PARTICIPANTS

Corporate Participants

Michael I. Wellesley-Wesley – Chief Executive Officer, ChyronHego Corp.
Jerry Kieliszak – Chief Financial Officer, Secretary, Treasurer & Senior Vice President, ChyronHego Corp.
Johan Apel – President & Chief Operating Officer, ChyronHego Corp.

Other Participants

Michael A. Kupinski – Analyst, Noble Financial Capital Markets

MANAGEMENT DISCUSSION SECTION

Operator: Good day, ladies and gentlemen, and welcome to the Chyron Corporation Q2 2013 Earnings Conference Call. At this time, all participants are in listen-only mode. Later, we will conduct a question-and-answer session and instructions will follow at that time. [Operator Instructions] As a reminder, this conference call is being recorded.

I would like to introduce your host for today's conference, Michael Wellesley-Wesley with ChyronHego, CEO, Johan Apel with ChyronHego, President and COO and Jerry Kieliszak with ChyronHego, Senior Vice President and CFO.

Mr. Michael, you may begin.

Michael I. Wellesley-Wesley, Chief Executive Officer

Thank you very much. Good morning, and thank you for joining us all on the call today. As the conference call operator indicated, my name is Michael Wellesley-Wesley, ChyronHego's CEO. Joining me on the call today are Johan Apel, President and COO and Jerry Kieliszak, Senior Vice President and CFO.

Before we begin, let me turn you over to Jerry to submit for the record the required Safe Harbor language prior to discussing our financial results and other matters.

Jerry?

Jerry Kieliszak, Chief Financial Officer, Secretary, Treasurer & Senior Vice President

Thanks, Michael, and welcome, everyone today to the ChyronHego conference call. Before market opened today, we issued a press release containing the company's financial results for the second quarter ended June 30, 2013. If anyone participating today does not have a copy of the release, you can retrieve it off the company's website at chyron.com.

We submit for the record the following statements. From time to time, including on this call, management may make forward-looking statements relating to such matters as anticipated financial performance, business prospects, technological developments, new products, R&D and similar matters. Factors that might cause such a difference include those set forth in the earnings press release and the company's Form 10-Q and first quarter 10-K and first quarter 10-Q.

With that said, let me turn you back over to Michael.

Michael I. Wellesley-Wesley, Chief Executive Officer

Thanks, Jerry.

Shortly, Jerry will provide a detailed recap of our financial results for the second quarter. For a range of reasons all relating to the ChyronHego merger and the timing of the closing of the transaction, the financial results of Q2 bear little relationship to Chyron as a standalone company pre-merger nor do they serve as an indicator of what we should expect from the new ChyronHego.

Q2 was a transitional quarter in pretty much all respects. Despite the fact that we were only operating as a combined company for 27 business days in the second quarter, we progressed significant new business in terms of both product sales and multiyear sports production services contract during the quarter, and I'm optimistic regarding our business prospect for the second half. Before we get into the detail of the financial results, I wanted to remind you some of the key aspects of the merger with Hego.

The strategic thinking underlying the creation of ChyronHego is to create a market-leading company in the fields of TV graphics, data visualization and production services for live TV and online news and sports production. This merger creates a strong global graphics company that's committed to innovation and to evolving existing products and services to support our customers in the future.

Over the past several years, Hego has emerged as the leading provider of powerful graphics in data visualization solutions for TV and sports. Hego's based in Stockholm, Sweden but has operations in Norway, Finland, Denmark, Czech Republic, the Republic of Slovakia, the U.K. and the U.S.A.

Live sports on television represent premium content for advertisers, and as a consequence, broadcasters continue to invest significantly in this type of programming. Sports on TV comprise an area of growth and in an otherwise mature industry.

The transaction took the form of a stock transaction whereby Chyron issued 12.199 million shares of Chyron common stock, which represented 40% of its aggregate shares of common stock outstanding including certain outstanding options in exchange for all of Hego's outstanding capital stock.

Upon the achievement of certain revenue milestones during 2013, 2014, and/or 2015, Hego's shareholders will also be entitled to receive up to 6.1 million additional shares of Chyron common stock such that the total number of shares of Chyron common stock issued in the transaction is equal to 50% of the aggregate shares of Chyron common stock outstanding including certain outstanding options after the closing.

