

IDENTIVE GROUP, INC.  
Form 10-Q  
May 15, 2012  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
WASHINGTON, D.C. 20549

**FORM 10-Q**

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

For the quarterly period ended March 31, 2012

OR

.. **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from            to

COMMISSION FILE NUMBER: 000-29440

**IDENTIVE GROUP, INC.**

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

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**DELAWARE**  
**(STATE OR OTHER JURISDICTION OF**  
**INCORPORATION OR ORGANIZATION)**

**77-0444317**  
**(I.R.S. EMPLOYER**  
**IDENTIFICATION NUMBER)**

**1900 Carnegie Avenue, Building B**

**Santa Ana, California 92705**

**(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES INCLUDING ZIP CODE)**

**(949) 250-8888**

**(REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE)**

**N/A**

**(FORMER NAME, FORMER ADDRESS AND FORMER FISCAL YEAR, IF CHANGED SINCE LAST REPORT)**

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate 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 or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer

Non-accelerated filer  Smaller reporting company

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

At May 10, 2012, 59,656,059 shares of common stock were outstanding, excluding 618,400 shares held in treasury.

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**Table of Contents****PART I: FINANCIAL INFORMATION****Item 1. Financial Statements****IDENTIVE GROUP, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS***(In thousands, except per share data)**(unaudited)*

|   | <b>Three Months Ended</b> |              |
|---|---------------------------|--------------|
|   | <b>March 31,</b>          |              |
|   | <b>2012</b>               | <b>2011</b>  |
| Net revenue   | \$ 21,206                 | \$ 22,420    |
| Cost of revenue   | 12,468                    | 13,040       |
| <b>Gross profit</b>   | <b>8,738</b>              | <b>9,380</b> |
| Operating expenses:   |                           |              |
| Research and development  | 2,491                     | 1,158        |
| Selling and marketing   | 7,008                     | 5,009        |
| General and administrative  | 5,953                     | 5,256        |
| Total operating expenses  | 15,452                    | 11,423       |
| Loss from operations  | (6,714)                   | (2,043)      |
| Other income  |                           | 230          |
| Interest expense, net   | (291)                     | (291)        |
| Foreign currency gains, net   | 220                       | 199          |
| Loss before income taxes and noncontrolling interest                      | (6,785)                   | (1,905)      |
| Income tax benefit  | 179                       | 22           |
| Consolidated net loss   | (6,606)                   | (1,883)      |
| Less: Net loss attributable to noncontrolling interest                    | 377                       | 21           |
| Net loss attributable to Identive Group, Inc.                             | \$ (6,229)                | \$ (1,862)   |
| Basic and diluted net loss per share attributable to Identive Group, Inc. | \$ (0.11)                 | \$ (0.04)    |
| Weighted average shares used to compute basic and diluted loss per share  | 58,599                    | 47,741       |

See notes to condensed consolidated financial statements.

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**IDENTIVE GROUP, INC. AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME**

*(In thousands)*

*(unaudited)*

|  | <b>Three Months Ended</b> |             |
|--|---------------------------|-------------|
|  | <b>March 31,</b>          |             |
|  | <b>2012</b>               | <b>2011</b> |
| Consolidated net loss  | \$ (6,606)                | \$ (1,883)  |
| Other comprehensive income, net of tax of nil:                   |                           |             |
| Foreign currency translation adjustments                         | 742                       | 2,240       |
| Consolidated comprehensive (loss) income                         | (5,864)                   | 357         |
| Comprehensive loss attributable to noncontrolling interest       | 417                       | 125         |
| Comprehensive (loss) income attributable to Identive Group, Inc. | \$ (5,447)                | \$ 482      |

See notes to condensed consolidated financial statements.

