

VERINT SYSTEMS INC
Form SC 13G/A
February 14, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

SCHEDULE 13G

Under the Securities Exchange Act of 1934
(Amendment No. 3)*

Verint Systems Inc.
(Name of Issuer)

Common Stock, \$0.001 par value
(Title of Class of Securities)

92343X100
(CUSIP Number)

December 31, 2013
(Date of Event Which Requires Filing of this Statement)

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

Rule 13d-1(b)

Rule 13d-1(c)

Rule 13d-1(d)

*The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter the disclosures provided in a prior cover page.

The information required in the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

CUSIP No 92343X100

1. NAME OF REPORTING PERSONS
I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY)

Cadian Capital Management, LP
 2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)

(a)
(b)
 3. SEC USE ONLY
 4. CITIZENSHIP OR PLACE OF ORGANIZATION

Delaware
- NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH
5. SOLE VOTING POWER

0
 6. SHARED VOTING POWER

4,794,529
 7. SOLE DISPOSITIVE POWER

0
 8. SHARED DISPOSITIVE POWER

4,794,529
 9. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

4,794,529
 10. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES
CERTAIN SHARES (SEE INSTRUCTIONS)
 11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)

8.97%

12. TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)
IA, PN
-

CUSIP No 92343X100

1. NAME OF REPORTING PERSONS
I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY)

Eric Bannasch
 2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)

(a)
(b)
 3. SEC USE ONLY
 4. CITIZENSHIP OR PLACE OF ORGANIZATION

United States of America
- NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH
5. SOLE VOTING POWER

0
 6. SHARED VOTING POWER

4,794,529
 7. SOLE DISPOSITIVE POWER

0
 8. SHARED DISPOSITIVE POWER

4,794,529
 9. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

4,794,529
 10. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES
CERTAIN SHARES (SEE INSTRUCTIONS)
 11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)

8.97%

12. TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)
IN, HC
-

CUSIP No 92343X100

1. NAME OF REPORTING PERSONS
I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY)

Cadian Master Fund, LP
 2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)

(a)
(b)
 3. SEC USE ONLY
 4. CITIZENSHIP OR PLACE OF ORGANIZATION

Cayman Islands
- NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH
5. SOLE VOTING POWER

0
 6. SHARED VOTING POWER

2,445,210
 7. SOLE DISPOSITIVE POWER

0
 8. SHARED DISPOSITIVE POWER

2,445,210
 9. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

2,445,210
 10. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES
CERTAIN SHARES (SEE INSTRUCTIONS)
 11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)

4.57%

12. TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)
PN
-

CUSIP 92343X100

No

Item 1. (a). Name of Issuer: Verint Systems Inc.

(b). Address of Issuer's Principal Executive Offices:

330 South Service Road
Melville, New York 11747

Item 2. (a). Name of Person Filing:

Cadian Capital Management, LP
Eric Bannasch
Cadian Master Fund, LP

(b). Address of Principal Business Office, or if None, Residence:

Cadian Capital Management, LP
535 Madison Avenue
36th Floor
New York, New York 10022

Eric Bannasch
535 Madison Avenue
36th Floor
New York, New York 10022

Cadian Master Fund, LP
c/o Morgan Stanley Fund Services (Cayman) Ltd.
Cricket Square
Hutchins Drive
2nd Floor, Boundary Hall
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

(c). Citizenship:

Cadian Capital Management, LP - Delaware
Eric Bannasch – United States of America
Cadian Master Fund, LP – Cayman Islands

(d). Title of Class of Securities:

Common Stock, \$0.001 par value

(e). CUSIP Number: 92343X100

Item 3. If This Statement is filed pursuant to ss.240.13d-1(b) or 240.13d-2(b), or (c), check whether the person filing is a

- (a) Broker or dealer registered under Section 15 of the Exchange Act (15 U.S.C. 78c).
- (b) Bank as defined in Section 3(a)(6) of the Exchange Act (15 U.S.C. 78c).
- (c) Insurance company as defined in Section 3(a)(19) of the Exchange Act (15 U.S.C. 78c).
- (d) Investment company registered under Section 8 of the Investment Company Act of 1940 (15 U.S.C. 80a-8).
- (e) An investment adviser in accordance with § 240.13d-1(b)(1)(ii)(E);
- (f) An employee benefit plan or endowment fund in accordance with § 240.13d-1(b)(1)(ii)(F);
- (g) A parent holding company or control person in accordance with Rule 13d-1(b)(1)(ii)(G);
- (h) A savings association as defined in Section 3(b) of the Federal Deposit Insurance Act (12 U.S.C.1813);
- (i) A church plan that is excluded from the definition of an investment company under Section 3(c)(14) of the Investment Company Act of 1940 (15 U.S.C. 80a-3);
- (j) Group, in accordance with s.240.13d-1(b)(1)(ii)(J).

Item 4. Ownership.

Provide the following information regarding the aggregate number and percentage of the class of securities of the issuer identified in Item 1.

(a) Amount beneficially owned:

Cadian Capital Management, LP – 4,794,529
Eric Bannasch – 4,794,529
Cadian Master Fund, LP – 2,445,210

(b) Percent of class:

Cadian Capital Management, LP – 8.97%
Eric Bannasch – 8.97%
Cadian Master Fund, LP – 4.57%

(c) Number of shares as to which the person has:

Cadian Capital Management, LP

(i) Sole power to vote or to direct the vote 0,

- Implementing additional restructuring and cost reductions.
- Raising additional capital through a private placement or other transaction.
- Disposing of or discontinuing one or more product lines.
- Selling or licensing intellectual property.

Should our going concern assumption not be appropriate or should we become unable to continue in the normal course of operations, adjustments would be required to our consolidated financial statements to the amounts and classifications of assets and liabilities, and these adjustments could be significant. Our consolidated financial statements do not reflect the adjustments or reclassifications of assets and liabilities that would be necessary if we were to become unable to continue as a going concern.

We may raise additional capital through the issuance of equity or convertible debt securities or by borrowing money in order to meet our capital needs. Additional funds to allow us to meet our capital needs may not be available on terms acceptable to us or at all.

We believe that our cash and the cash we expect to generate from operations will be sufficient to meet our capital needs for the next twelve months. However, it is possible that we may need or choose to obtain additional financing to fund our future activities. We could raise these funds by selling more stock to the public or to selected investors, or by borrowing money. We may not be able to obtain additional funds on favorable terms, or at all. If adequate funds are not available, we may be required to curtail our operations or other business activities significantly or to obtain funds through arrangements with strategic partners or others that may require us to relinquish rights to certain technologies or potential markets.

It is possible that our future capital requirements may vary materially from those currently anticipated. The amount of capital that we will need in the future will depend on many factors, including but not limited to:

- the market acceptance of our products;
- the levels of promotion and advertising that will be required to launch our products and achieve and maintain a competitive position in the marketplace;

- our business, product, capital expenditure, and research and development plans and product and technology roadmaps;
- the levels of working capital that we maintain;
- capital improvements to new and existing facilities;
- technological advances;
- our competitors' response to our products; and
- our relationships with suppliers and customers.

In addition, we may raise additional capital to accommodate planned growth, hiring, and infrastructure needs or to consummate acquisitions of other businesses, products or technologies.

Our current customer profile, including the fact that we derive a significant portion of our revenues from sales to a concentrated number of clients, may adversely impact our revenues and operating results.

In our Wireless business segment, we sell primarily to large carriers, cable operators, and OEMs, so there are a limited number of actual and potential customers for our products, resulting in significant customer concentration. For the year ended December 31, 2017, sales to Sprint and their affiliates comprised 61% of our total revenues.