The transaction was subject to customary closing conditions including approval by Chyron's shareholders at the shareholder meeting on May 22, and it closed later that same day. At the closing of the transaction, Johan Apel, Chairman and CEO of Hego Group, was elected to Chyron's Board of Directors and was appointed President and COO of ChyronHego. Johan is present on this call and is ready to answer any questions you may have for him.

The selling Hego shareholders were all management and employees of Hego, who are now ChyronHego management employees. Everyone involved, including major Chyron shareholders, have entered into a 15-month lockup of their Chyron shareholding and no money was taken off the table.

Our combined company has already successfully rebranded as ChyronHego, and of course, we continue to be quoted on NASDAQ where our symbol remains CHYR. No doubt, we'll talk some more about our NASDAQ listing later in the call.

Although technically an acquisition, both companies view this as a full merger of equals. The merger of Chyron and Hego brings together two pioneering companies to create a global leader in broadcast graphics creation, playout and real-time data visualization. This is a truly transformative transaction for both companies. By combining the teams and resources of Chyron Hego, we're now able to deliver to our customers a highly diverse and compelling broadcast graphics capability.

The Chyron and Hego product lines are complementary with very little overlap. As I mentioned a moment ago, Hego's solutions predominantly address the needs for live sports production with product categories such as Augmented Reality and Virtual Product Placement, Telestration, and Production Services offerings based around their proprietary Image and Player Tracking Solutions. Chyron, by contrast, has recently been more focused on graphic solutions for live and near-live news production workflows.

ChyronHego moved to second place in terms of global market share in our industry space now that the merger is completed. The ChyronHego merger changes our operating model in a number of interesting ways and opened up potential areas of synergy and cost savings for the combined entity. Accordingly as we announced, on May 2, Chyron announced that we had reduced our workforce by 20 people for incremental annual operating expense savings of approximately $3 million. We continue to identify other non-people-related savings such as trade show and offices duplication.

ChyronHego is now focused on near and long-term value creation for its shareholders, and we believe our comprehensive and competitive product portfolio will quickly make us the market leader in our industry.

We showcased a combined product line for the broadcast TV and Content Creation community at the NAB Trade Show in April. The response from existing and potential customers was extremely enthusiastic, and I'm very optimistic about our growth prospects for the next few years as a result of the meetings that took place both at the show and subsequently. And we look forward to building on this interest at the IBC Trade Show in Amsterdam in early September.

But this is just the beginning. With this merger, we're looking forward to integrating Hego and Chyron solutions and working together to innovate new products and services. Our objective is to develop powerful, easy-to-use solutions for sports, news and live TV.

Hego has grown quickly over the last few years, and this merger will allow us to take our combined business to a whole new level, especially in North and South America where Hego offerings had already been generating significant interest. We're excited about this combination, and I believe that our customers, our colleagues and our shareholders will be the real beneficiaries.

Johan, Jerry and I will be happy to answer questions a little later, but first, Jerry will take you through a brief summary of our second quarter financial results. Jerry?

Jerry Kieliszak, Chief Financial Officer, Secretary, Treasurer & Senior Vice President

Thanks, Michael.

As Michael said, Chyron and Hego merged on May 22, therefore, the second quarter and year-to-date results that we will report to you today include the results from Hego from May 22 through June 30.

Revenues for the quarters ended June 30 are $10.7 million, an increase of $3 million or 39% from $7.7 million reported in last year's second quarter. Revenues for the six months ended June 30 were $18.7 million. That's an increase of $3.1 million, or 20%, from the $15.6 million in last year's six months.

Breaking revenues down by types in three and six months, for the second quarter, product revenues were $6.7 million, representing 63% of total revenues, and service revenues were $4 million, representing 37% of total revenues. For the six months, product revenues were $12.7 million, or 68% of total, and services were $6 million or 32% of total revenue.

Total operating expense for the second quarter were $9.2 million, but the $2.8 million and 44% increase over last year's second quarter expenses at $6.4 million. Operating expenses for the first six months were $15.7 million. That's a $2.7 million, or 21% increase, over last year's $13 million.