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**IDENTIVE GROUP, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

*(In thousands, except par value)*

*(unaudited)*

|  | March 31,<br>2012 | December<br>31,<br>2011(A) |
|--|-------------------|----------------------------|
| <b>ASSETS</b>  |                   |                            |
| Current assets:  |                   |                            |
| Cash and cash equivalents  | \$ 13,339         | \$ 17,239                  |
| Accounts receivable, net of allowances of \$457 and \$268 as of March 31, 2012 and December 31, 2011, respectively   | 13,472            | 13,578                     |
| Inventories  | 10,385            | 9,263                      |
| Prepays and other current assets   | 2,740             | 2,426                      |
| <b>Total current assets</b>  | <b>39,936</b>     | <b>42,506</b>              |
| Property and equipment, net  | 8,680             | 6,699                      |
| Goodwill   | 73,395            | 58,404                     |
| Intangible assets, net   | 38,476            | 36,001                     |
| Other assets   | 548               | 501                        |
| <b>Total assets</b>  | <b>\$ 161,035</b> | <b>\$ 144,111</b>          |
| <b>LIABILITIES AND STOCKHOLDERS EQUITY</b>   |                   |                            |
| Current liabilities:   |                   |                            |
| Accounts payable   | \$ 13,881         | \$ 11,941                  |
| Liability to related party   | 1,528             | 1,076                      |
| Liability for consumer cards   | 5,805             |                            |
| Financial liabilities  | 1,618             | 884                        |
| Deferred revenue   | 3,283             | 2,085                      |
| Accrued compensation and related benefits  | 4,075             | 3,527                      |
| Other accrued expenses and liabilities   | 8,375             | 6,249                      |
| <b>Total current liabilities</b>   | <b>38,565</b>     | <b>25,762</b>              |
| Long-term earn-out liability   | 6,094             | 5,663                      |
| Long-term liability to related party   | 7,210             | 7,303                      |
| Long-term financial liabilities  | 4,901             | 1,189                      |
| Deferred tax liability   | 6,361             | 6,094                      |
| Other long term liability  | 929               | 629                        |
| <b>Total liabilities</b>   | <b>64,060</b>     | <b>46,640</b>              |
| Commitments and contingencies (see Notes 13)   |                   |                            |
| Equity:  |                   |                            |
| Identive Group, Inc. stockholders equity:  |                   |                            |
| Preferred stock, \$0.001 par value; 10,000 shares authorized; none issued and outstanding  |                   |                            |
| Common stock, \$0.001 par value; 130,000 shares authorized; 59,892 and 58,309 shares issued and outstanding as of March 31, 2012 and December 31, 2011, respectively | 59                | 58                         |
| Additional paid-in capital   | 335,355           | 331,758                    |
| Treasury stock, 618 shares as of March 31, 2012 and December 31, 2011  | (2,777)           | (2,777)                    |

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|   |            |            |
|---|------------|------------|
| Accumulated deficit                             | (241,627)  | (235,398)  |
| Accumulated other comprehensive income          | 2,820      | 2,038      |
| Total Identive Group, Inc. stockholders' equity | 93,830     | 95,679     |
| Noncontrolling interest                         | 3,145      | 1,792      |
| Total equity                                    | 96,975     | 97,471     |
| Total liabilities and stockholders' equity      | \$ 161,035 | \$ 144,111 |

(A) The condensed consolidated balance sheet has been derived from the audited consolidated financial statements at December 31, 2011 but does not include all the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements.

See notes to condensed consolidated financial statements

**Table of Contents****IDENTIVE GROUP, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF EQUITY****Year Ended December 31, 2011 and Three Months Ended March 31, 2012****(unaudited)**

