

PARKERVISION INC  
Form 10-K  
April 01, 2019

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)  ANNUAL REPORT PURSUANT TO SECTION 13 OR  
15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2018

For the fiscal year ended December 31, 2013

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 000-22904

PARKERVISION, INC.

(Exact Name of Registrant as Specified in its Charter)

Florida 59-2971472  
(State of Incorporation) (I.R.S. Employer ID No.)

7915 Baymeadows Way, Suite 400

Jacksonville, Florida 32256

(Address of Principal Executive Offices)

Registrant's telephone number, including area code: (904) 732-6100

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, \$.01 par value	OTCQB
Common Stock Rights	OTCQB

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ( ) No (X)

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Securities Exchange Act. Yes ( ) No (X)

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes (X) No ( )

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ( )

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

(Check one):

Large accelerated filer ( ) Accelerated filer ( )

Non-accelerated filer ( X ) Smaller reporting company (X)  
Emerging growth company ( )

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ( )

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

As of June 29, 2018, the aggregate market value of the registrant’s common stock, \$.01 par value, held by non-affiliates of the registrant was approximately \$16,140,726 (based upon \$0.66 share closing price on that date, as reported by NASDAQ).

As of March 29, 2019, 30,637,591 shares of the Issuer's Common Stock were outstanding.



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## INTRODUCTORY NOTE

Unless the context otherwise requires, in this Annual Report on Form 10-K (“Annual Report”), “we”, “us”, “our” and the “Company” mean ParkerVision, Inc. and its wholly-owned German subsidiary, ParkerVision GmbH.

### Forward-Looking Statements

We believe that it is important to communicate our future expectations to our shareholders and to the public. This Annual Report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including, without limitation, statements about our future plans, objectives, and expectations under the headings “Item 1. Business” and “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.” Forward-looking statements include any statement that does not directly relate to any historical or current fact. When used in this Annual Report and in future filings by the Company with the Securities and Exchange Commission (“SEC”), the words or phrases “will likely result”, “management expects”, “we expect”, “will continue”, “is anticipated”, “estimated” or similar expressions are intended to identify such “forward-looking statements.” Readers are cautioned not to place undue reliance on such forward-looking statements, each of which speaks only as of the date made. Such statements are subject to certain risks and uncertainties that could cause actual results to differ materially from historical results and those presently anticipated or projected, including the risks and uncertainties set forth in this Annual Report under the heading “Item 1A. Risk Factors” and in our other periodic reports. Examples of such risks and uncertainties include general economic and business conditions, the outcome of litigation, competition, unexpected changes in technologies and technological advances, the timely development and commercial acceptance of new products and technologies, reliance on key business relationships, reliance on our intellectual property, and the ability to obtain adequate financing in the future. We have no obligation to publicly release the results of any revisions which may be made to any forward-looking statements to reflect anticipated events or circumstances occurring after the date of such statements.

## PART I

### Item 1. Business.

We were incorporated under the laws of the state of Florida on August 22, 1989. We are in the business of innovating fundamental wireless technologies and products. We have designed and developed proprietary radio frequency (“RF”) technologies and integrated circuits for use in wireless communication products. We have expended significant financial and other resources to research and develop our RF technologies and to obtain patent protection for those technologies in the United States of America (“U.S.”) and certain foreign jurisdictions. We believe certain patents

protecting our proprietary technologies have been broadly infringed by others and therefore our business plan includes enforcement of our intellectual property rights through patent infringement litigation and licensing efforts.

We have also designed and developed a consumer distributed WiFi product line that is marketed under the brand name Milo®. We expect to sell or otherwise exit the Milo product operations in the second quarter of 2019 and intend to focus our resources solely on licensing and enforcement of our wireless technologies.

#### General Development of Business

During the first half of 2018, we focused on (i) production, sales and marketing, and continued developments and enhancements of our WiFi products; (ii) ongoing integrated circuit development for future products and (iii) supporting our patent enforcement and licensing efforts. Our WiFi products did not produce the revenue growth that we had anticipated in 2018 and we also experienced lengthy delays in proceedings in certain of our patent enforcement efforts.

In addition, trading of our common stock on the Capital Market of The Nasdaq Stock Market LLC (“Nasdaq”) was suspended effective at the open of business on August 17, 2018 as a result of our failure to maintain at least \$35 million in market value of listed securities. Our common stock began trading on the OTCQB, an over-the-counter market, immediately following delisting from Nasdaq and our trading symbol, “PRKR”, remained unchanged. We intend to remain a public reporting company and we plan to continue to maintain a majority of independent members on our board of directors (“Board”) with an independent Audit Committee and to provide annual financial statements audited by an independent registered public accounting firm and unaudited interim financial statements prepared in accordance with accounting principles generally accepted in the U.S. However, the OTCQB is a significantly more limited market than Nasdaq.

These factors contributed to a lack of liquidity which necessitated a change in our business plans. Accordingly, in August 2018, we implemented cost reduction measures that included a significant reduction in our workforce, the closure of our engineering design center in Lake Mary, Florida and a reduction in executive and management salaries in order to reduce our ongoing operating expenses. As a result of these measures, we ceased ongoing chip development activities and significantly curtailed our spending for sales and marketing of our WiFi product line in order to focus our limited resources on our patent enforcement program.

From a patent enforcement standpoint, we spent much of 2018 defending our patents in validity actions filed by defendants in our patent infringement proceedings. See “Legal Proceedings” in Note 10 to our consolidated financial statements included in Item 8 for a detailed description of our various patent enforcement actions. Notably, a prior stay has been lifted in our patent infringement case against Qualcomm and HTC in the middle district of Florida as a result of an appellate court decision regarding one of the patents at issue in that case. In addition, we are expecting a court decision shortly regarding claim construction in our patent infringement case against Apple and Qualcomm in the middle district of Florida. We anticipate receiving trial schedules for both of these U.S. cases in the near term.

In addition, on March 15, 2019, we concluded a hearing in Germany in a patent infringement case against Apple for products that incorporate Intel chips. We expect the court’s decision in that case in April 2019. We also filed an appeal in January 2019 of an unfavorable validity decision in Germany that impacts two German cases filed against LG and Apple for products that utilize Qualcomm chips.

A significant portion of our litigation costs are funded under a secured contingent payment arrangement with Brickell Key Investments LP (“Brickell”) and other contingent arrangements with our legal counsel. In 2018, we received an aggregate of \$4.0 million in additional proceeds from Brickell to fund our ongoing patent enforcement actions. In addition to Brickell funding, we also funded our operations in 2018 through the sale of approximately \$5.3 million in equity and equity-linked securities and \$1.3 million in convertible debt. In addition, in the first quarter of 2019, we received additional net proceeds of approximately \$1.3 million from the sale of additional convertible notes. See “Liquidity and Capital Resources” included in Item 7 for a full discussion of our litigation funding arrangements and our



equity and debt financings.