Selling and marketing expenses for the second quarter were $3.3 million. That's a 6% decrease from the $3.5 million reported in last year's second quarter. For the six months ended, sales and marketing were $6.2 million, a 12% decline from last year's first six months.

G&A expenses for the second quarter were $3.6 million, which was $2.6 million higher than G&A of $1 million from last year's second quarter. And for the six months, G&A expenses were $5.4 million, which is $3.2 million higher than G&A of $2.2 million last year.

Included in operating expenses and most of the G&A for the second quarter and first six months of 2013 were several expenses related to the Hego merger and restructuring in May. The Hego transaction expenses of $0.3 million and $1.1 million were recorded in the second quarter and first six months of 2013 respectively. Amortization of intangible assets for the Hego transaction resulted in a $0.2 million expense in the second quarter and six month results.

Early investing in stock-based awards, that is options and [ph] issues (11:55) as a result of the Hego transaction resulted in a $1.3 million expense in the second quarter and first six months. As a result of the downsizing in staff in May, we recorded a restructuring charge of $1 million consisting-of severance of about $600,000 and stock-based awards expense of $400,000 in the second quarter and first six months. The [indiscernible] (12:22) was $2.8 million in the second quarter and $3.5 million in the first six months.

Operating loss for the second quarter was $1.9 million, which was $800,000 greater than last year's operating loss of $1.1 million. For the first half of 2013, operating loss was $2.7 million, which is $0.5 million greater than last year's first half operating loss. Excluding Hego merger-related expenses and restructuring costs, the company would have reported an operating profit of $900,000 for the second quarter and an operating profit of $800,000 for the first six months.

Net loss for the second quarter is $2.1 million. That was $1.5 million greater than last year's second quarter loss. And for the first half of 2013, net loss was $3 million and that was $1.4 million greater than last year's first half net loss. Excluding Hego merger-related expenses, restructuring costs and a $100,000 valuation adjustment to the Hego contingent consideration, the company would have reported net income of $800,000 for the second quarter and net income of $600,000 for the first six months of this year.

Operating income and net income amounts that are exclusive of Hego merger-related expenses, restructuring costs and the contingent consideration valuation adjustment [ph] are non- (13:45) U.S. GAAP basis operating income or net income and are reported here solely to show what the operating income and net income amounts might have been had these costs and expenses not been recorded so to provide a basis for comparison to prior periods.

As Michael said earlier, with the Hego transactional structure to issue, some Chyron shares to Hego shareholders on May 22 closing with the opportunity for former Hego shareholders to be issued up to an additional approximately 6.1 million shares, which we term the Earn-Out shares, in the future, if Hego product and service revenue targets are met for 2013 and 2014 and/or 2015.

These Earn-Out shares are contingent consideration and liability accounting [ph] apprised (14:28). This means that the contingent consideration liability on the balance sheet must be mark-to-market at each quarter end. This means that if the market price of the company's common stock changes, the contingent liability, that is, the recorded value of underlying Earn-Out shares on the balance sheet will increase with the result in charged earnings if the end-of-quarter stock price is higher than the prior end-of-quarter stock price and would decrease with a result in increase in earnings if the end-of-quarter stock price is lower than the prior end-of-quarter stock price.

Mark-to-market accounting will continue to apply to each of these three Earn-Out share tranches until they are earned or not. If the company's end-of-quarter stock price changes from one end of quarter to the next, its mark-to-market accounting could result in significantly material effects through quarterly earnings until there is no longer any contingent liability on the balance sheet, which could be at the end of 2014 or 2015.

In the second quarter of 2013, there was a charge of approximately of $55,000 to earnings to reflect the increase in the value of the contingent consideration due to an increase in the market price of the company's common stock from $1.36 at the May 22 closing to $1.37 at June 28, the last trading day in June.

Before I turn it back over to Michael, I'd just like to cover two more items. The first relates to our line of credit agreement with Silicon Valley Bank. When our financial covenants in the agreement were structured to 2013, they were based solely on Chyron as a standalone entity. We did not anticipate a merger with Hego.