| <i>(In thousands)</i>   | Identive Group, Inc. Stockholders |        |                                  |                   |                        | Accumulative                     |                            | Total<br>Equity |
|---|-----------------------------------|--------|----------------------------------|-------------------|------------------------|----------------------------------|----------------------------|-----------------|
|   | Common Stock                      |        | Additional<br>Paid-in<br>Capital | Treasury<br>Stock | Accumulated<br>Deficit | Other<br>Comprehensive<br>Income | Noncontrolling<br>Interest |                 |
|   | Shares                            | Amount |                                  |                   |                        |                                  |                            |                 |
| Balances, December 31, 2010   | 48,276                            | \$ 48  | \$ 306,203                       | \$ (2,777)        | \$ (225,896)           | \$ 323                           | \$ 1,903                   | \$ 79,804       |
| Comprehensive loss:   |                                   |        |                                  |                   |                        |                                  |                            |                 |
| Net loss  |                                   |        |                                  |                   | (9,502)                |                                  | (468)                      | (9,970)         |
| Foreign currency translation adjustment,<br>net tax of nil                                    |                                   |        |                                  |                   |                        | 1,715                            | (103)                      | 1,612           |
| Comprehensive loss  |                                   |        |                                  |                   |                        |                                  |                            | (8,358)         |
| Issuance of common stock in connection<br>with capital raise, net of issuance costs           | 7,843                             | 8      | 18,204                           |                   |                        |                                  |                            | 18,212          |
| Issuance of common stock in connection<br>with idOnDemand acquisition                         | 996                               | 1      | 3,023                            |                   |                        |                                  |                            | 3,024           |
| Noncontrolling interest in connection with<br>idOnDemand acquisition                          |                                   |        |                                  |                   |                        |                                  | 468                        | 468             |
| Issuance of common stock in connection<br>with earn-out agreements                            | 137                               |        | 316                              |                   |                        |                                  |                            | 316             |
| Issuance of common shares to acquire<br>additional noncontrolling interest in a<br>subsidiary | 3                                 |        | 8                                |                   |                        |                                  | (8)                        |                 |
| Issuance of common stock in connection<br>with stock bonus and incentive plans                | 567                               | 1      | 1,461                            |                   |                        |                                  |                            | 1,462           |
| Shares issued to board members as<br>incentive/board fees                                     | 60                                |        | 166                              |                   |                        |                                  |                            | 166             |
| Issuance of common stock upon exercise<br>of warrants   | 406                               |        | 1,075                            |                   |                        |                                  |                            | 1,075           |
| Issuance of common stock upon exercise<br>of options  | 21                                |        | 57                               |                   |                        |                                  |                            | 57              |
| Stock options grants in connection with<br>stock bonus and incentive plans                    |                                   |        | 672                              |                   |                        |                                  |                            | 672             |
| Stock-based compensation expense  |                                   |        | 439                              |                   |                        |                                  |                            | 439             |
| Stock-based compensation expense for<br>ESPP  |                                   |        | 134                              |                   |                        |                                  |                            | 134             |
| Balances, December 31, 2011   | 58,309                            | \$ 58  | \$ 331,758                       | \$ (2,777)        | \$ (235,398)           | \$ 2,038                         | \$ 1,792                   | \$ 97,471       |
| Comprehensive loss:   |                                   |        |                                  |                   |                        |                                  |                            |                 |
| Net loss  |                                   |        |                                  |                   | (6,229)                |                                  | (377)                      | (6,606)         |
| Foreign currency translation adjustment   |                                   |        |                                  |                   |                        | 782                              | (40)                       | 742             |
| Comprehensive loss  |                                   |        |                                  |                   |                        |                                  |                            | (5,864)         |



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|   |        |       |            |            |              |          |          |           |
|---|--------|-------|------------|------------|--------------|----------|----------|-----------|
| Issuance of common stock in connection with payment solution acquisition    | 1,358  | 1     | 3,040      |            |              |          |          | 3,041     |
| Noncontrolling interest in connection with payment solution acquisition     |        |       |            |            |              |          | 2,131    | 2,131     |
| Acquisition of noncontrolling interest in idOnDemand                        |        |       | (139)      |            |              |          | (361)    | (500)     |
| Issuance of common stock in connection with ESPP                            | 94     |       | 178        |            |              |          |          | 178       |
| Issuance of common stock in connection with stock bonus and incentive plans | 131    |       | 259        |            |              |          |          | 259       |
| Stock options grants in connection with stock bonus and incentive plans     |        |       |            | 117        |              |          |          | 117       |
| Stock-based Compensation Expense  |        |       |            | 116        |              |          |          | 116       |
| Stock-based compensation expense for ESPP                                   |        |       |            | 26         |              |          |          | 26        |
| Balances, March 31, 2012  | 59,892 | \$ 59 | \$ 335,355 | \$ (2,777) | \$ (241,627) | \$ 2,820 | \$ 3,145 | \$ 96,975 |