Because of our relatively high customer concentration, this carrier and other large customers possess a relative level of pricing power over us, and any material decrease in sales to any of them would materially affect our revenue and profitability.

Our carrier, cable operator, and OEM customers are not the end users of our products and our revenue is in many instances dependent upon distribution of our products by our customers to their end users. If any of their efforts to market and sell products and services incorporating our software and services are unsuccessful in the marketplace, our revenues and profitability could be adversely affected.

We also derive a significant portion of our revenue from a few vertical markets, such as wireless carriers, cable operators, and handset manufacturers. In order to sustain and grow our business, we must continue to sell our software products in these vertical markets. Shifts in the dynamics of these vertical markets, such as new product introductions by our competitors, could materially harm our results of operations, financial condition and prospects. Increasing our sales outside our core vertical markets, for example to large enterprises, requires us to devote time and resources to hire and train sales employees familiar with those industries. Even if we are successful in hiring and training sales teams, customers in other vertical markets may not need or sufficiently value our current products or new product introductions.

If there are delays in the distribution of our products or if customer negotiations for our new products cannot occur on a timely basis, we may not be able to generate revenues sufficient to meet the needs of the business in the foreseeable future or at all.

The Company has a history of net losses, may incur substantial net losses in the future, and may not achieve profitability.

We have undertaken recent restructurings to reduce our expenses to be more in line with our current and projected revenue. However, if our revenues do not increase in the future, we will likely need to undertake further restructurings, operating losses will likely continue, and we may not be able to achieve profitability in the foreseeable future.

Our quarterly revenues and operating results are difficult to predict and could fall below analyst or investor expectations, which could cause the price of our common stock to fall.

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Our quarterly revenues and operating results have fluctuated significantly in the past and may continue to vary from quarter to quarter due to a number of factors, many of which are not within our control. If our operating results do not meet the expectations of securities analysts or investors, our stock price may decline. Fluctuations in our operating results may be due to a number of factors, including the following:

- the gain or loss of a key customer;
- the size and timing of orders from and shipments to our major customers;
- the size and timing of any product return requests;
- our ability to maintain or increase gross margins;
- variations in our sales channels or the mix of our product sales;
- our ability to anticipate market needs and to identify, develop, complete, introduce, market and produce new products and technologies in a timely manner to address those needs;
- the availability and pricing of competing products and technologies and the resulting effect on sales and pricing of our products;
- acquisitions;
- the effect of new and emerging technologies;
- the timing of acceptance of new mobile services by users of our customers' services;
- deferrals of orders by our customers in anticipation of new products, applications, product enhancements or operating systems; and
- general economic and market conditions.

We have difficulty predicting the volume and timing of orders. In any given quarter, our sales may involve large financial commitments from a relatively small number of customers. As a result, the cancellation or deferral of even a small number of orders could materially impact our revenues, which would adversely affect our quarterly financial performance. Also, we have often recorded a large amount of our sales in the last month of the quarter and often in the last week of that month. Accordingly, delays in the closing of sales near the end of a quarter could cause quarterly revenues to fall substantially short of anticipated levels. Significant sales may also occur earlier than expected, which could cause operating results for later quarters to compare unfavorably with operating results from earlier quarters.

Future orders may come from new customers or from existing customers for new products. The sales cycles may be greater than what we have experienced in the past, increasing the difficulty of predicting quarterly revenues.

Because we sell primarily to large carriers, cable/MSOs and OEM customers, we have no direct relationship with most end users of our products. This indirect relationship delays feedback and blurs signals of change in the quick-to-evolve wireless ecosystem, and is one of the reasons we have difficulty predicting demand.

A large portion of our operating expenses, including rent, depreciation and amortization, is fixed and difficult to reduce or change. Accordingly, if our total revenue does not meet our expectations, we may not be able to adjust our expenses quickly enough to compensate for the shortfall in revenue. In that event, our business, financial condition, and results of operations would be materially and adversely affected.

Due to all of the foregoing factors, and the other risks discussed in this Report, you should not rely on quarter-to-quarter comparisons of our operating results as an indication of future performance.

Technology and customer needs change rapidly in our market, which could render our products obsolete and negatively affect our business, financial condition and results of operations.

Our success depends on our ability to anticipate and adapt to changes in technology and industry standards. We will also need to continue to develop and introduce new and enhanced products to meet our target markets' changing

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demands and keep up with evolving industry standards, including changes in the Microsoft, Google, and Apple operating systems with which our products are designed to be compatible, and to promote those products successfully. The communications and graphics software markets in which we operate are characterized by rapid technological change, changing customer needs, frequent new product introductions, evolving industry standards, and short product life cycles. In addition, some of the technology we market, which has been sold as software in the past, can be integrated at the chipset level by the leading mobile chipset manufacturers. Any of these factors could render our existing products obsolete and unmarketable. In addition, new products and product enhancements can require long development and testing periods as a result of the complexities inherent in today's computing environments and the performance demanded by customers and called for by evolving wireless networking technologies. If our target markets do not develop as we anticipate, our products do not gain widespread acceptance in these markets, or we are unable to develop new versions of our software products that can operate on future wireless networks and PC and mobile device operating systems and interoperate with other popular applications, our business, financial condition and results of operations could be materially and adversely affected.

Competition within our target markets is intense and includes numerous established competitors and new entrants, which could negatively affect our revenues and results of operations.

We operate in markets that are extremely competitive and subject to rapid changes in technology. Because there are low barriers to entry into the software markets in which we participate and may participate in the future, we expect significant competition to continue from both established and emerging software companies, both domestic and international. In fact, our growth opportunities in new product markets could be limited to the extent established and emerging software companies enter or have entered those markets. Furthermore, our existing and potential OEM customers may acquire or develop products that compete directly with our products.

Many of our other current and prospective competitors have significantly greater financial, marketing, service, support, technical and other resources than we do. As a result, they may be able to adapt more quickly than we can to new or emerging technologies and changes in customer requirements or to devote greater resources to the promotion and sale of their products. Announcements of competing products by competitors could result in the cancellation of orders by customers in anticipation of the introduction of such new products. In addition, some of our competitors are currently making complementary products that are sold separately. Such competitors could decide to enhance their competitive position by bundling their products to attract customers seeking integrated, cost-effective software applications. Some competitors have a retail emphasis and offer OEM products with a reduced set of features. The opportunity for retail upgrade sales may induce these and other competitors to make OEM products available at their own cost or even at a loss. We also expect competition to increase as a result of software industry consolidations, which may lead to the creation of additional large and well-financed competitors. Increased competition is likely to result in price reductions, fewer customer orders, reduced margins, and loss of market share.

We have introduced products to support higher speed networking and 4G technologies and services and next generation networks. If the market for these products does not develop as we have anticipated or if the adoption of and investments in these technologies and services grows more slowly than we have anticipated, our operating results, financial condition, and prospects may be negatively affected.

We have introduced products to support new high-speed networking and 4G technologies and next generation networks, but the pace of the market adoption of such technologies and the deployment of next generation networks is uncertain. Where some of the products that we have introduced to support high-speed networking and 4G technologies have allowed us to enter new markets, such as mobile marketing and analytics, a viable market for these products may not develop or be sustainable, and we may face intense competition in these markets.

