001, has often been instituted against that company. Litigation could result in substantial costs and a diversion of management's attention and resources.

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

Not applicable.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

On November 5, 2018, the Board of Directors established December 27, 2018 as the date of our 2018 Annual Meeting. In addition, the Board established the close of business on November 5, 2018 as the record date for determining stockholders entitled to receive notice of and to vote at the Annual Meeting. The Board established November 15, 2018 as the deadline for a timely submission for stockholder proposals for inclusion in the proxy statement under Rule 14a-8 and for stockholder proposals other than under Rule 14a-8.

Item 6. Exhibits

Exhibits Number	Description
3.1	Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.3 to Amendment No. 2 to the Company's Registration Statement on Form S-1 filed on May 29, 1996 (File No. 333-03844)).
3.2	Certificate of Amendment of Certificate of Incorporation (incorporated by reference to Exhibit 4.6 to the Company's Form 10-K for the fiscal year ended December 31, 2006 filed on March 27, 2007 (File No. 000-28252)).
3.3	Certificate of Amendment of Certificate of Incorporation (incorporated by reference to Exhibit 3.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2008, filed on November 6, 2008 (File No. 000-28252)).
3.4	Amended and Restated Bylaws (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on October 16, 2008 (File No. 000-28252)).
31.1	Certification of the Chief Executive Officer and Interim Chief Financial Officer of BroadVision pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1(1)	Certification of the Chief Executive Officer and Interim Chief Financial Officer of BroadVision pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following materials from BroadVision, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2018, formatted in XBRL (eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets at September 30, 2018 and December 31, 2017, (ii) Condensed Consolidated Statement of Comprehensive Loss for the three and nine months ended September 30, 2018 and 2017, (iii) Condensed Consolidated Statement of Cash Flows for the nine months ended September 30, 2018 and 2017, and (iv) Notes to Condensed Consolidated Financial Statements
(1)	The certifications attached as Exhibit 32.1 accompany this Quarterly Report on Form 10-Q are not deemed filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of Broadvision, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Quarterly Report on Form 10-Q, irrespective of any general incorporation language contained in such filing.

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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.

		BROADVISION, INC.
Date: November 14, 2018	By:	/s/ Pehong Chen Pehong Chen President, Chief Executive Officer and Interim Chief Financial Officer