See notes to condensed consolidated financial statements.

**Table of Contents****IDENTIVE GROUP, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS***(In thousands)**(unaudited)*

|  | <b>Three Months Ended</b> |               |
|--|---------------------------|---------------|
|  | <b>March 31,</b>          |               |
|  | <b>2012</b>               | <b>2011</b>   |
| <b>Cash flows from operating activities:</b>                                       |                           |               |
| Net loss   | \$ (6,606)                | \$ (1,883)    |
| <b>Adjustments to reconcile net loss to net cash used in operating activities:</b> |                           |               |
| Deferred income taxes  | 3                         | (22)          |
| Depreciation and amortization  | 1,474                     | 1,109         |
| Accretion of interest to related party discount                                    | 188                       | 189           |
| Interest on financial liabilities  | 99                        | 77            |
| Re-measurement of contingent consideration   | 429                       | 26            |
| Stock-based compensation expense   | 504                       | 194           |
| <b>Changes in operating assets and liabilities:</b>                                |                           |               |
| Accounts receivable  | 630                       | 2,973         |
| Inventories  | (942)                     | (761)         |
| Other assets   | 264                       | 176           |
| Income taxes receivable  | (211)                     | (87)          |
| Accounts payable   | 818                       | (1,270)       |
| Liability to related party   | (263)                     | (255)         |
| Accrued expenses   | (52)                      | (729)         |
| Deferred revenue   | 1,181                     | 58            |
| Income taxes payable   | 103                       | 3             |
| <b>Net cash used in operating activities</b>                                       | <b>(2,381)</b>            | <b>(202)</b>  |
| <b>Cash flows from investing activities:</b>                                       |                           |               |
| Capital expenditures   | (1,480)                   | (365)         |
| Net cash acquired from acquisitions  | 572                       |               |
| Net cash paid for acquisition of noncontrolling interest                           | (500)                     |               |
| <b>Net cash used in investing activities</b>                                       | <b>(1,408)</b>            | <b>(365)</b>  |
| <b>Cash flows from financing activities:</b>                                       |                           |               |
| Payment for financial liabilities  | (385)                     | (435)         |
| Proceeds from issuance of common stock under employee stock purchase plan          | 178                       |               |
| Proceeds from issuance of common stock upon option exercised                       |                           | 12            |
| <b>Net cash used in financing activities</b>                                       | <b>(207)</b>              | <b>(423)</b>  |
| <b>Effect of exchange rates on cash and cash equivalents</b>                       | <b>96</b>                 | <b>119</b>    |
| <b>Net decrease in cash and cash equivalents</b>                                   | <b>(3,900)</b>            | <b>(871)</b>  |
| <b>Cash and cash equivalents at beginning of period</b>                            | <b>17,239</b>             | <b>10,799</b> |

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|   |           |          |
|---|-----------|----------|
| Cash and cash equivalents at end of period                                      | \$ 13,339 | \$ 9,928 |
| <b>Supplemental disclosures of non-cash investing and financing activities:</b> |           |          |
| Common stock issued in connection with business combinations                    | \$ 3,041  | \$       |
| Common stock issued in connection with stock bonus and incentive plans          | \$ 259    | \$ 1,114 |
| Stock option grants issued in connection with stock bonus and incentive plans   | \$ 117    | \$ 610   |
| Property and equipment subject to accounts payable                              | \$ 42     | \$       |

See notes to condensed consolidated financial statements.