Future sales and any future profits from these and related products are substantially dependent upon the acceptance and use of these new high-speed networking and 4G technologies, on the continued adoption and use of mobile data services by end users, on our carrier, MSO, and enterprise customers' ability to successfully introduce new mobile services enabled by our products, and on our ability to broaden our carrier customer base, which we believe will be difficult and time-consuming. If the adoption of and investments in new networking and 4G technologies does not grow or grows more slowly than anticipated, or if CSPs delay their deployment of next generation networks or fail to

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deploy such networks successfully, or if we are unable to compete in new markets for our products, we will not obtain the anticipated returns from our planning and development investments. To the extent we devote substantial resources and incur significant expenses to enable our products to be interoperable with new networks that have failed or have been delayed or not deployed, our operating results, financial condition, and prospects may be negatively affected.

If we are unable to retain key personnel, the loss of their services could materially and adversely affect our business, financial condition and results of operations.

Our future performance depends in significant part upon the continued service of our senior management and other key technical personnel. We do not have employment agreements with our key employees. The loss of the services of our key employees would materially and adversely affect our business, financial condition and results of operations. Our future success also depends on our ability to continue to attract, retain, and motivate qualified personnel, particularly highly skilled engineers involved in the ongoing research and development required to develop and enhance our products. Competition for these employees remains high and employee retention is a common problem in our industry. Our inability to attract and retain the highly trained technical personnel that are essential to our product development, marketing, service and support teams may limit the rate at which we can generate revenue, develop new products or product enhancements and generally would have an adverse effect on our business, financial condition and results of operations.

We rely directly and indirectly on third-party intellectual property and licenses, which may not be available on commercially reasonable terms or at all.

Many of the Company's products and services include third-party intellectual property, which requires licenses from those third parties directly to us or to unrelated companies which provide us with sublicenses and/or execution of services for the operation of our business. These products and services include our wireless suite of products, as well as our graphics products. The Company has historically been able to obtain such licenses on reasonable terms. There is, however, no assurance that the necessary licenses could be obtained on acceptable terms, or at all, in the future. If the Company or our third party service providers are unable to obtain or renew critical licenses on reasonable terms, we may be forced to terminate or curtail our products and services which rely on such intellectual property, and our financial condition and operating results may be materially adversely affected.

If we fail to continue to establish and maintain strategic relationships with mobile device manufacturers, wireless carriers, cable MSOs and network infrastructure manufacturers, market acceptance of our products and our profitability may suffer.

Most of our strategic relationships with mobile device manufacturers are not subject to written contract, but rather are in the form of informal working relationships. We believe these relationships are valuable to our success. In particular, these relationships provide us with insights into product development and emerging technologies, which allows us to keep abreast of, or anticipate, market trends, and helps us serve our current and prospective customers. Because these relationships are not typically governed by written agreements, there is no obligation for many of our partners to continue working with us. If we are unable to maintain our existing strategic relationships with mobile device manufacturers or if we fail to enter into additional strategic relationships or the parties with whom we have strategic relationships favor one of our competitors, our ability to provide products that meet our current and prospective customers' needs could be compromised and our reputation and future revenue prospects could suffer. For example, if our software does not function well with a popular mobile device because we have not maintained a relationship with its manufacturer, carriers seeking to provide that device to their respective customers could choose a competitor's software over ours or develop their own. Even if we succeed in establishing these relationships, they may not result in additional customers or revenues.

Our growth depends in part on our customers' ability and willingness to promote our services and attract and retain new end user customers or achieve other goals outside of our control.

We sell our wireless products for use on handheld devices primarily to our carrier, cable/MSO, and enterprise customers, who deploy our products for use by their end user customers. The success of our carrier, cable/MSO and

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enterprise customers, and their ability and willingness to market services to their end users that are supported by our products, is critical to our future success. Our ability to generate revenues from sales of our software is also constrained by our carrier customers' ability to attract and retain customers. We have no input into or influence upon their marketing efforts and sales and customer retention activities. If our large carrier customers fail to maintain or grow demand for their services, revenues or revenue growth from our products designed for use on mobile devices will decline and our results of operations will suffer.

Our acquisitions of companies or technologies may disrupt our business and divert management attention and cause our current operations to suffer.

We have historically made targeted acquisitions of smaller companies with important technology and expect to continue to do so in the future. As part of any acquisition, we will be required to assimilate the operations, products and personnel of the acquired businesses and train, retain, and motivate key personnel from the acquired businesses. We may not be able to maintain uniform standards, controls, procedures and policies if we fail in these efforts. Similarly, acquisitions may cause disruptions in our operations and divert management's attention from our Company's day-to-day operations, which could impair our relationships with our current employees, customers, and strategic partners. Acquisitions may also subject us to liabilities and risks that are not known or identifiable at the time of the acquisition.

We may also have to incur debt or issue equity securities in order to finance future acquisitions. Our financial condition could be harmed to the extent we incur substantial debt or use significant amounts of our cash resources in acquisitions. The issuance of equity securities for any acquisition could be substantially dilutive to our existing stockholders. In addition, we expect our profitability could be adversely affected because of acquisition-related accounting costs, write offs, amortization expenses, and charges related to acquired intangible assets. In consummating acquisitions, we are also subject to risks of entering geographic and business markets in which we have had limited or no prior experience. If we are unable to fully integrate acquired businesses, products, or technologies within existing operations, we may not receive the intended benefits of such acquisitions.

Our operating income or loss may continue to change due to shifts in our sales mix and variability in our operating expenses.

Our operating income or loss can change quarter to quarter and year to year due to a change in our sales mix and the timing of our continued investments in research and development and infrastructure. We continue to invest in research and development, which is the lifeline of our technology portfolio. The timing of these additional expenses can vary significantly quarter to quarter and even from year to year.

Our products may contain undetected software defects, which could negatively affect our revenues.

Our software products are complex and may contain undetected defects. In the past, we have discovered software defects in certain of our products and have experienced delayed or lost revenues during the period it took to correct these problems. Although we and our OEM customers test our products, it is possible that errors may be found or occur in our new or existing products after we have commenced commercial shipment of those products. Defects, whether actual or perceived, could result in adverse publicity, loss of revenues, product returns, a delay in market acceptance of our products, loss of competitive position, or claims against us by customers. Any such problems could be costly to remedy and could cause interruptions, delays, or cessation of our product sales, which could cause us to lose existing or prospective customers and could negatively affect our results of operations. In addition, some of our software contains open source components that are licensed under the GNU General Public License and other open source licenses. These components may contain undetected defects or incompatibilities, may cause us to lose control over the development of portions of our software code, and may expose us to claims of infringement if these

components are, or incorporate, infringing materials, the licenses are not enforceable or are modified to become incompatible with other open source licenses, or exposure to misappropriation claims if these components include unauthorized materials from a third party.

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Regulations affecting our customers and us, and future regulations to which they or we may become subject, may harm our business.

Certain of our customers in the communications industry are subject to regulation by the Federal Communications Commission, which could have an indirect effect on our business. In addition, the United States telecommunications industry has been subject to continuing deregulation since 1984. We cannot predict when, or upon what terms and conditions, further regulation or deregulation might occur or the effect regulation or deregulation may have on demand for our products from customers in the communications industry. Demand for our products may be indirectly affected by regulations imposed upon potential users of those products, which may increase our costs and expenses.

We may be unable to adequately protect our intellectual property and other proprietary rights, which could negatively impact our revenues.

Our success is dependent upon our software code base, our programming methodologies and other intellectual properties and proprietary rights. In order to protect our proprietary technology, we rely on a combination of trade secrets, nondisclosure agreements, patents, and copyright and trademark law. We currently own U.S. trademark registrations for certain of our trademarks and U.S. patents for certain of our technologies. However, these measures afford us only limited protection. Furthermore, we rely primarily on “shrink wrap” licenses that are not signed by the end user and, therefore, may be unenforceable under the laws of certain jurisdictions. Accordingly, it is possible that third parties may copy or otherwise obtain our rights without our authorization. It is also possible that third parties may independently develop technologies similar to ours. It may be difficult for us to detect unauthorized use of our intellectual property and proprietary rights.