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### Milo WiFi Products

Our Milo WiFi products did not generate the revenue growth that we anticipated in the first half of 2018. Accordingly, as part of our restructuring in August 2018, we made significant reductions in our product sales, marketing, development and operations staff as well as our expenditures for advertising and other marketing promotions, causing sales to further decline. We expect to sell or otherwise exit our WiFi product operations in the second quarter of 2019.

### Product Offerings

Our Milo-branded WiFi product line is a cost-effective networking system that enhances WiFi connectivity by effectively distributing the WiFi signal from existing routers and modems throughout a broader coverage area, eliminating WiFi dead zones and creating a more even distribution of data rates across the coverage area. Our product offering includes a two-unit system designed for coverage areas of up to 2,500 square feet, a three-unit system designed for coverage areas of up to 3,750 square feet, and a single-unit system, introduced in May 2018, that can be installed as a stand-alone system for smaller homes and apartments, or installed as an add-on to an existing Milo system for added coverage.

The Milo system can connect to an existing router via Ethernet cable. Alternatively, the system can connect to the router wirelessly through our BaseLink technology thus enabling the Milo user to eliminate redundancy of coverage from an existing router while also optimizing and maximizing the overall coverage area. Our embedded SmartSeek intelligence enables the Milo system to delegate signal communication across multiple radios in each Milo unit, thereby optimizing the network path for each unique environment. The systems are supported by mobile applications for both Apple and Android devices to enhance the overall customer experience.

### Markets

We marketed our Milo product line as a cost-effective product solution for inadequate WiFi coverage to consumers, small businesses and certain vertical markets, such as internet service providers. The growing number of internet-connected devices, including smart phones, laptops, tablets, Smart Home, and Internet of Things devices such as Smart TVs, security cameras, thermostat controls, game consoles, etc., have increased the need for more robust and reliable networking solutions. Internet connections are being upgraded through high-speed broadband technologies in order to address more complex applications and rich multimedia content. Meanwhile, users want the convenience and flexibility of operating truly mobile devices. As a result, the need for more convenience, broader coverage, and increased reliability of residential and small business WiFi networks is increasing demand for reliable wireless networking products.

## Sales Channels

We began selling our Milo WiFi products in the U.S. in 2017 primarily through Amazon.com and our own online store. In 2018, we began expanding our online sales channels to include Walmart.com and NeweggBusiness.com. In addition, we utilized consignment arrangements with a wholesale distributor to supply additional online retail channels. During 2018, we also marketed our products and related services directly to internet service providers in the U.S. although we ceased these efforts following our August 2018 restructuring. The Amazon.com sales channel accounted for approximately 66% and 60% of our net revenues for the years ended December 31, 2018 and 2017, respectively. In addition, a QVC distributor accounted for approximately 13% of our net revenue for the year ended December 31, 2018.

## Production and Supply

To mitigate supply risk, and based on anticipated revenue growth, we built up a significant Milo component and finished product inventory in 2017. To date, our inventory has significantly exceeded the demand generated by our marketing programs. As a result, in connection with our restructuring in August 2018, we ceased production and recognized impairment charges against our on-hand inventories.

Our components are generally purchased from third-party suppliers, including contract manufacturers, on a purchase order basis. Our components generally have multiple sources of supply; however some components are designed specifically for our products and, in some cases, require specialty tooling. Our third-party suppliers generally purchase the materials for these components on our behalf on a purchase order basis. Lead times for our component products are generally 60 to 90 days without incurring additional costs for expediting.

## Competitive Position

We operate in a highly competitive industry against companies with greater brand recognition and substantially greater financial, technical, and sales and marketing resources. As a result, our competitors have larger distribution channels and greater reach to customers than we do.

Our WiFi products compete with WiFi networking products offered by companies such as Google, Belkin/Linksys, D-Link, NetGear, Eero (recently purchased by Amazon), and others. We also face competition from service providers who bundle competing networking devices with their service offering. We believe the principal competitive factors in the markets for our networking products include product performance, ease-of-installation, price, and customer support.

Our technologies and integrated circuit products face competition from incumbent providers of transceivers, such as Broadcom, Fujitsu, Intel, MediaTek, NVidia, Qualcomm, STMicroelectronics, Marvell, Texas Instruments, and others, as well as incumbent providers of power amplifiers, including companies such as Anadigics, Qorvo, and Skyworks, among others. Each of our competitors, however, also has the potential of becoming a licensing or product customer for our technologies. To date, we are unaware of any competing or emerging RF technologies, other than infringing products, that provide all the simultaneous benefits that certain of our technologies enable, including highly accurate transmission and reception of RF carriers that use less power than traditional architectures and components, thereby extending battery life, reducing heat and enabling certain size, cost, performance, and packaging advantages.

We believe the most significant hurdle to the licensing and/or sale of our technologies and products is the widespread use of certain of our technologies in infringing products produced by companies with significantly greater financial, technical and sales and marketing resources. We believe we can gain adoption and/or secure licensing agreements with unauthorized current users of one or more of our technologies, and therefore compete, based on a solid and defensible patent portfolio and the advantages enabled by our unique circuit architectures.

## Patents and Trademarks

We consider our intellectual property, including patents, patent applications, trademarks, and trade secrets to be significant to our competitive positioning. We have a program to file applications for and obtain patents, copyrights, and trademarks in the U.S. and in selected foreign countries where we believe filing for such protection is appropriate to establish and maintain our proprietary rights in our technology and products. As of December 31, 2018, we had 134 U.S. and 33 foreign patents related to our RF technologies. In addition, we have a number of U.S. and foreign patent applications pending. We estimate the economic lives of our patents to be the shorter of fifteen years from issuance or twenty years from the earliest application date. Our current portfolio of issued patents have expirations ranging from 2019 to 2034. We had approximately 52 patents that expired in 2018, including certain patents that are the subject of enforcement actions. We believe these expired patents continue to have significant economic value to us as a result of our ability to collect past damages in the event of a successful enforcement action.

## Employees

As of December 31, 2018, we had 14 full-time and 2 part-time employees, including 7 in WiFi product development, sales and customer support, 3 in technical support for our patent enforcement and licensing programs, and 6 in executive management, finance, and administration. We also utilize temporary or contract staff from time to time to supplement our workforce. Our employees are not represented by any collective bargaining agreements and we consider our employee relations to be satisfactory.

## Available Information and Access to Reports

We file annual reports on Forms 10-K, quarterly reports on Forms 10-Q, proxy statements and other reports, including any amendments thereto, electronically with the SEC. The SEC maintains an Internet site (<http://www.sec.gov>) where these reports may be obtained at no charge. We also make copies of these reports available, free of charge through our website (<http://www.parkervision.com>) via the link “SEC filings” as soon as practicable after filing or furnishing such materials with the SEC.