As a result of the Hego merger and consolidation with their financials into the current Hego consolidated financials, we failed the adjusted quick ratio covenant, which is measured [indiscernible] (16:25) at the end of May and June, and we failed the maximum EBITDA loss covenant at the end of June.

We and Silicon Valley Bank entered into a loan modification and waiver agreement this past Monday, August 5, in which Silicon Valley Bank agreed to, one, extend the term of the revolving line of credit maturity date from August 12, it's originally scheduled maturity date, to October 12 and, two, waive the company's non-compliance with the adjusted quick ratio covenant for May and June and a maximum EBITDA loss covenant for the quarter ending June 30.

We are working with Silicon Valley Bank to structure new financial covenants, ones which are more reflected in the Chyron/Hego consolidated entity for the 12-month period following the [indiscernible] (17:14) line of credit resumable in October. We disclosed these events in a current report on Form 8-K that we filed with the SEC before market opened today.

A second matter relates to the status of our delisting notification from NASDAQ that at December 31, 2012, we were not in compliance with NASDAQ's continued listing requirement of minimum shareholders equity of $10 million. The NASDAQ had accepted our plan of compliance and given us until August 15 to satisfy their requirement. As a result of the merger with Hego and taking into account operating results through the second quarter ended June 30, we now have a shareholders equity balance of $17.9 million at June 30.

As instructed by NASDAQ, we notified the SEC directly and, thus, the NASDAQ indirectly this morning via a current report on Form 8-K that was filed at the SEC before market opened of our compliance with NASDAQ's minimum shareholders equity requirement and we now consider the matter close.

This is the end of my prepared remarks, and I'll turn you back over to Michael. Michael?

Michael I. Wellesley-Wesley, Chief Executive Officer

Thank you, Jerry. So with that, let's open up the call for your questions. Operator, please instruct our listeners on how to queue up for questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Okay our first question comes from Michael Kupinski. [Noble Financial] Sir, you may begin.

<Q – Mike Kupinski – Noble Financial Capital Markets>: [05LL5K-E Mike Kupinski], if that's okay. Thank you. Thanks for taking the question. I was just wondering if you can just talk a little bit about if there are going to be any additional merger-related costs that would be coming up in the upcoming quarter. Are all of those costs now behind us? And I just have a couple of other additional questions.

<A – Michael Wellesley-Wesley – ChyronHego Corp.>: Mike, let me pass that one over to Jerry.

<A – Jerry Kieliszak – ChyronHego Corp.>: Hi, Mike. Yes, all of the costs for vendors, [indiscernible] (19:13) accounting tax, et cetera, are all behind us. The only continuing results of the transaction will be the mark-to-market adjustment each quarter [indiscernible] (19:22).

<Q – Mike Kupinski – Noble Financial Capital Markets>: Yes, which you talked about. And then, also, can you just provide a little bit more color on operating synergies that you may achieve? Obviously, you indicated that there were some in this last quarter, but can you quantify the synergies and over what timeframe we could see them?

<A – Michael Wellesley-Wesley – ChyronHego Corp.>: I don't think I'd be able to quantify them at the moment, but we're, obviously, looking the whole time to find synergies. I mean, clearly, the obvious ones are we don't need two booths at tradeshows and that kind of thing.

And so to the extent both companies have forward contracted to take space at a tradeshow, we're now getting out of those, backing out of those commitments to the extent we can. We'll have one unified presence, for instance, at IBC in Amsterdam next month, which is, whereas before, we would have had two. We've got a couple of offices in the U.K., one in Chiswick, one near Maidenhead near Reading. We obviously don't need two offices. But again, both of those have leases that run to different times and have different penalties, et cetera.

So we're examining this kind of thing the whole time. I suspect we are where we are in terms of head count. We did some downsizing of head count here in the U.S. on May 2, and looking at the opportunities we have as a combined company going forward, we'll be either stabilized at the current head count or be looking to hire more people.

But, Johan, let me bring you in on that. Do you have any other view on that?