We may be subject to claims of intellectual property infringement as the number of trademarks, patents, copyrights and other intellectual property rights asserted by companies in our industry grows and the coverage of these patents and other rights and the functionality of software products increasingly overlap. From time to time, we have received communications from third parties asserting that our trade name or features, content, or trademarks of certain of our products infringe upon intellectual property rights held by such third parties. We have also received correspondence from third parties separately asserting that our products may infringe on certain patents held by each of the parties. Although we are not aware that any of our products infringe on the proprietary rights of others, third parties may claim infringement by us with respect to our current or future products. Additionally, our customer agreements require that we indemnify our customers for infringement claims made by third parties involving our intellectual property embedded in their products. Infringement claims, whether with or without merit, could result in time-consuming and costly litigation, divert the attention of our management, cause product shipment delays, or require us to enter into royalty or licensing agreements with third parties. If we are required to enter into royalty or licensing agreements, they may not be on terms that are acceptable to us. Unfavorable royalty or licensing agreements could seriously impair our ability to market our products.

Our business, financial condition and operating results could be adversely affected as a result of legal, business and economic risks specific to international operations.

In recent years, our revenues derived from sales to customers outside the U.S. have not been material. Our revenues derived from such sales can vary from quarter to quarter and from year to year. We also frequently ship products to our domestic customers' international manufacturing divisions and subcontractors. In the future, we may expand these international business activities. International operations are subject to many inherent risks, including:

- general political, social and economic instability;
- trade restrictions;
- the imposition of governmental controls;

• exposure to different legal standards, particularly with respect to intellectual property;
• burdens of complying with a variety of foreign laws, including without limitation data privacy laws, such as the General Data Privacy Regulation in Europe;

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- import and export license requirements and restrictions of the United States and any other country in which we operate;
- unexpected changes in regulatory requirements;
- foreign technical standards;
- changes in tariffs;
- difficulties in staffing and managing international operations;
- difficulties in securing and servicing international customers;
- difficulties in collecting receivables from foreign entities;
- fluctuations in currency exchange rates and any imposition of currency exchange controls; and
- potentially adverse tax consequences.

These conditions may increase our cost of doing business. Moreover, as our customers are adversely affected by these conditions, our business with them may be disrupted and our results of operations could be adversely affected.

Security and privacy breaches may harm our business.

The uninterrupted operation of our hosted solutions and the confidentiality and security of third-party information is critical to our business. Any failures in our security and privacy measures, such as “hacking” of our systems by outsiders, could have a material adverse effect on our financial position and results of operations. If we are unable to protect, or our customers perceive that we are unable to protect, the security and privacy of our electronic information, our growth could be materially adversely affected. A security or privacy breach may:

- cause our customers to lose confidence in our solutions;
- harm our reputation;
- expose us to liability; and
- increase our expense from potential remediation costs.

While we believe we use proven applications designed for data security and integrity to process electronic transactions, there can be no assurance that our use of these applications will be sufficient to address changing market conditions or the security and privacy concerns of existing and potential customers. In addition, our customers and end users may use our products and services in a manner which violates security or data privacy laws in one or more jurisdictions. Any significant or high profile data privacy breaches or violations of data privacy laws, whether directly through our hosted solutions or by third parties using our products and services, could result in the loss of business and reputation, litigation against us and regulatory investigations and penalties that could adversely affect our operating results and financial condition.

Interruptions or delays in service from data center hosting facilities could impair the delivery of our service and harm our business.

We currently serve our customers from data center hosting facilities. Any damage to, or failure of, such facilities generally could result in interruptions in our service. Interruptions in our service may reduce our revenue, cause us to issue credits or pay penalties, cause customers to terminate their on-demand services, and adversely affect our renewal rates and our ability to attract new customers.

If we fail to meet the requirements for continued listing on the NASDAQ Stock Market, our common stock would likely be delisted from trading on NASDAQ, which would likely reduce the liquidity of our common stock and could cause our trading price to decline.

Our common stock is currently listed for quotation on the NASDAQ Stock Market. We are required to meet specified financial requirements in order to maintain our listing on NASDAQ. If we fail to satisfy NASDAQ's continued listing requirements, our common stock could be delisted from NASDAQ and our common stock would instead trade on the OTC Market. Any potential delisting of our common stock from NASDAQ would likely result in decreased liquidity and increased volatility of our common stock, and would likely cause our trading price to decline.

We may have exposure to additional tax liabilities.

As a multinational corporation, we are subject to income taxes as well as sales, use, and other non-income based taxes, in both the United States and various foreign jurisdictions. Significant judgment is required in determining our worldwide provision for income taxes, sales and use taxes, and other tax liabilities. Changes in tax laws or tax rulings may have a significantly adverse impact on our effective tax rate.

We are also subject to non-income based taxes, such as payroll, sales, use, value-added, net worth, property, and goods and services taxes, in the United States and various foreign jurisdictions. We are regularly under audit by tax authorities with respect to these non-income based taxes and may have exposure to additional non-income based tax liabilities. An increasing number of states have considered or have adopted laws that attempt to impose obligations on out-of-state retailers to collect sales and use taxes on their behalf. A successful assertion by one or more states or foreign countries requiring us to collect sales and use taxes where we do not do so could result in substantial tax liabilities, including for past sales, as well as penalties and interest.

Although we believe that our income and non-income based tax estimates are reasonable, there is no assurance that our provisions for taxes are correct, or that the final determination of tax audits or tax disputes will not be different from what is reflected in our historical income tax provisions and accruals. If we are required to pay substantially more taxes in the future or for prior periods, our operating results and financial condition could be adversely affected.

Evolving information security and data privacy laws and regulations may result in increased compliance costs, impediments to the development or performance of our offerings, and monetary or other penalties.

Because our solutions process customer data that may contain personally identifiable information, we are or may become subject to federal, state and foreign laws and regulations regarding the privacy and protection of such data. These laws and regulations address a range of issues, including data privacy, cybersecurity and restrictions or technological requirements regarding the collection, use, storage, protection, retention or transfer of data. The regulatory framework for data privacy and cybersecurity issues worldwide can vary substantially from jurisdiction to jurisdiction. Foreign privacy and data protection laws and regulations can be more restrictive than those in the United States. In the European Union, the General Data Protection Regulation, or GDPR, is due to come into force in May 2018. The GDPR will replace the current EU Data Protection Directive and related country-specific legislation. The GDPR will include operational and governance requirements for companies that collect or process personal data of residents of the European Union that differ from or expand upon those currently in place in the European Union. The GDPR also provides for significant penalties for non-compliance. The costs of compliance with, and other burdens imposed by, these laws and regulations may become substantial and may limit the use and adoption of our offerings, require us to change our business practices, impede the performance and development of our solutions, or lead to significant fines, penalties or liabilities for noncompliance with such laws or regulations.

USE OF PROCEEDS

This prospectus relates to shares of our common stock that may be offered and sold from time to time by the selling stockholders. We will not receive any of the proceeds resulting from the sale of common stock by the selling stockholders. However, we will receive the sale price of any common stock we sell to the selling stockholders upon exercise of the warrants owned by the selling stockholders. We expect to use the proceeds received from the exercise of the warrants, if any, for general working capital purposes. We have not declared or paid any dividends on our common stock and do not currently expect to do so in the near future.