## Corporate Website

We webcast our earnings calls and certain events we participate in or host with members of the investment community in the investor relations section of our website. Additionally, we announce investor information, including news and

commentary about our business, financial performance and related matters, SEC filings, notices of investor events, and our press and earnings releases, in the investor relations section of our website (<http://ir.parkervision.com>). Investors and others can receive notifications of new information posted in the investor relations section in real time by signing up for email alerts and/or RSS feeds. Further corporate governance information, including our governance guidelines, Board committee charters, and code of conduct, is also available in the investor relations section of our website under the heading “Corporate Governance.” The content of our website is not incorporated by reference into this Annual Report or in any other report or document we file with the SEC, and any references to our website are intended to be inactive textual references only.

Item 1A. Risk Factors.

In addition to other risks and uncertainties described in this Annual Report, the following risk factors should be carefully considered in evaluating our business because such factors may have a significant impact on our business, operating results, liquidity and financial condition. As a result of the risk factors set forth below, actual results could differ materially from those projected in any forward-looking statements.

Our financial condition raises substantial doubt as to our ability to continue as a going concern.

We have had significant losses and negative cash flows in every year since inception, and continue to have an accumulated deficit which, at December 31, 2018, was approximately \$392.3 million. Our net losses for the years ended December 31, 2018 and 2017 were approximately \$20.9 million and \$19.3 million, respectively. Our independent registered public accounting firm has included in their audit opinion on our consolidated financial statements as of and for the year ended December 31, 2018, a statement with respect to substantial doubt about our ability to continue as a going concern. Note 2 to our consolidated financial statements included in Item 8 includes a discussion regarding our liquidity and our ability to continue as a going concern. Our consolidated financial statements have been prepared assuming we will continue to operate as a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. If we become unable to continue as a going concern, we may have to liquidate our assets and the values we receive for our assets in liquidation or dissolution could be significantly lower than the values reflected in our consolidated financial statements. The substantial doubt as to our ability to continue as a going concern may adversely affect our ability to negotiate reasonable terms with our vendors and may adversely affect our ability to raise additional capital in the future.

We have had a history of losses which may ultimately compromise our ability to implement our business plan and continue in operation.

To date, our technologies and products have not produced revenues sufficient to cover our operating costs. We will continue to make expenditures on patent protection and enforcement and general operations in order to secure and fulfill any contracts that we achieve for the sale of our products or technologies. Without a successful financial outcome from our current patent enforcement efforts, our revenues in 2019 will not bring us to profitability and our current capital resources will not be sufficient to sustain our operations through 2019. If we are not able to generate sufficient revenues or obtain sufficient capital resources, we will not be able to implement our business plan or meet our current obligations due within the twelve months after the issuance date of our consolidated financial statements and investors will suffer a loss in their investment. This may also result in a change in our business strategies.

We will need to raise substantial additional capital in the future to fund our operations. Failure to raise such additional capital may prevent us from implementing our business plan as currently formulated.



Because we have had net losses and, to date, have not generated positive cash flow from operations, we have funded our operating losses primarily from the sale of debt and equity securities, including our secured contingent debt obligation. Our capital resources include cash and cash equivalents of \$1.5 million at December 31, 2018. In addition, we received proceeds of \$1.3 million in the first quarter of 2019 from the sale of convertible notes. Although we implemented significant cost reduction measures in August 2018, our business plan will continue to require expenditures for patent protection and enforcement and general operations. For the years ended December 31, 2018 and 2017, we used \$10.3 million and \$14.1 million, respectively in cash for operations which was funded primarily through the sale of debt and equity securities. Our current capital resources will not be sufficient to meet our working capital needs for the twelve months after the issuance of our consolidated financial statements

and we will require additional capital to fund our operations. Additional capital may be in the form of debt securities, the sale of equity securities, including common or preferred stock, additional litigation funding, or a combination thereof. Failure to raise additional capital will have a material adverse impact on our ability to achieve our business objectives.

If we are unsuccessful in executing our cost reduction measures, our business and results of operations may be adversely affected.

In August 2018, we implemented cost reduction measures in order to focus our limited resources on our patent enforcement program. These cost reduction measures included a significant reduction in our workforce, a reduction in executive management salaries, the closure of our engineering design center in Lake Mary, Florida, cessation of our chip development activities, and significant curtailment of sales and marketing expenditures for our WiFi products. We expect these cost reduction measures to be fully captured by the end of 2019, and we estimate that we will recognize annualized savings of approximately \$9 million. However, we cannot provide assurance that our anticipated cost savings will be fully realized or that business and financial results will improve. Our ability to achieve the anticipated costs savings and other benefits is subject to economic, competitive and other uncertainties, some of which are beyond our control. We may experience delays in the timing of certain cost reduction efforts or unanticipated costs in implementing them. Moreover, changes in the size, alignment or organization of our workforce could adversely affect employee morale and retention, relations with customers, vendors and business partners, and impair our ability to realize our current or future business and financial objectives. If we do not succeed in our cost reduction efforts, if these efforts are more costly or time-consuming than anticipated, if we experience delays or if other unforeseen events occur, our business and results of operations may be adversely affected.

Raising additional capital by issuing debt securities or additional equity securities may result in dilution and/or impose covenants or restrictions that create operational limitations or other obligations.

We will require additional capital to fund our operations and meet our current obligations due within the twelve months after the issuance date of our consolidated financial statements. Financing, if any, may be in the form of debt or sales of equity securities, including common or preferred stock. Debt instruments or the sale of preferred stock may result in the imposition of operational limitations and other covenants and payment obligations, any of which may be burdensome to us and may have a material adverse impact on our ability to implement our business plan as currently formulated. The sale of equity securities, including common or preferred stock, may result in dilution to the current stockholders' ownership and may be limited by the number of shares we have authorized and available for issuance. For example, we are party to a common stock purchase agreement dated October 17, 2017 with Aspire Capital. The sale of shares of common stock pursuant to this agreement has the potential to be significantly dilutive to our shareholders. Under the agreement, Aspire Capital committed to purchase up to an aggregate of \$20 million in shares of our common stock over the 30-month term of the agreement at purchase prices based on the market price of our common stock, assuming a minimum price of \$0.50 per share. To date, we have sold 3.7 million shares of common stock to Aspire Capital under the agreement, which represents approximately 12.8% of our current total

shares outstanding, for an aggregate purchase price of approximately \$3.1 million. We have the ability to sell up to an additional \$16.9 million in shares (or 33.8 million shares assuming a purchase price of \$0.50 per share) under the agreement, subject to certain daily limits and provided that, among other things, the shares are registered for resale by Aspire Capital and we have sufficient authorized shares under our articles of incorporation.

We may be obligated to repay outstanding notes at a premium upon the occurrence of an event of default.