<A – Johan Apel – ChyronHego Corp.>: No. We will be rigorously looking at what kind of cost we can take down, of course, and I think, as Michael pointed out, there are many things that we've done in parallel before in terms of both the investments in marketing, collateral and a lot of those things which, as a bigger company and it's one entity, we will have cost savings that will benefit both entities or now be joint entity.

<Q – Mike Kupinski – Noble Financial Capital Markets>: And then with the combined company, maybe another way to look at this is where do you think sustainable operating margins could go to, I mean because obviously, there's a lot of noise in some of these numbers. But where do you think that the target might be and where we can see these operating margins go to?

<A – Michael Wellesley-Wesley – ChyronHego Corp.>: So again, let me pass you over to Johan. But before I do, we're hoping to see the desired target level of operating margins in Q3 or Q4. But I would expect to see the operating margins rise steadily over the next couple of years to a level that is more normal for growing technology companies. Johan?

<A – Johan Apel – ChyronHego Corp.>: Yes. I agree. There's a lot of work that needs to be done over the coming quarters in terms of consolidation and getting the companies working together and getting all the benefits out of it. But a couple of quarters down the line, we should have at least have double-digit margins. That's for sure.

<Q – Mike Kupinski – Noble Financial Capital Markets>: And in the past, typically, the company would tend to do a little bit better when the broadcast environment was doing much better. And I guess this last cycle didn't feel you could kind of get that type of look that we had in previous cycles. And I was just wondering as we head into another political election year, Olympic year in 2014, can we assume that or do you have a different outlook in terms of 2014 when, given the past elections, Olympic cycles, the addition of Hego will actually benefit you in a way that you can capture more business? Can you just give us some sense of how you see revenue opportunity as you go into 2014?

<A – Michael Wellesley-Wesley – ChyronHego Corp.>: I'm pretty bullish about the outlook for the remainder of this year and 2014. I think that, certainly, domestically, our customers here in the U.S. have, obviously, made some good money last year and there's some lag in terms of that translating into that capital expenditures. And they're being very careful and sensible about how they spend their money. But the U.S. pipeline of business looks really pretty robust. It's a combination of a better market environment, a better economy and the fact that we're gaining market share over our competitors.

Internationally, it's a slightly different picture. I mean, you don't have to look much past the headlines to see that a lot of Europe is in a depressed economic state at the moment and a lot of national broadcasters having their budgets cut and are cutting back. Again, to that backdrop, I think that fact that Hego is performing as well as it has and continues to do so is a testament in how good they are but, also, the fact that to some degree, sports is a bit of an anomaly to the rest of the broadcast picture.

I guess, probably, an oversimplification to say sports is where the money is, but that's basically true and it's the underlying rationale for, at least from a current standpoint, for us to do this merger.

So I'm feeling pretty good about the prospects, generally, in the Americas and, specifically, about selling Hego products alongside current products to our existing customer base, which is one way or another, at least in terms of access and credibility, the whole of the U.S. broadcast market and the sports exposure that they have and that they're gaining in Europe.

So I'm optimistic about the future, but then I've been optimistic about the future before and proved wrong. But that's kind of where I see it. Johan, what about you?

<A – Johan Apel – ChyronHego Corp.>: No, I agree with you. It's – we've been fortunate to focus on the sports space, which in these times of [indiscernible] [26:12) sports is different because it is live and it can be easily downloaded. It's really important to have the real time booth to help the broadcasters redeem the return of investment that they've done on huge rights fees. But I share your views on the macro perspective.

I think that the U.S. market is slowly coming back into good place. And Europe is – there are different parts of Europe who are more or less in better or worse shape and, until now, it's been most of the North and South where North hasn't been that bad and South has been really bad. But it's – Europe, it's largely tough. It's – I would say up in the Northern parts where we are, there's no crisis at all but it's not as strong as it has been.

So that is one of the reasons that we entered the U.S. 18 months ago by ourselves before the Chyron transaction was that exactly what Michael has talked about. We identified the opportunities we have with our products on the U.S. market with its appetite for sports and so forth.

<A – Michael Wellesley-Wesley – ChyronHego Corp.>: Also, Mike, one thing relating to the elections or the mid-term elections next year and the Olympics is we're already seeing demand from customers for new equipment for the Olympics, which I would hope to be able to announce at some point in the next few months.