PRIVATE PLACEMENT OF SECURITIES

On March 6, 2018, the Company completed a private placement, wherein a total of 2,857,144 shares of the Company's common stock was issued at a purchase price of \$1.75 per share (the "March private placement"), with each investor also receiving a warrant to purchase up to a number of shares of common stock equal to the number of shares of common stock purchased by such investor in the Offering at an exercise price of \$2.17 per share (the "March warrants"), for a total purchase price of \$5,000,000. The March warrants become exercisable in the first week of September of 2018, and have a term of five years.

The Company engaged Chardan Capital Markets, LLC ("Chardan") as placement agent for the March private placement. In addition to a cash placement fee, Chardan received a warrant to purchase shares of common stock to purchase up to 85,714 shares of common stock, with an exercise price of \$2.365 per share, a term of 5.5 years from the closing date of the private placement, and otherwise identical terms to the warrants issued to the investors in the private placement. For purposes of this prospectus, this warrant has been included with the other March warrants.

On September 29, 2017, the Company issued and sold 5,500 shares of the Company's newly designated Series B 10% Convertible Preferred Stock (the "Series B Preferred Stock") in a private placement at \$1,000 per share, for a total purchase price of \$5,500,000.

The Series B Preferred Stock is convertible into shares of the Company's common stock at a conversion price of \$1.14 per share, or 4,824,568 shares of common stock in the aggregate. Holders of 3,622,808 shares of Series B Preferred Stock have agreed to waive registration rights that they may have with respect to the common stock issuable upon conversion of the Series B Preferred Stock held by them and therefore, those shares of common stock are excluded from registration pursuant to this registration statement and prospectus.

Sutter Securities Incorporated and Chardan each received warrants in May 2017 in connection with services rendered as co-placement agents (the "placement agent warrants"), to purchase an aggregate of 103,850 shares of common stock, at an exercise price per share equal to \$1.21 (Sutter) and \$1.155 (Chardan). The placement agent warrants have a term of five years and became exercisable in November 2017. The private placement warrants provided for piggyback registration rights with respect to the shares of common stock to be received upon exercise of the private placement warrants.

SELLING STOCKHOLDERS

The common stock being offered by the selling stockholders includes those shares of common stock (i) previously issued to the selling stockholders in the March private placement, (ii) issuable to the selling stockholders upon exercise of the March warrants and the placement agent warrants, and (iii) issuable upon conversion of currently held Series B Preferred Stock. For additional information regarding the issuances of those shares of common stock, warrants and Series B Preferred Stock, see "Private Placement of Securities" above. We are registering the shares of common stock in order to permit the selling stockholders to offer the shares for resale from time to time. Except for the ownership of the shares of common stock, warrants and Series B Preferred Stock, or as otherwise noted in the footnotes to the table below, the selling stockholders have not had any material relationship with us within the past three years. The table below lists the selling stockholders and other information regarding the beneficial ownership of the shares of common stock held by or issuable to each of the selling stockholders. The second column lists the number of shares of common stock beneficially owned by each selling stockholder, based on his, her or its ownership of shares of

common stock, warrants and/or Series B Preferred Stock, as of March 31, 2018, assuming full conversion of the shares of Series B Preferred Stock owned by the selling stockholder and full exercise of the March warrants and placement agent warrants held by the selling stockholders on that date, without regard to any limitations on exercises. The registration of the shares of common stock issuable to the selling stockholders upon the exercise of the warrants or conversion of the Series B Preferred Stock does not necessarily mean that the selling stockholders will sell all or any of such shares, but the number of shares and percentages set forth in the final two columns below assume that all shares of common stock being offered by the selling stockholders are sold. The third column lists the shares of common stock being offered by this prospectus by the selling stockholders.

In accordance with the terms of the registration rights agreements with the selling stockholders, this prospectus generally covers the resale of the sum of (i) the number of shares of common stock issued to the selling stockholders in the March private placement, (ii) the number of shares of common stock issuable upon conversion of the Series B Preferred Stock, other than with respect to those holders of Series B Preferred Stock who have waived their right to have the underlying shares of common stock registered, and (iii) the maximum number of shares of common stock issuable upon exercise of the March warrants issued as part of the March private placement and the placement agent warrants issued to placement agents in connection with other offerings, determined in each case as if all shares of Series B Preferred Stock were converted and all outstanding warrants were exercised in full as of the trading day immediately preceding the date this registration statement was initially filed with the SEC, each as of the trading day immediately preceding the applicable date of determination and all subject to adjustment as provided in the respective registration right agreement, without regard to any limitations on conversion of the Series B Preferred Stock or on the exercise of the warrants. The fourth column assumes the sale of all of the shares offered by the selling stockholders pursuant to this prospectus. The table is based on information supplied to us by the selling stockholders, with beneficial ownership and percentage ownership determined in accordance with the rules and regulations of the SEC, and includes voting or investment power with respect to shares of stock. This information does not necessarily indicate beneficial ownership for any other purpose.

Under the terms of the Series B Preferred Stock, a selling stockholder may not convert shares of Series B Preferred Stock to the extent such exercise would cause such selling stockholder, together with its affiliates and attribution parties, to beneficially own a number of shares of common stock which would exceed 9.99% of our then outstanding common stock following such exercise, excluding for purposes of such determination shares of common stock issuable upon conversion of Series B Preferred Stock or warrants containing similar restrictions and which have not been exercised. The number of shares in the second column does not reflect this limitation.

Under the terms of the warrants, a selling stockholder may not exercise the warrants to the extent such exercise would cause such selling stockholder, together with its affiliates and attribution parties, to beneficially own a number of shares of common stock which would exceed 4.99% of our then outstanding common stock following such exercise, excluding for purposes of such determination shares of common stock issuable upon exercise of the warrants which have not been exercised. The number of shares in the second column does not reflect this limitation. See "Plan of Distribution."

Except for Chardan and its affiliates, Sutter Securities, Inc. and its affiliates, Gilbert E. Matthews, Robert Muh, Brian G. Swift and Michael R. Jaks, none of the selling stockholders is a broker dealer or an affiliate of a broker dealer.