We have \$3.2 million in secured and unsecured notes payable and \$1.2 million in outstanding principal under convertible notes payable at December 31, 2018 and we have an additional \$1.3 million in outstanding principal under convertible notes issued in the first quarter of 2019. If we fail to comply with the various covenants set forth in each of the notes, including failure to pay principal or interest when due or, under certain notes, consummating a change in control, we could be in default thereunder. Upon an event of default under each of the notes, the interest rate of the notes will increase to 12% per annum and the outstanding principal balance of the notes plus all accrued unpaid interest may be declared immediately payable by the holders. We may not have sufficient available funds to repay the notes upon an event of default, and we cannot provide assurances that we will be able to obtain other financing at terms acceptable to us, or at all.

Our ability to utilize our tax benefits could be substantially limited if we fail to generate sufficient income or if we experience an “ownership change.”

We have cumulative net operating loss carryforwards (“NOLs”) totaling approximately \$336.4 million at December 31, 2018, of which \$323.5 million is subject to expiration in varying amounts from 2019 to 2036. Our ability to fully recognize the benefits from those NOLs is dependent upon our ability to generate sufficient income prior to their expiration. In addition, our NOL carryforwards may be limited if we experience an ownership change as defined by Section 382 of the Internal Revenue Code. In general, an ownership change under Section 382 occurs if 5% shareholders increase their collective ownership of the aggregate amount of our outstanding shares by more than 50 percentage points over a relevant lookback period. The sale of additional equity securities may trigger an ownership change under Section 382 which will significantly limit our ability to utilize our tax benefits. In order to avoid limitations imposed by Section 382 of the Code, we may be limited in the amount of additional equity securities we are able to sell to raise capital.

Our litigation funding arrangements may impair our ability to obtain future financing and/or generate sufficient cash flows to support our future operations.

We have funded much of our cost of litigation through contingent financing arrangements with Brickell and contingent fee arrangements with legal counsel. The repayment obligation to Brickell is secured by the majority of our assets until such time that we have repaid a specified minimum return. Furthermore, our contingent financing arrangements will result in reductions in the amount of net proceeds retained by us from litigation, licensing and other patent-related activities. For example, Brickell is currently entitled to priority payment of at least the next \$14.7 million in patent-related proceeds received by us. Thereafter, any remaining net proceeds will be prorated between us, our legal counsel and Brickell. The long-term continuation of our business plan is dependent upon our ability to secure sufficient financing to support our business, and our ability to generate revenues and/or patent related proceeds sufficient to offset expenses and meet our contingent payment obligation. Failure to generate revenue or other patent-related proceeds sufficient to repay our contingent obligation may impede our ability to obtain additional financing which will have a material adverse effect on our ability to achieve our long-term business objectives.

Our litigation can be time-consuming, costly and we cannot anticipate the results.

Since 2011, we have spent a significant amount of our financial and management resources to pursue patent infringement litigation against third parties. We believe this litigation, and other litigation matters that we may in the future determine to pursue, could continue to consume management and financial resources for long periods of time. There can be no assurance that our current or future litigation matters will ultimately result in a favorable outcome for us. In addition, even if we obtain favorable interim rulings or verdicts in particular litigation matters, they may not be predictive of the ultimate resolution of

the matter. Unfavorable outcomes could result in exhaustion of our financial resources and could otherwise hinder our ability to pursue licensing and/or product opportunities for our technologies which would have a material adverse impact on our financial condition, results of operations, cash flows, and business prospects. We have contingent fee arrangements in place with others to reduce our litigation related expenditures; however any litigation-based or other patent-related amounts collected by us will be subject to contingency payments to our legal counsel and other funding parties which will reduce the amount retained by us.

If our patents and intellectual property rights do not provide us with the anticipated market protections, our competitive position, business, and prospects will be impaired.

We rely on our intellectual property rights, including patents and patent applications, to provide competitive advantage and protect us from theft of our intellectual property. We believe that our patents are for entirely new technologies and that our patents are valid, enforceable and valuable. However, third parties have made claims of invalidity with respect to certain of our patents and other similar claims may be brought in the future. For example, the Federal Patent Court in Munich recently invalidated one of our patents that is the subject of infringement cases against LG and Apple in Germany following a nullity claim filed by Qualcomm. If our patents are shown not to be as broad as currently believed, or are otherwise challenged such that some or all of the protection is lost, we will suffer adverse effects from the loss of competitive advantage and our ability to offer unique products and technologies. As a result, there would be an adverse impact on our financial condition and business prospects. Furthermore, defending against challenges to our patents may give rise to material costs for defense and divert resources away from our other activities.

We are subject to outside influences beyond our control, including new legislation that could adversely affect our licensing and enforcement activities and have an adverse impact on the execution of our business plan.

Our licensing and enforcement activities are subject to numerous risks from outside influences, including new legislation, regulations and rules related to obtaining or enforcing patents. For instance, the U.S. has enacted sweeping changes to the U.S. patent system including changes that transition the U.S. from a “first-to-invent” to a “first-to-file” system and that alter the processes for challenging issued patents. To the extent that we are unable to secure patent protection for our future technologies and/or our current patents are challenged such that some or all of our protection is lost, we will suffer adverse effects to our ability to offer unique products and technologies. As a result, there would be an adverse impact on our financial position, results of operations and cash flows and our ability to execute our business plan.

Our industry is subject to rapid technological changes which if we are unable to match or surpass, will result in a loss of competitive advantage and market opportunity.

Because of the rapid technological development that regularly occurs in the wireless technology industry, along with shifting user needs and the introduction of competing products and services, we have historically devoted substantial resources to developing and improving our technology and introducing new product offerings. As a result of our 2018 cost reduction measures, we do not expect to continue to spend a significant amount in this area in the future which could result in a loss in market opportunity and obsolescence of our products which could adversely affect our revenue potential.



If our technologies and/or products are not commercially accepted, our developmental investment will be lost and our ability to do business will be impaired.

There can be no assurance that our research and development will produce commercially viable technologies and products, or that our technologies and products will be established in the market as improvements over current competitive offerings. If our existing or new technologies and products are not commercially accepted, the funds expended will not be recoverable, and our competitive and financial position will be adversely affected. In addition, perception of our business prospects will be impaired with an adverse impact on our ability to do business and to attract capital and employees.

If we fail to properly estimate customer demand for our products, an oversupply of component parts could result in excess or obsolete inventory that could adversely affect our operating results.

Our operating results would be adversely affected if, anticipating greater demand for our products than actually develops, we commit to the purchase of more component parts than we need which is more likely to occur in a period of demand uncertainties such as during the rollout of a new product line like our Milo product line. In addition, component purchase commitments made by us in order to shorten lead times could also lead to excess and obsolete inventory charges. If we fail to anticipate customer demand properly, an oversupply of component parts could result in excess or obsolete components that could adversely affect our gross margins and operating results. For example, the demand for our Milo product line to date has been significantly less than anticipated resulting in an oversupply of both component parts and finished products. We incurred impairment charges for the year ended December 31, 2018 of approximately \$1.1 million as a result of this excess inventory. These impairment charges adversely affect our gross margins and operating results.

If we experience quality issues with our products, our competitive position, business and market opportunity may be impaired.