But as importantly, a lot of the Hego virtual reality and augmented reality capability will enhance networks' elections coverage. And so we're looking forward to taking the Hego virtual reality and augmented reality products, which are primarily being used in sports at the moment, into the news environment especially for elections coverage.

<Q – Mike Kupinski – Noble Financial Capital Markets>: Great. Thanks for that color. That's all I have. Thank you.

<A – Michael Wellesley-Wesley – ChyronHego Corp.>: Thank you, Mike.

Operator: Thank you. Our next question comes from [ph] Marty Albon (28:19). Sir, you may begin.

<Q>: Gentlemen, good morning and congratulations. I think it's fabulous what you guys have done. The numbers look quite good. I'm really excited about the future numbers. I think, now, we have – now, that the company has turned in the right direction, do we have any plans for hiring an IR firm? That's something that you folks have hesitated doing in the past, but I think now that we have an exciting story to tell, do we have plans to do something in that direction?

<A – Michael Wellesley-Wesley – ChyronHego Corp.>: Hi, [ph] Marty (28:57). We – Johan and I were talking about this with the board a couple of days ago, and I think that it's time that we began to investigate that. Obviously, we want to – as the second half unfolds and as the numbers unfold in 2014, which we expect to be improving over that period, we want to be able to frame the turnaround for investors and the growth story for investors in an appropriate way. So I think that we will be looking to begin to interview IR firms with a view to doing that and, indeed, if you have any suggestions, please forward them to us.

<Q>: I will. I definitely will. The other thing, do we have any new products that will be breaking this year or next year; anything that might change the picture of the company?

<A – Michael Wellesley-Wesley – ChyronHego Corp.>: Indeed, we do. I'll let Johan address that.

<Q>: Okay, great. Congratulations, again. We're very excited about what you've done.

<A – Michael Wellesley-Wesley – ChyronHego Corp.>: Johan?

<A – Johan Apel – ChyronHego Corp.>: Okay. Should I comment?

<A – Michael Wellesley-Wesley – ChyronHego Corp.>: Yes, go ahead.

<A – Johan Apel – ChyronHego Corp.>: Yes. There's a lot of new stuff that we'll show now at the upcoming tradeshow at IBC. We have one product line where we are showing our Paint system with 4K capability. And I'm not sure how familiar all you guys are with 4K, but it's also called UltraHD which is – it's between four and eight times higher resolution than you have at home today when you're watching [indiscernible] (30:42) on a Blu-ray disc.

Of course, that infrastructure is not in place yet. We get that out in terms of consumers in the households. But there are camera and capturing devices to get the video in that resolution. What we are – what we launch to market, it's a way for broadcasters to use that high resolution video and make cutouts out of that in an HD format, so they can zoom in the pictures and really change in many ways how they produce those kinds of sports, which is quite an interesting part.

Top of that, we have a couple of other products, which are based around the tracking systems we have, so the Player Tracking and [ph Image (31:42) Tracking systems will have new versions coming out. We are working a lot with StitchVideo, which is panoramic video, which means that we are, in various environments, putting a number of cameras where we real-time stitch together to get the wide images that can be used for many different things, everything from studio walls to [indiscernible] (32:06) applications for our clients.

Then we are also launching various updates in terms of capabilities for the [indiscernible] (32:15) which are quite powerful and I think will be received well from clients. And also, in our virtual graphics products, we will be adding a new sports that we are capable of recovering. So there's quite a lot coming up.

<Q>: Thank you.

Operator: [Operator Instructions] Your next question comes from [ph] Douglas Pyes (32:55). Sir, you may begin.

<Q>: Yes. Hi, everybody. Hi, Michael, Jerry.

<A>: Hi, [ph] Doug (33:01).

<A>: Hi, [ph] Doug. (33:02)

<Q>: Welcome, Johan.

<A – Johan Apel – ChyronHego Corp.>: Thank you.

<Q>: A couple of questions first for Jerry. First of all, Jerry, great job on managing the cash position here for the last several years. You've done a great job on that...