Name of Selling Stockholder ⁽¹⁾	Common		Maximum		Number of			
	Stock	Beneficially Owned Prior to Offering ⁽²⁾	Shares of Common Stock to be Sold ⁽³⁾	Common Stock	Beneficially Owned After Offering	Beneficial Ownership Prior to Offering	Beneficial Ownership After Offering	
Joseph W. Abrams and Patricia G. Abrams Family Trust ⁽⁴⁾	36,316	(10)	26,316	10,000	*	*		
Walter Bilofsky, Trustee of the Eight Family Trust u/t/a dated November 8, 1999 ⁽⁶⁾	21,930	(5)	21,930	0	*	*		
EDJ Limited ⁽⁷⁾	35,088	(5)	35,088	0	*	*		
Jon D. and Linda W. Gruber Trust ⁽⁸⁾	675,275	(9)	219,299	455,976	3.66	%	2.47	%
K H Wm. Krueger	101,316	(10)	26,316	75,000	*	*		
Christian Lagerling	21,930	(5)	21,930	0	*	*		
Gilbert Matthews Family Trust ⁽¹¹⁾	21,930	(5)	21,930	0	*	*		
Karl L. Matthies Trust u/a dated July 25, 2005 ⁽¹²⁾	131,579	(5)	131,579	0	*	*		
Howard Miller	206,579	(13)	131,579	75,000	1.12	%	*	
Robert A. Muh	17,544	(5), (14)	17,544	0	*	*		
Peanut Bug, LLC ⁽¹⁵⁾	283,664	(16)	87,720	195,944	1.55	%	1.07	%
Pensco Trust Company Custodian FBO Brian G. Swift Roth IRA ⁽¹⁷⁾	43,860	(5)	43,860	0	*	*		
Porter Partners, L.P. ⁽¹⁸⁾	175,439	(5)	175,439	0	*	*		
Roy L. Rogers, Trustee of the Rogers Family Trust dated January 21, 1981 ⁽¹⁹⁾	1,023,573	(20)	109,650	913,923	5.58	%	4.98	%
Roy and Ruth Rogers Unitrust ⁽²¹⁾	237,350	(22)	43,860	193,490	1.30	%	1.06	%
Weintraub Capital Management, L.P. ⁽²³⁾	110,620	(24)	87,720	22,900	*	*		
Anson Investments Master Fund LP ⁽²⁵⁾	1,428,572	(26)	1,428,572	0	7.54	%		
Chardan Capital Markets, LLC ⁽²⁷⁾	88,964	(28)	88,964	0	*	*		
Empery Asset Master, LTD ⁽²⁹⁾	742,972	(30)	742,972	0	3.99	%	*	
Empery Tax Efficient II, LP ⁽³¹⁾	685,598	(32)	685,598	0	3.69	%	*	
Hudson Bay Master Fund Ltd. ⁽³³⁾	1,428,572	(34)	1,428,572	0	7.54	%	*	
Iroquois Master Fund Ltd. ⁽³⁵⁾	571,430	(36)	571,430	0	3.09	%	*	
Iroquois Capital Investment Group LLC ⁽³⁷⁾	857,144	(38)	857,144	0	4.59	%	*	
Sutter Securities Incorporated ⁽³⁹⁾	47,600	(40)	47,600	0	*	*		
Brian and Suzanne Swift 1991 Living Trust ⁽⁴¹⁾	48,000	(40)	48,000	0	*	*		

Michael Richard Jacks	5,000	(40)	5,000	0	*	*
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*Less than 1%

(1) This table and the information in the notes below are based upon information supplied by the selling stockholders. Based on 18,236,416 shares of common stock outstanding as of March 31, 2018. Except as expressly noted in the footnotes below, beneficial ownership has been determined in accordance with Rule 13d-3 under the Securities Exchange Act of 1934, as amended.

(2) As noted herein, amounts include shares of common stock issuable upon exercise of the March warrants issued in the March private placement, and which are being offered for resale pursuant to this prospectus, regardless of when the March warrants become exercisable.

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- (3) The actual number of shares of common stock offered hereby and included in the registration statement of which this prospectus forms a part includes, in accordance with Rule 416 under the Securities Act, such indeterminate number of additional shares of our common stock as may become issuable in connection with any proportionate adjustment for any stock splits, stock combinations, stock dividends, recapitalizations or similar events with respect to the common stock.
- (4) Joseph W. Abrams and Patricia G. Abrams are the trustees of the selling stockholder and have voting and dispositive power over the shares held by the selling stockholder.
- (5) Consists of shares of common stock issuable upon conversion of Series B Preferred Stock currently held by the selling stockholder.
- (6) Walter Bilofsky is the trustee of the selling stockholder and has voting and dispositive power over the shares held by the selling stockholder.
- (7) Jeffrey H. Porter has voting and dispositive power over the shares held by the selling stockholder. Excludes shares beneficially owned by Porter Partners, L.P., reflected elsewhere in this table, over which shares Mr. Porter also has voting and dispositive power.
- (8) Jon and Linda Gruber are the trustees of the selling stockholder and have voting and dispositive power over the shares held by the selling stockholder. Common stock beneficially owned prior to and after the offering also includes 67,938 shares held by Jon D. and Linda W. Gruber, 5,904 shares held by the Jon D. Gruber Rollover IRA, 213 shares held by the Gruber Family Foundation and 74 shares held by the Irving and Aaron D. Gruber Foundation.
- (9) Amount includes 219,299 shares of common stock issuable upon conversion of Series B Preferred Stock currently held by the selling stockholder.
- (10) Amount includes 26,316 shares of common stock issuable upon conversion of Series B Preferred Stock currently held by the selling stockholder.
- (11) Gilbert E. Matthews is the trustee of the selling stockholder and has voting and dispositive power over the shares held by the selling stockholder. Amount excludes 47,600 shares of common stock issuable upon exercise of a warrant held by Sutter Securities, Inc., reflected elsewhere in the table. Mr. Matthews serves as Senior Managing Director and Chairman of the Board of Sutter Securities, Inc.
- (12) Karl L. Matthies is the trustee of the selling stockholder and has voting and dispositive power over the shares held by the selling stockholder.
- (13) Amount includes 131,579 shares of common stock issuable upon conversion of Series B Preferred Stock currently held by the selling stockholder.
- (14) Amount excludes 47,600 shares of common stock issuable upon exercise of a warrant held by Sutter Securities, Inc., which is separately noted in this table. Mr. Muh serves as Chief Executive Officer of Sutter Securities, Inc.
- (15) Mel S. Lavitt is the Managing Member of the selling stockholder and has voting and dispositive power over the shares held by the selling stockholder. Common stock beneficially owned prior to and after the offering also includes 104,250 shares held by Mr. Lavitt, 73,294 shares held by Mr. Lavitt's wife and 18,400 shares held by Mr. Lavitt's daughter.
- (16) Amount includes 87,720 shares of common stock issuable upon conversion of Series B Preferred Stock currently held by the selling stockholder.
- (17) Brian Garner Swift has voting and dispositive power over the shares held by the selling stockholder. Amount excludes 48,000 shares issuable upon exercise of a warrant held by Brian and Suzanne Swift 1991 Living Trust (the "Swift Trust"), which are separately reflected in this table. Mr. Swift serves as trustee to the Swift Trust and maintains voting and dispositive powers with respect to the shares held by the Swift Trust.
- (18) Jeffrey H. Porter has voting and dispositive power over the shares held by the selling stockholder. Amount excludes shares beneficially owned by EDJ Limited, reflected elsewhere in this table, over which shares Mr. Porter also has voting and dispositive power.