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**IDENTIVE GROUP, INC. AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**March 31, 2012**

**1. Basis of Presentation**

The accompanying unaudited condensed consolidated financial statements of Identive Group, Inc. ( *Identive* or the *Company* ) have been prepared in accordance with accounting principles generally accepted in the United States of America ( *U.S. GAAP* ) for interim financial information and with the instructions to Form 10-Q and the rules and regulations of the U.S. Securities and Exchange Commission ( *SEC* ). Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments, including normal recurring adjustments, considered necessary for a fair presentation of *Company*'s unaudited condensed consolidated financial statements have been included. The results of operations for the three months ended March 31, 2012 are not necessarily indicative of the results that may be expected for the year ending December 31, 2012 or any future period. The information included in this Quarterly Report on Form 10-Q should be read in conjunction with *Management's Discussion and Analysis of Financial Condition and Results of Operations*, *Risk Factors*, *Quantitative and Qualitative Disclosures About Market Risk*, and the *Consolidated Financial Statements* and footnotes thereto included in the *Company*'s Annual Report on Form 10-K for the year ended December 31, 2011. The preparation of unaudited condensed consolidated financial statements necessarily requires the *Company* to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the condensed consolidated balance sheet dates and the reported amounts of revenues and expenses for the periods presented.

On May 2, 2011, the *Company* acquired idOnDemand, Inc. ( *idOnDemand* ), a privately-held provider of identity management services based in Pleasanton, California. The results for the acquired idOnDemand business are included in the *Company*'s condensed consolidated statements of operations since May 2, 2011. On July 18, 2011, Multicard AG, a subsidiary of the *Company*, acquired all of the outstanding shares of polyright SA ( *polyright* ), a provider of integrated ID solutions for the Swiss education and healthcare markets. The results for the acquired polyright business are included in the *Company*'s condensed consolidated statements of operations since July 18, 2011. On January 30, 2012, through its majority-owned subsidiary Bluehill ID AG, the *Company* acquired approximately 58.8% of the outstanding shares of payment solution AG, a German-based provider of integrated cashless payment solutions for sports stadiums, arenas, theme parks and other venues for leisure and entertainment throughout Europe ( *payment solution* ). The results for the acquired payment solution business are included in the *Company*'s condensed consolidated statements of operations since January 30, 2012. As a result of the timing of these acquisitions, the *Company*'s operating results for the periods presented are not directly comparable.

*Going Concern*

The accompanying condensed consolidated financial statements have been prepared under the assumption that the *Company* will continue as a going concern. Such assumption contemplates the realization of assets and satisfaction of liabilities in the normal course of business. The *Company* has historically incurred operating losses and has a total accumulated deficit of approximately \$242 million as of March 31, 2012. These factors, among others, raise significant doubt about the *Company*'s ability to continue as a going concern. The condensed consolidated financial statements do not include any adjustments that might be necessary should the *Company* be unable to continue as a going concern.

The ability of the *Company* to continue as a going concern is dependent on the *Company* achieving expected forecasts and/or the ability to obtain adequate capital to fund operating losses until it becomes cash flow positive. Management plans to increase capital resources by reducing discretionary operating expenses and obtain additional capital through equity and/or debt financing, if necessary. However management cannot provide any assurances that the *Company* will be successful in accomplishing any of its plans.

*Reclassifications*

Certain reclassifications have been made to prior period amounts to conform to current period presentation.

**2. Summary of Significant Accounting Policies**

*Recent Adopted Accounting Pronouncements*

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In June 2011, the Financial Accounting Standards Board ( FASB ) issued Accounting Standards Update ( ASU ) No. 2011-05, *Comprehensive Income, Accounting Standards Codification ( ASC ) Topic 220, Presentation of Comprehensive Income* ( ASU 2011-05 ), to require an entity to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. ASU 2011-05 eliminates the option to present the components of other comprehensive income as part of the statement of equity.