We produce products that incorporate leading-edge technology, including both hardware and software. Software typically contains bugs that can unexpectedly interfere with expected operations. There can be no assurance that our pre-shipment testing programs will be adequate to detect all defects, either ones in individual products or ones that could affect numerous shipments, which might interfere with customer satisfaction, reduce sales opportunities, or affect gross margins. If we have to replace certain components and provide remediation in response to the discovery of defects or bugs in products that we had shipped, there can be no assurance that such remediation would not have a material impact. An inability to cure a product defect could result in the failure of a product line, damage to our reputation, inventory costs, or product reengineering expenses, any of which could have a material impact on our revenue, margins, and net losses.

We are highly dependent on Mr. Jeffrey Parker as our chief executive officer. If his services were lost, it would have an adverse impact on the execution of our business plan.



Because of Mr. Parker's leadership position in the company and the respect he has garnered in both the industry in which we operate and the investment community, the loss of his services might be seen as an impediment to the execution of our business plan. If Mr. Parker was no longer available to the company, investors might experience an adverse impact on their investment. We maintain \$5 million in key-employee life insurance for our benefit for Mr. Parker.

If we are unable to attract or retain key executives and other highly skilled employees, we will not be able to execute our current business plans.

Our business is dependent on having skilled and specialized key executives and other employees to conduct our business activities. The inability to obtain or retain these key executives and other specialized employees would have an adverse impact on the research, development, and technical support activities

and the financial reporting and regulatory compliance activities that our business requires. These activities are instrumental to the successful execution of our business plan.

Any disruptions to our information technology systems or breaches of our network security could interrupt our operations, compromise our reputation, expose us to litigation, government enforcement actions, and costly response measures and could have a material adverse effect on our business, financial condition and results of operations.

We rely on information technology systems, including third-party hosted servers and cloud-based servers, to keep business, financial, and corporate records, communicate internally and externally, and operate other critical functions. If any of our internal systems or the systems of our third-party providers are compromised due to computer virus, unauthorized access, malware, and the like, then sensitive documents could be exposed or deleted, and our ability to conduct business could be impaired. Cyber incidents can result from deliberate attacks or unintentional events. These incidents can include, but are not limited to, unauthorized access to our systems, computer viruses or other malicious code, denial of service attacks, malware, ransomware, phishing, SQL injection attacks, human error, or other events that result in security breaches or give rise to the manipulation or loss of sensitive information or assets. Cyber incidents can be caused by various persons or groups, including disgruntled employees and vendors, activists, organized crime groups, and state-sponsored and individual hackers. Cyber incidents can also be caused or aggravated by natural events, such as earthquakes, floods, fires, power loss, and telecommunications failures. The risk of cybersecurity breach has generally increased as the number, intensity, and sophistication of attempted attacks from around the world has increased. While we have cyber security procedures in place, given the evolving nature of these threats, there can be no assurance that we will not suffer material losses in the future due to cyber-attacks.

To date, we have not experienced any material losses relating to cyber-attacks, computer viruses or other systems failures. Although we have taken steps to protect the security of data maintained in our information systems, it is possible that our security measures will not be able to prevent the systems' improper functioning or the improper disclosure of personally identifiable information, such as in the event of cyber-attacks. In addition to operational and business consequences, if our cybersecurity is breached, we could be held liable to our customers or other parties in regulatory or other actions, and we may be exposed to reputation damages and loss of trust and business. This could result in costly investigations and litigation, civil or criminal penalties, fines and negative publicity.

Our outstanding options, warrants, and restricted stock units may affect the market price and liquidity of the common stock.

At December 31, 2018, we had 28.7 million shares of common stock outstanding and had outstanding options, warrants and restricted stock units for the purchase of up to 14.5 million additional shares of common stock, of which approximately 9.1 million were exercisable as of December 31, 2018. The outstanding warrants include pre-funded warrants for the purchase of up to 2.9 million shares of common stock at an exercise price of \$0.01 per share. In addition, as described more fully below, holders of convertible notes may elect to receive a substantial number of shares of common stock upon conversion of the notes and we may elect to pay accrued interest on the notes in shares

of our common stock. All of the shares of common stock underlying these securities are or will be registered for sale to the holder or for public resale by the holder. The amount of common stock reserved for issuance may have an adverse impact on our ability to raise capital and may affect the price and liquidity of our common stock in the public market. In addition, the issuance of these shares of common stock will have a dilutive effect on current stockholders' ownership.

The conversion of outstanding convertible notes into shares of common stock, and the issuance of common stock by us as payment of accrued interest upon the convertible notes, could materially dilute our current stockholders.

We have aggregate principal of \$1.2 million in convertible notes outstanding at December 31, 2018. The notes are convertible into shares of our common stock at fixed conversion prices, which may be less than the market price of our common stock at the time of conversion. If the entire principal is converted into shares of common stock, we would be required to issue an aggregate of up to 2.7 million shares of common stock. In addition, in the first quarter of 2019, we issued an additional aggregate principal amount of \$1.3 million in convertible notes which, if converted at the fixed conversion price, would result in the issuance of an additional 5.2 million shares of our common stock. If we issue all of these shares, the ownership of our current stockholders will be diluted.

Further, we may elect to pay interest on the notes, in our option, in shares of common stock, at a price equal to the then-market price for our common stock. We currently do not believe that we will have the financial ability to make all payments on the notes in cash when due. Accordingly, we currently intend to make such payments in shares of our common stock to the greatest extent possible. Such interest payments could further dilute our current stockholders.

The price of our common stock may be subject to substantial volatility.

The trading price of our common stock has been and may continue to be volatile. Between January 1, 2017 and December 31, 2018, the reported high and low sales prices for our common stock ranged between \$0.13 and \$3.80 per share. The price of our common stock may continue to be volatile as a result of a number of factors, some of which are beyond our control. These factors include, but are not limited to, developments in outstanding litigation, our performance and prospects, general conditions of the markets in which we compete, and economic and financial conditions. Such volatility could materially and adversely affect the market price of our common stock in future periods.

Our common stock was delisted from the Nasdaq Capital Market and is now quoted on OTCQB, an over-the-counter market. There can be no assurance that our common stock will continue to trade on the OTCQB or on another over-the-counter market or securities exchange.

Trading of our common stock on the Nasdaq Capital Market was suspended effective at the open of business on August 17, 2018 as a result of our failure to maintain at least \$35 million in market value of listed securities. Our common stock began trading on the OTCQB, an over-the-counter market, immediately following delisting from Nasdaq, under the symbol "PRKR". The over-the-counter market is a significantly more limited market than Nasdaq, and the quotation of our common stock on the over-the-counter market may result in a less liquid market available for existing and potential stockholders to trade shares of our common stock. Securities traded in the over-the-counter market generally have less liquidity due to factors such as the reduced number of investors that will consider investing in the securities, the reduced number of market makers in the securities, and the reduced number of securities analysts that follow such securities. As a result, holders of shares of our common stock may find it difficult to resell their shares at prices quoted in the market or at all. We may be subject to additional compliance requirements under applicable state laws relating to the issuance of our securities. This could have a long-term adverse effect on our

ability to raise capital, which ultimately could adversely affect the market price of our common stock. Delisting could also have other negative results, including the potential loss of confidence by employees, the loss of institutional investor interest and fewer business development opportunities. We cannot provide any assurances as to if or when we will be in a position to relist our common stock on a nationally-recognized securities exchange.