- (19) Roy L. Rogers is the trustee of the selling stockholder and has voting and dispositive power over the shares held by the selling stockholder. Amount excludes shares beneficially owned by the Roy and Ruth Rogers Unitrust, reflected elsewhere in this table, for which Mr. Rogers serves as trustee and over which shares Mr. Rogers has voting and dispositive power.
- (20) Amount includes 109,650 shares of common stock issuable upon conversion of Series B Preferred Stock currently held by the selling stockholder.
- (21) Roy L. Rogers is the trustee of the selling stockholder and has voting and dispositive power over the shares held by the selling stockholder. Amount excludes shares beneficially owned by Roy L. Rogers, Trustee of the Rogers Family Trust dated January 21, 1981, reflected elsewhere in this table, of which trust Mr. Rogers is the trustee and over which shares Mr. Rogers has voting and dispositive power.
- (22) Amount includes 43,860 shares of common stock issuable upon conversion of Series B Preferred Stock currently held by the selling stockholder.
- (23) Jerald M. Weintraub has voting and dispositive power over the shares held by the selling stockholder.
- (24) Amount includes 87,720 shares of common stock issuable upon conversion of Series B Preferred Stock currently held by the selling stockholder.
- (25) Anson Advisors Inc. and Anson Funds Management LP, the Co-Investment Advisers of Anson Investments Master Fund LP ("Anson"), hold voting and dispositive power over the common shares held by Anson. Bruce Winson is the managing member of Anson Management GP LLC, which is the general partner of Anson Funds Management LP. Moez Kassam and Amin Nathoo are directors of Anson Advisors Inc. Mr. Winson, Mr. Kassam and Mr. Nathoo each disclaim beneficial ownership of these shares except to the extent of their pecuniary interest therein.
- (26) Amount includes 714,286 shares of common stock issuable upon exercise of the March warrant currently held by the selling stockholder.
- (27) Steven Urbach is the Co-Founder and CEO of Chardan Capital Markets, LLC ("Chardan") and in such capacity may be deemed to have voting and dispositive power over the shares held by Chardan. Andrew Arno, a member of the Company's Board of Directors, is currently employed by Chardan and its affiliates.
- (28) Amount consists of shares of common stock issuable upon exercise of a placement agent warrant (3,250 shares) and a March warrant (85,714 shares) currently held by the selling stockholder.
- (29) Empery Asset Management LP, the authorized agent of Empery Asset Master Ltd ("EAM"), has discretionary authority to vote and dispose of the shares held by EAM and may be deemed to be the beneficial owner of these shares. Martin Hoe and Ryan Lane, in their capacity as investment managers of Empery Asset Management LP, may also be deemed to have investment discretion and voting power over the shares held by EAM. EAM, Mr. Hoe and Mr. Lane each disclaim any beneficial ownership of these shares. Amount excludes shares owned by Empery Tax Efficient II, LP reflected elsewhere in this table, of which Empery Asset Management LP is also the authorized agent and over which shares Empery Asset Management LP also has voting and dispositive power.
- (30) Amount includes 371,486 shares of common stock issuable upon exercise of the March warrant currently held by the selling stockholder.
- (31) Empery Asset Management LP, the authorized agent of Empery Tax Efficient II, LP ("ETE II"), has discretionary authority to vote and dispose of the shares held by ETE II and may be deemed to be the beneficial owner of these shares. Martin Hoe and Ryan Lane, in their capacity as investment managers of Empery Asset Management LP, may also be deemed to have investment discretion and voting power over the shares held by ETE II. ETE II, Mr. Hoe and Mr. Lane each disclaim any beneficial ownership of these shares. Amount excludes shares owned by EAM reflected elsewhere in this table, of which Empery Asset Management LP is also the authorized agent and over which shares Empery Asset Management LP also has voting and dispositive power.
- (32) Amount includes 342,799 shares of common stock issuable upon exercise of the March warrant currently held by the selling stockholder.

- (33) Hudson Bay Capital Management LP, the investment manager of Hudson Bay Master Fund Ltd., has voting and investment power over these securities. Sander Gerber is the managing member of Hudson Bay Capital GP LLC, which is the general partner of Hudson Bay Capital Management LP. Each of Hudson Bay Master Fund Ltd. and Sander Gerber disclaims beneficial ownership over these securities.
- (34) Amount includes 714,286 shares of common stock issuable upon exercise of the March warrant currently held by the selling stockholder.
- (35) Richard Abbe is the General Partner of Iroquois Master Fund Ltd. and has voting and dispositive power over the shares held by Iroquois Master Fund Ltd. Amount excludes shares owned by Iroquois Capital Investment Group LLC reflected elsewhere in this table, of which Mr. Abbe is the Managing Member and over which shares Mr. Abbe also has voting and dispositive power.
- (36) Amount includes 285,715 shares of common stock issuable upon exercise of the March warrant currently held by the selling stockholder.
- (37) Richard Abbe is the Managing Member of Iroquois Capital Investment Group LLC and has voting and dispositive power over the shares held by Iroquois Capital Investment Group LLC. Excludes shares owned by Iroquois Master Fund Ltd. reflected elsewhere in this table, of which Mr. Abbe is the General Partner and over which shares Mr. Abbe also has voting and dispositive power.
- (38) Amount includes 428,572 shares of common stock issuable upon exercise of the March warrant currently held by the selling stockholder.
- (39) Robert Muh is the Chief Executive Officer of Sutter Securities Incorporated (“Sutter”) and Gilbert E. Matthews is Senior Managing Director and Chairman of the Board of Sutter, and each of them in their respective capacities may be deemed to have voting and dispositive power over the shares held by Sutter. Amount does not include 17,544 shares held by Mr. Muh or 21,930 shares held by the Gilbert Matthews Family Trust, of which trust Mr. Matthews is trustee, each reflected elsewhere in the table.
- (40) Amount consists of shares of common stock issuable upon exercise of a placement agent warrant currently held by the selling stockholder.
- (41) Brian G. Swift and Suzanne B. Swift are trustees of the selling stockholder and have voting and dispositive power over the shares held by the selling stockholder. Amount excludes 43,860 shares issuable upon conversion of Series B Preferred Stock held by Pensco Trust Company Custodian FBO Brian G. Swift Roth IRA reflected elsewhere in this table, over which shares Mr. Swift also possesses voting and dispositive power.

PLAN OF DISTRIBUTION

Each selling stockholder (the “Selling Stockholders”) of the securities and any of their pledgees, assignees and successors-in-interest may, from time to time, sell any or all of their securities covered hereby on the NASDAQ Capital Market or any other stock exchange, market or trading facility on which the securities are traded or in private transactions. These sales may be at fixed or negotiated prices. A Selling Stockholder may use any one or more of the following methods when selling securities:

- ordinary brokerage transactions and transactions in which the broker-dealer solicits purchasers;
- block trades in which the broker-dealer will attempt to sell the securities as agent but may position and resell a portion of the block as principal to facilitate the transaction;
- purchases by a broker-dealer as principal and resale by the broker-dealer for its account;
- an exchange distribution in accordance with the rules of the applicable exchange;
- privately negotiated transactions;
- settlement of short sales;
- in transactions through broker-dealers that agree with the Selling Stockholders to sell a specified number of such securities at a stipulated price per security;
- through the writing or settlement of options or other hedging transactions, whether through an options exchange or otherwise;
- a combination of any such methods of sale; or
- any other method permitted pursuant to applicable law.

The Selling Stockholders may also sell securities under Rule 144 or any other exemption from registration under the Securities Act of 1933, as amended (the “Securities Act”), if available, rather than under this prospectus.

Broker-dealers engaged by the Selling Stockholders may arrange for other brokers-dealers to participate in sales. Broker-dealers may receive commissions or discounts from the Selling Stockholders (or, if any broker-dealer acts as agent for the purchaser of securities, from the purchaser) in amounts to be negotiated, but, except as set forth in a supplement to this Prospectus, in the case of an agency transaction not in excess of a customary brokerage commission in compliance with FINRA Rule 2440; and in the case of a principal transaction a markup or markdown in compliance with FINRA IM-2440.

In connection with the sale of the securities or interests therein, the Selling Stockholders may enter into hedging transactions with broker-dealers or other financial institutions, which may in turn engage in short sales of the securities in the course of hedging the positions they assume. The Selling Stockholders may also sell securities short and deliver these securities to close out their short positions, or loan or pledge the securities to broker-dealers that in turn may sell these securities. The Selling Stockholders may also enter into option or other transactions with broker-dealers or other financial institutions or create one or more derivative securities which require the delivery to such broker-dealer or other financial institution of securities offered by this prospectus, which securities such broker-dealer or other financial institution may resell pursuant to this prospectus (as supplemented or amended to reflect such transaction).

The Selling Stockholders and any broker-dealers or agents that are involved in selling the securities may be deemed to be “underwriters” within the meaning of the Securities Act in connection with such sales. In such event, any commissions received by such broker-dealers or agents and any profit on the resale of the securities purchased by them may be deemed to be underwriting commissions or discounts under the Securities Act. Each Selling Stockholder

has informed the Company that it does not have any written or oral agreement or understanding, directly or indirectly, with any person to distribute the securities.