<A – Jerry Kieliszak – ChyronHego Corp.>: Thanks.

<Q>: ...which probably has not been easy. The question, mark-to-market, Jerry, does that involve cash – that doesn't have cash outflow characteristics to it, does it?

<A – Jerry Kieliszak – ChyronHego Corp.>: No. It [indiscernible] (33:35) No.

<Q>: It does not.

<A – Jerry Kieliszak – ChyronHego Corp.>: That'll be noncash.

<Q>: Okay. Then the other question for Jerry, the valuation allowance, do you think in 2014 that has a chance to be reversed?

<A – Jerry Kieliszak – ChyronHego Corp.>: Well, certainly, time remains – it remains to be seen what our reported profits are between now and the end, mid to end of 2014, [ph] Doug (34:01). It is a subjective matter, a decision that needs to be agreed to between management and the company's auditors. But certainly, we believe that the sooner that we can start generating profits on a consistent basis with a very reasonable outlook for continuing to do so, we will make every argument to bring the deferred tax assets back onto the balance sheet so [indiscernible] (34:20)

<Q>: What would that number be now, Jerry, roughly, deferred tax assets?

<A – Jerry Kieliszak – ChyronHego Corp.>: Roughly about $20 million, [ph] Doug (34:42).

<Q>: Okay. So that theoretically would end up on the balance sheet as an asset and then the shareholders equity would be increased by the $20 million, theoretically?

<A – Jerry Kieliszak – ChyronHego Corp.>: Yes, yes and that would be [indiscernible] (34:49)

<Q>: All right. Let's see, Johan, I had a question on the German Soccer League, we [indiscernible] (35:01) installation in there, and I was wondering how that was working and if there's more potential for that in Europe going forward?

<A – Johan Apel – ChyronHego Corp.>: Yes, we have all 35 [indiscernible] (35:24) in the first and second division installed now and we are in – we are, also, [indiscernible] (35:33) in the first and second division in Spain. We are in the Danish League and we are covering other leagues in various kinds of volumes.

We have also started installation in one of the leagues that we haven't disclosed yet. So that one will be coming along. There is also discussions and opportunities for some other leagues, so I think there's good opportunity to grow that business in Europe. But the biggest opportunity for us relates, of course, to, especially to the U.S. as well, and get involved with the American leagues and also South American ones.

<Q>: Okay. Is this working? Everyone's happy on that so far and it's – that is recurring income, correct, associated with that?

<A – Johan Apel – ChyronHego Corp.>: Yes, these deals are usually made out of [indiscernible] (36:34) service delivery type, which means that we are delivering the data to the client and there's a monthly or a quarterly payment for it.

<Q>: Maybe, is there any color you can give, Johan or Michael, to potential in the U.S. for the tracking system in the sports of football, basketball, hockey, baseball, so forth?

<A – Michael Wellesley-Wesley – ChyronHego Corp.>: A lot of potential. Johan, do you want to talk about that?

<A – Johan Apel – ChyronHego Corp.>: Yes, of course. We are, as you probably are aware, we are working with Fox and NFL for doing a [indiscernible] (37:15) tracking system and then linked together with our Image Graphic systems. We've done the same in baseball together with Fox. So there are many opportunities in America for these kind of deliveries. So I'm quite positive on what we should be able to achieve over the next – later this year or next year.

<Q>: Okay, great. Well, thank you very much. We appreciate all the hard work that you both have done with your individual companies working that together. We [indiscernible] (37:56) capitalize on the efforts that you've all made for the last several years. So [indiscernible] (38:03) effort from here.

<A – Michael Wellesley-Wesley – ChyronHego Corp.>: Thank you, [ph] Doug (37:57)

Operator: [Operator Instructions] And I'm showing no further questions. I would like to now turn the call back over to Mr. Michael Wellesley-Wesley.

Michael I. Wellesley-Wesley, Chief Executive Officer

Thank you very much. Thank you all for participating on today's call. We look forward to reporting to you again at the conclusion of the current quarter. So have a great day. Thank you.

Jerry Kieliszak, Chief Financial Officer, Secretary, Treasurer & Senior Vice President

Thank you very much.