Our common stock is classified as a “penny stock” under SEC rules, which means broker-dealers who make a market in our stock will be subject to additional compliance requirements.

Our common stock is deemed to be a "penny stock" as defined in the Securities Exchange Act of 1934 (the “Exchange Act”). Penny stocks are stocks (i) with a price of less than five dollars per share; (ii) that are not traded on a recognized national exchange; (iii) whose prices are not quoted on an automated quotation system sponsored by a recognized national securities association; or (iv) whose issuer has net tangible assets less than \$2,000,000 (if the issuer has been in continuous operation for at least three years); or \$5,000,000 (if continuous operations for less than three years); or with average revenues of less than \$6,000,000 for the last three years. The Exchange Act requires broker-dealers dealing in penny stocks to provide potential investors with a document disclosing the risks of penny stocks and to obtain a manually signed and dated written receipt of the document before effecting any transaction in a penny stock for the investor’s account. Potential investors in our common stock are urged to obtain and read such disclosure carefully before purchasing any shares that are deemed to be “penny stock.” Further, the Exchange Act requires broker-dealers dealing in penny stocks to approve the account of any investor for transactions in such stocks before selling any penny stock to that investor. These procedures require the broker-dealer to (i) obtain from the investor information concerning his, her or its financial situation, investment experience and investment objectives; (ii) reasonably determine, based on that information, that transactions in penny stocks are suitable for the investor, and that the investor has sufficient knowledge and experience as to be reasonably capable of evaluating the risks of penny stock transactions; (iii) provide the investor with a written statement setting forth the basis on which the broker dealer made the determination in (ii) above; and (iv) receive a signed and dated copy of such statement from the investor, confirming that it accurately reflects the investor’s financial situation, investment experience and investment objectives. Compliance with these requirements may affect the ability or willingness of broker-dealers to sell our securities, and accordingly would affect the ability of stockholders to sell their securities in the public market. These additional procedures could also limit our ability to raise additional capital in the future.

We do not currently pay dividends on our common stock and thus stockholders must look to appreciation of our common stock to realize a gain on their investments.

We do not currently pay dividends on our common stock and intend to retain our cash and future earnings, if any, to fund our business plan. Our future dividend policy is within the discretion of our board of directors and will depend upon various factors, including our business, financial condition, results of operations and capital requirements. We therefore cannot offer any assurance that our board of directors will determine to pay special or regular dividends in the future. Accordingly, unless our board of directors determines to pay dividends, stockholders will be required to look to appreciation of our common stock to realize a gain on their investment. There can be no assurance that this appreciation will occur.

Provisions in our certificate of incorporation and by-laws could have effects that conflict with the interest of shareholders.

Some provisions in our certificate of incorporation and by-laws could make it more difficult for a third party to acquire control of us. For example, our board of directors is divided into three classes with directors having staggered terms of office, our board of directors has the ability to issue preferred stock without shareholder approval, and there are advance notification provisions for director nominations and submissions of proposals from shareholders to a vote by all the shareholders under the by-laws. Florida law also has anti-takeover provisions in its corporate statute.

We have a shareholder protection rights plan that may delay or discourage someone from making an offer to purchase the company without prior consultation with the board of directors and management, which may conflict with the interests of some of the shareholders.

On November 17, 2005, as amended on November 20, 2015, our board of directors adopted a shareholder protection rights plan which called for the issuance, on November 29, 2005, as a dividend, of rights to acquire fractional shares of preferred stock. The rights are attached to the shares of common stock and transfer with them. In the future the rights may become exchangeable for shares of preferred stock with various provisions that may discourage a takeover bid. Additionally, the rights have what are known as “flip-in” and “flip-over” provisions that could make any acquisition of the company more costly. The principal objective of the plan is to cause someone interested in acquiring the company to negotiate with the board of directors rather than launch an unsolicited bid. This plan may limit, prevent, or discourage a takeover offer that some shareholders may find more advantageous than a negotiated transaction. A negotiated transaction may not be in the best interests of the shareholders.

#### Item 1B. Unresolved Staff Comments.

Not applicable.

#### Item 2. Properties.

Our headquarters are located in a 14,000 square foot leased facility in Jacksonville, Florida. We have an additional 7,000 square foot leased facility in Lake Mary, Florida that was primarily for engineering design activities. As a result of our restructuring in August 2018, we have ceased use of the Lake Mary facility and are attempting to sublease the facility for the remaining lease term. We also lease a 3,000 square foot facility in Jacksonville, Florida that serves as our warehousing space for Milo product inventory. We believe our properties are in good condition and suitable for the conduct of our business. Refer to “Lease Commitments” in Note 10 to our consolidated financial statements included in Item 8 for information regarding our outstanding lease obligations.

#### Item 3. Legal Proceedings.



We are a party to a number of patent enforcement actions initiated by us against others for the infringement of our technologies, as well as proceedings brought by others against us in an attempt to invalidate certain of our patent claims. These patent-related proceedings are more fully described in “Legal Proceedings” in Note 10 to our consolidated financial statements included in Item 8.

Item 4. Mine Safety Disclosures.

Not applicable.

## PART II

### Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

#### Market Information

On August 17, 2018, our Common Stock was delisted from Nasdaq and began trading on the OTCQB, an over-the-counter market, under the ticker symbol "PRKR". Over-the-counter market quotations reflect inter-dealer prices, without retail mark-up, mark-down, or commission, and may not necessarily represent actual transactions.

#### Holder

As of March 25, 2019, we had approximately 42 holders of record and we believe there are approximately 12,000 beneficial holders of our common stock.

### Item 6. Selected Financial Data.

Not applicable.

### Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

#### Executive Overview

We are in the business of innovating fundamental wireless technologies and products. We have designed and developed proprietary RF technologies and integrated circuits for use in wireless communication products. We have expended significant financial and other resources to research and develop our RF technologies and to obtain patent protection for those technologies in the U.S. and certain foreign jurisdictions. We believe certain patents protecting our proprietary technologies have been broadly infringed by others and therefore our business plan includes enforcement of our intellectual property rights through patent infringement litigation and licensing efforts. We have also designed and developed a consumer distributed WiFi product line that is being marketed under the brand name Milo.