The Company is required to pay certain fees and expenses incurred by the Company incident to the registration of the securities. The Company has agreed to indemnify the Selling Stockholders against certain losses, claims, damages and liabilities, including liabilities under the Securities Act.

We agreed to keep this prospectus effective until the earlier of (i) the date on which the securities may be resold by the Selling Stockholders without registration and without regard to any volume or manner-of-sale limitations by reason of Rule 144, without the requirement for the Company to be in compliance with the current public information under Rule 144 under the Securities Act or any other rule of similar effect or (ii) when all of the securities have been sold pursuant to this prospectus or Rule 144 under the Securities Act or any other rule of similar effect. The resale securities will be sold only through registered or licensed brokers or dealers if required under applicable state securities laws. In addition, in certain states, the resale securities covered hereby may not be sold unless they have been registered or qualified for sale in the applicable state or an exemption from the registration or qualification requirement is available and is complied with.

Under applicable rules and regulations under the Exchange Act, any person engaged in the distribution of the resale securities may not simultaneously engage in market making activities with respect to the common stock for the applicable restricted period, as defined in Regulation M, prior to the commencement of the distribution. In addition, the Selling Stockholders will be subject to applicable provisions of the Exchange Act and the rules and regulations thereunder, including Regulation M, which may limit the timing of purchases and sales of the common stock by the Selling Stockholders or any other person. We will make copies of this prospectus available to the Selling Stockholders and have informed them of the need to deliver a copy of this prospectus to each purchaser at or prior to the time of the sale (including by compliance with Rule 172 under the Securities Act).

LEGAL MATTERS

The validity of the shares of our common stock offered hereby has been passed upon for us by Buchanan Ingersoll & Rooney PC, Pittsburgh, Pennsylvania.

EXPERTS

The consolidated financial statements of Smith Micro Software, Inc. and Subsidiaries as of December 31, 2017 and 2016 and for each of the years in the two-year period ended December 31, 2017 incorporated in this Prospectus by reference from the Smith Micro Software, Inc. and Subsidiaries Annual Report on Form 10-K for the year ended December 31, 2017 have been audited by SingerLewak LLP, an independent registered public accounting firm, as stated in their report thereon, incorporated herein by reference in this Prospectus and Registration Statement in reliance upon such report and upon the authority of such firm as experts in accounting and auditing.

WHERE YOU CAN FIND ADDITIONAL INFORMATION ABOUT US

We have filed a registration statement on Form S-3 with the SEC for the shares of common stock we are offering by this prospectus. This prospectus does not include all of the information contained in the registration statement. You should refer to the registration statement and its exhibits for additional information. We will provide to each person, including any beneficial owner, to whom a prospectus is delivered, a copy of any or all of the information that has been incorporated by reference in the prospectus but not delivered with the prospectus. We will provide this

information upon oral or written request, free of charge. Any requests for this information should be made by calling or sending a letter to the Secretary of the Company, c/o Smith Micro Software, Inc., 51 Columbia, Aliso Viejo, CA 92656. Our telephone number is (949) 362-5800.

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We are required to file annual and quarterly reports, current reports, proxy statements, and other information with the SEC. We make these documents publicly available, free of charge, on our website at www.smithmicro.com as soon as reasonably practicable after filing such documents with the SEC. You can read our SEC filings, including the registration statement, on the SEC's website at www.sec.gov. You also may read and copy any document we file with the SEC at its public reference facility at:

Public Reference Room

100 F Street N.E.

Washington, DC 20549

Please call the SEC at 1-800-732-0330 for further information on the operation of the public reference facilities.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents filed by us with the SEC are incorporated by reference in this prospectus:

- Annual Report on Form 10-K for the fiscal year ended December 31, 2017, filed on March 30, 2018, as amended by our Form 10-K/A filed on April 17, 2018;
- Current Reports on Form 8-K (or Form 8-K/A) filed on January 31, 2018; and March 6, 2018;
- Definitive Proxy Statement on Schedule 14A filed on April 28, 2017;
- Amendment to Definitive Proxy Statement on Schedule 14A filed on May 10, 2017; and
- The description of our common stock contained in our Form 8-A (File No. 000-26536) filed on July 31, 1995, including any amendment on reports filed for the purpose of updating such description.

Notwithstanding the foregoing, information furnished under Items 2.02 and 7.01 of any Current Report on Form 8-K, including the related exhibits, is not incorporated by reference in this prospectus.

We also incorporate by reference all documents we file under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act (a) after the initial filing date of the registration statement of which this prospectus is a part and before the effectiveness of the registration statement and (b) after the effectiveness of the registration statement and before the filing of a post-effective amendment that indicates that the securities offered by this prospectus have been sold or that deregisters the securities covered by this prospectus then remaining unsold. Any statement contained herein or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes hereof to the extent that a statement in any other subsequently filed document which is also incorporated or deemed to be incorporated herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this prospectus.

Upon written or oral request, we will provide, without charge, each person to whom a copy of this prospectus is delivered, a copy of any document incorporated by reference in this prospectus (other than exhibits, unless such exhibits are specifically incorporated by reference in such documents). Requests should be directed to Smith Micro Software, Inc., 51 Columbia, Aliso Viejo, California 92656.

INDEMNIFICATION OF DIRECTORS AND OFFICERS FOR SECURITIES ACT LIABILITIES

Section 145 (“Section 145”) of the Delaware General Corporation Law (“DGCL”) permits indemnification of directors, officers, agents and controlling persons of a corporation under certain conditions and subject to certain limitations. Section 145 empowers a corporation to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding whether civil, criminal, administrative or investigative, by reason of the fact that he or she is or was a director, officer or agent of the corporation or another

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enterprise if serving at the request of the corporation. Depending on the character of the proceeding, a corporation may indemnify against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred in connection with such action, suit or proceeding if the person indemnified acted in good faith and in a manner he or she reasonably believed to be in or not opposed to, the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. In the case of an action by or in the right of the corporation, no indemnification may be made with respect to any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine that despite the adjudication of liability such person is fairly and reasonably entitled to indemnity for such expenses which the court shall deem proper. Section 145 further provides that to the extent a present or former director or officer of a corporation has been successful in the defense of any action, suit or proceeding referred to above or in the defense of any claim, issue or matter therein, such person shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection therewith. The foregoing is only a summary of the described sections of the DGCL and is qualified in its entirety by reference to such sections.

The Company's Certificate of Incorporation and Bylaws, as each has been amended and/or restated, provide that it shall indemnify each of its officers and directors to the fullest extent permitted by Section 145.

The Company's Certificate of Incorporation provides that no director of the Company shall be personally liable to it or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of a director's duty of loyalty to the company or its stockholders, (ii) for acts or omissions not in good faith involving intentional misconduct or knowing violation of law, (iii) under Section 174 of the DGCL, or (iv) for transactions from which a director received any improper personal benefit. If the DGCL is amended to authorize further elimination or limitation on personal liability of directors then the liability of directors shall be further eliminated or limited to the fullest extent provided by the DGCL as so amended.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to Smith Micro's directors, officers and controlling persons pursuant to the foregoing provisions, or otherwise, the Company has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

You should rely only on the information contained in this prospectus. We have not authorized anyone to provide you with different or additional information. If such information is provided to you, you should not rely on it. This prospectus is not an offer of these securities in any jurisdiction where an offer and sale is not permitted.

7,105,612 Shares of Common Stock

PROSPECTUS

We have not authorized any dealer, salesperson or other person to give any information or represent anything contained in this prospectus. You must not rely on any unauthorized information. This prospectus does not offer to sell nor does it solicit to buy any shares of common stock in any jurisdiction where it is unlawful. The information in this prospectus is current as of April 19, 2018.