In December 2011, the FASB issued ASU No. 2011-12, *Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05* ( ASU 2011-12 ). ASU 2011-12 indefinitely defers certain provisions of ASU 2011-05, including the requirement to present reclassification adjustments out of accumulated other comprehensive income by component in both the statement in which net income is presented and the statement in which other comprehensive income is presented. ASU 2011-12 does not change the primary provisions of ASU 2011-05, which eliminate the option to present the components of other comprehensive income as part of the statement of equity. Both ASU 2011-12 and ASU 2011-05 are effective in the first quarter of fiscal year 2012 and should be applied retrospectively. The Company's adoption of ASU 2011-05 in the first quarter of fiscal year 2012 had no impact on its condensed consolidated financial statements.

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In May 2011, the FASB issued ASU No. 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards, ASU Topic 820, Fair Value Measurement* ( ASU 2011-04 ), to provide a consistent definition of fair value and ensure that the fair value measurement and disclosure requirements are similar between U.S. GAAP and International Financial Reporting Standards. ASU 2011-04 changes certain fair value measurement principles and enhances the disclosure requirements particularly for Level 3 fair value measurements. ASU 2011-04 is effective in the first quarter of fiscal year 2012. The Company's adoption of ASU 2011-04 in the first quarter of fiscal year 2012 had no significant impact on its condensed consolidated results of operations or financial condition.

**3. Acquisitions***Acquisition of payment solution AG*

On January 30, 2012 ( payment solution acquisition date ), through its majority-owned subsidiary Bluehill ID AG, the Company acquired approximately 58.8% of the outstanding shares of payment solution AG, a company organized under the laws of Germany ( payment solution ). The acquisition was made pursuant to the terms and conditions contained in Share Exchange Agreements, each dated January 30, 2012, and entered into individually with 18 selling shareholders of payment solution (the Selling Shareholders ) in Germany and Switzerland. In exchange for the shares of payment solution, the Company issued an aggregate of 1,357,758 shares, or approximately 2.4% of its outstanding Common Stock, to the Selling Shareholders, having a value of approximately 2.35 million (or approximately \$3.04 million). Mountain Partners AG, a significant stockholder of the Company, was a selling shareholder and held approximately 10.0% of payment solution. Daniel Wenzel, a director of the Company, is an affiliate of Mountain Partners.

payment solution is a German-based provider of integrated cashless payment solutions for sports stadiums, arenas, theme parks and other venues for leisure and entertainment throughout Europe, and serves a number of professional football stadiums under an operator contract model. payment solution's systems enable consumers at sporting and similar events to make quick, cashless payments for food, beverages and merchandise using contactless smart cards. The acquisition of payment solution enhances the Company's direct connection to consumers and extends its ability to deliver payment systems in Europe.

The payment solution acquisition is accounted for under the acquisition method of accounting in accordance with ASC Topic 805, *Business Combinations* ( ASC 805 ). Under the acquisition method of accounting, the total purchase consideration, assets acquired and the liabilities assumed are measured at fair value as of the date of acquisition when control is obtained. The fair value of the consideration transferred and the assets acquired and liabilities assumed was determined by the Company and in doing so relied in part upon a third-party valuation report to measure the purchase consideration, identifiable intangible assets acquired and fair value of loss contracts. The following table summarizes the fair value of total consideration transferred for payment solution controlling and noncontrolling interest, the total fair value of net identifiable assets acquired at the payment solution acquisition date and the resulting goodwill recorded (in thousands):

|   |           |
|---|-----------|
| Fair value of common stock                            | \$ 3,041  |
| Fair value of total consideration transferred         | 3,041     |
| Fair value of noncontrolling interest                 | 2,131     |
| Fair value of controlling and noncontrolling interest | 5,172     |
| Fair value of net identifiable assets acquired        | (9,159)   |
| Goodwill  | \$ 14,331 |

The fair value of the shares of the Company&#146