In August 2018, we implemented cost reduction measures that included a significant reduction in our workforce, the closure of our engineering design center in Lake Mary, Florida and a reduction in executive and management salaries in order to reduce our ongoing operating expenses. As a result of these measures, we ceased ongoing chip development activities and significantly curtailed our spending for sales and marketing of our Milo product line in order to focus our limited resources on our patent enforcement program. We expect to sell or otherwise exit the Milo product operations in the second quarter of 2019 and intend to focus our resources solely on licensing and enforcement of our wireless technologies.

We continue to aggressively pursue licensing opportunities with wireless communications companies that make, use or sell chipsets and/or products that incorporate RF. We believe there are a number of wireless communications companies that can benefit from the use of the RF technologies we have developed, whether through a license or, in certain cases, a joint product venture that may include licensing rights. From time to time, our licensing efforts require litigation in order to enforce and/or defend our intellectual property rights. Since 2011, we have been involved in patent infringement litigation against Qualcomm and others for the unauthorized use of our technology. Refer to “Legal Proceedings” in Note 10 to our consolidated financial statements included in Item 8 for a complete discussion of our legal proceedings.

We have expended significant resources since 2011 and incurred significant debt for the enforcement and defense of our intellectual property rights.

### Liquidity and Capital Resources

At December 31, 2018, we had a working capital deficit of approximately \$2.1 million, an increase of approximately \$1.9 million compared to our working capital deficit at December 31, 2017. The increase in working capital deficit is largely due to increases in amounts payable to outside litigation firms and a decrease in the carrying value of our inventory and prepaid assets due to impairment charges associated with our August 2018 restructuring.

We have incurred significant losses from operations and negative cash flows in every year since inception, largely as a result of our significant investments in developing and protecting our intellectual property. For the year ended December 31, 2018, we incurred a net loss of approximately \$20.9 million and had an accumulated deficit of approximately \$392.3 million. Our independent registered public accounting firm has included in their audit report an explanatory paragraph expressing substantial doubt about our ability to continue as a going concern. See Note 2 to our consolidated financial statements included in Item 8 for a discussion of our liquidity and our ability to continue as a going concern.

We used cash for operations of \$10.3 million in 2018, representing a \$3.8 million, or 27%, decrease from our use of cash for operations in 2017. This decrease in cash usage is primarily the result of a decrease in cash used for legal expenses associated with our patent infringement litigation, largely offset by increased cash usage related to inventory expansion and other costs from the development and launch of our WiFi networking product line.

We have utilized the proceeds from the sale of equity and equity-linked securities and our contingent funding arrangement with Brickell to fund our operations, including litigation costs. We received net proceeds of approximately \$10.6 million and \$14.7 million from equity and debt financings for the years ended December 31, 2018 and 2017, respectively, including an aggregate of \$4.0 million and \$1.0 million, respectively, received in connection with our contingent funding arrangement with Brickell.

A significant portion of our litigation costs since 2016 have been funded by Brickell. See “Financial Condition” below for a complete discussion of our obligation to Brickell. At December 31, 2018, our aggregate repayment obligation to Brickell was recorded at its estimated fair value of \$25.6 million. Although current working capital will not be used to repay this obligation, Brickell is entitled to priority payment of 100% of at least the next \$14.7 million in proceeds

received by us from any patent-related action. After priority payments to Brickell, any remaining future net proceeds from specific patent enforcement actions will be prorated and prioritized between us, our legal counsel, and Brickell based upon a number of factors including whether the proceeds are a result of a contingently-funded action, the magnitude, nature and timing of the proceeds received, and the contingent percentage agreed to between the parties. Based on our current outstanding legal proceedings, management expects that the contingent fees payable to Brickell and others could range from 25% to 80% of the net proceeds remaining after priority reimbursement to Brickell. These contingent fees are limited to specific actions and are expected to decline following successful completion of our current phase of licensing and patent enforcement activities.

We had cash and cash equivalents totaling approximately \$1.5 million at December 31, 2018. In the first quarter of 2019, we received net proceeds of approximately \$1.3 million from the issuance of additional convertible debt securities. Although we anticipate a significant decrease in our use of cash for operations in 2019 as a result of our August 2018 cost reduction measures, we expect this decrease to be somewhat offset by increases in our debt repayments. At December 31, 2018, we had approximately \$2.4 million in debt obligations due to be repaid in 2019, an increase from \$0.3 million in current debt obligations at December 31, 2017. This increase in our short-term debt repayment obligations is primarily the result of the issuance of a secured promissory note to our litigation counsel in 2018 for unpaid fees and costs related to our patent enforcement program. Our ability to meet our short-term liquidity needs, including our debt repayment obligations, is dependent upon one or more of (i) our ability to successfully negotiate licensing agreements and/or settlements relating to the use of our technologies by others in excess of our contingent payment obligations to Brickell and legal counsel; and/or (ii) our ability to raise additional capital from the sale of equity securities or other financing arrangements.

Patent enforcement litigation is costly and time-consuming and the outcome is difficult to predict. We expect to continue to invest in the support of our patent enforcement and licensing programs. We expect that revenue generated from patent enforcement actions and/or technology licenses in 2019, if any, after deduction of payment obligations to Brickell and legal counsel, may not be sufficient to cover our operating expenses. In the event we do not generate revenues, or other patent-related proceeds, sufficient to cover our operational costs and contingent repayment obligation, we will be required to raise additional working capital through the sale of equity securities or other financing arrangements.

The long-term continuation of our business plan is dependent upon our ability to secure sufficient financing to support our business, and our ability to generate revenues and/or patent-related proceeds sufficient to offset expenses and meet our contingent payment obligation and other long-term debt repayment obligations. Failure to generate sufficient revenues, raise additional capital through debt or equity financings, and/or reduce operating costs could have a material adverse effect on our ability to meet our short and long-term liquidity needs and achieve our intended long-term business objectives.

## Financial Condition

### Intangible Assets

We consider our intellectual property, including patents, patent applications, trademarks, copyrights and trade secrets to be significant to our business. Our intangible assets are pledged as security for our secured contingent payment obligation with Brickell and our secured note payable with our litigation counsel. The net book value of our intangible assets was approximately \$3.9 million and \$5.1 million as of December 31, 2018 and 2017, respectively. These assets are amortized using the straight-line method over their estimated period of benefit, generally fifteen to

twenty years. The decrease in the carrying value of our intangible assets is primarily the result of \$1.1 million in patent amortization expense recognized in 2018 combined with minimal cost additions to our intangible assets as our portfolio matures. Management evaluates the recoverability of intangible assets periodically and takes into account events or circumstances that may warrant revised estimates of useful lives or that may indicate impairment exists. As part of our ongoing patent maintenance program, we may, from time to time, abandon a particular patent if we determine fees to maintain the patent exceed its expected recoverability. For each of the years ended December 31, 2018 and 2017, we incurred losses of approximately \$0.1 million for the write off of specific patent assets. These losses are included in operating expenses in the accompanying consolidated statements of comprehensive loss.

#### Secured Contingent Payment Obligation

Our secured contingent payment obligation to Brickell was recorded at its estimated fair value of \$25.6 million and \$15.9 million as of December 31, 2018 and 2017, respectively, representing an increase of approximately \$9.7 million. This increase is the result of a \$4.0 million increase from additional proceeds received from Brickell in 2018 and a \$5.7 million increase in the estimated fair value of our repayment

obligation to Brickell. Under the funding agreement, Brickell has a right to reimbursement and compensation from gross proceeds resulting from patent enforcement and other patent monetization actions on a priority basis. Our repayment obligation to Brickell is contingent upon receipt of proceeds from our patents and the amount of our obligation varies based on the magnitude, timing and nature of proceeds received by us. As a result, we have elected to account for this obligation at its estimated fair value which is subject to significant estimates and assumptions as discussed in “Critical Accounting Policies” below. The \$5.7 million increase in estimated fair value of this repayment obligation in 2018 is primarily the result of (i) additional proceeds received in 2018, (ii) increases in the estimated time frames for repayment of the obligation and (iii) changes in estimated probabilities for the timing and amount of repayments to Brickell. Refer to Note 8 to our consolidated financial statements included in Item 8 for a discussion of the fair value measurement of our contingent payment obligation.

Brickell is entitled to priority payment of 100% of at least the next \$14.7 million in proceeds received by us from any patent-related action. Thereafter, Brickell is entitled to a portion of additional patent-related proceeds up to at least a specified minimum return which is determined as a percentage of the funded amount and varies based on the timing of repayment. In addition, Brickell is entitled to a pro rata portion of proceeds from specified legal actions to the extent aggregate proceeds from those actions exceed the specified minimum return. In the event of a change in control of the Company, Brickell has the right to be paid its return as defined under the agreement based on the transaction price for the change in control event.

Brickell holds a senior security interest in the majority of our assets until such time as the specified minimum return is paid, in which case, the security interest will be released except with respect to the patents and proceeds related to specific legal actions. The security interest is enforceable by Brickell in the event that we are in default under the agreement. We are currently in compliance with the provisions of the agreement.

In 2018, we received aggregate proceeds of \$4.0 million from Brickell including proceeds of \$2.5 million received in December 2018. The December 2018 funding was critical to meet our ongoing obligations, particularly with regard to our litigation fees and expenses and therefore, in connection with the transaction, we issued Brickell a warrant to purchase up to 5.0 million shares of our common stock at an exercise price of \$0.16 per share. As the estimated fair value of the payment obligation to Brickell resulting from this additional funding exceeded the \$2.5 million in proceeds received, no value was assigned to the warrants.

#### Notes Payable

As of December 31, 2018, we had approximately \$3.2 million in notes payable, including an unsecured promissory note payable to Sterne, Kessler, Goldstein, & Fox, PLLC (“SKGF”), a related party, of approximately \$0.8 million and a secured promissory note payable to Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C. (“Mintz”) of \$2.4 million. Failure to comply with the payment terms of each of these notes constitutes an event of default which, if



uncured, will result in the entire unpaid principal balance of the note and any unpaid, accrued interest to become immediately due and payable. In addition, an event of default results in an increase in the interest rate under the notes to a default rate of 12% per annum. As of December 31, 2018, we were in default on the payment terms of these notes. Mintz waived past and future payment defaults under the notes through at least May 31, 2019, including waiver of the acceleration and increased interest provisions of the note for the same period.

In March 2019, we amended the note payable to SKGF to provide for a waiver of the payment default, a decrease in the interest rate from 8% to 4% per year, an extension of the maturity date from March 2020 to April 2022, and a reduction in the monthly payment. As a result of this amendment, approximately \$0.65 million of our obligation to SKGF was reclassified from current to long-term liabilities as of December 31, 2018.

### Deferred Tax Assets and Related Valuation Allowance

Deferred tax assets and liabilities are recognized for the expected future tax consequences of events that have been included in the financial statements or tax returns. Deferred tax assets and liabilities are determined based on differences between the financial statement carrying amounts and the tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Valuation allowances are established to reduce deferred tax assets when, based on available objective evidence, it is more likely than not that the benefit of such assets will not be realized. As of December 31, 2018, we had deferred tax assets of approximately \$98 million, primarily related to our net operating loss carryforwards, which were fully offset by a valuation allowance due to the uncertainty related to realization of these assets through future taxable income. In addition, our ability to benefit from our net operating loss and other tax credit carryforwards could be limited under Section 382 of the Internal Revenue Code as more fully discussed in Note 9 to our consolidated financial statements included in Item 8.

### Results of Operations for Each of the Years Ended December 31, 2018 and 2017

We use both generally accepted accounting principles (“GAAP”) and non-GAAP financial measures for assessing our consolidated results of operations. The non-GAAP measures we use include Adjusted Net Loss and Adjusted Net Loss per Share. These non-GAAP measures exclude the effect on net loss and net loss per share of (i) changes in fair value of our secured contingent payment obligation and (ii) share-based compensation expense. Share-based compensation is a non-cash expense item that is subject to significant fluctuation in value based on the volatility of the market price of our common stock, and the expense recognized on a GAAP basis is not necessarily indicative of the compensation realized by our executives, employees and non-employee directors. The change in fair value of our secured contingent payment obligation is subject to significant estimates and assumptions regarding future events and, similar to interest on long-term debt obligations, is a reflection of our cost of financing rather than our operating activities. Accordingly, we consider these non-GAAP measures to provide relevant supplemental information to assist investors in better understanding our operating results. These non-GAAP measures should not be considered a substitute for, or superior to measures of financial performance prepared in accordance with GAAP.

Refer to “Reconciliation of Non-GAAP Financial Measures” in this section for a reconciliation of these non-GAAP financial measures to the most directly comparable GAAP measures for the years ended December 31, 2018 and 2017.

### Revenues and Gross Margins

We reported no licensing revenue for the years ended December 31, 2018 or 2017. Although we do anticipate licensing revenue and/or settlement gains to result from our licensing and patent enforcement actions, the amount and

timing is highly unpredictable and there can be no assurance that we will achieve our anticipated results.

We reported product revenue of \$0.1 million for each of the years ended December 31, 2018 and 2017, respectively, from the sales of our Milo-branded products. Our gross margins on Milo product sales, before impairment charges, were approximately 24% and 25% for the years ended December 31, 2018 and 2017, respectively. Our revenues from Milo products to date have fallen short of our projections, and we have limited resources to deploy towards increasing consumer awareness of our products. As a result, for the year ended December 31, 2018, we recorded \$1.1 million in impairment charges to reduce excess inventories to their estimated net realizable value. For the year ended December 31, 2017, we recognized approximately \$0.1 million in impairment charges related to excess inventory of our integrated circuits.

## Research and Development Expenses

Research and development expenses consist primarily of engineering and related management and support personnel costs; fees for outside engineering design services which we use from time to time to supplement our internal resources; depreciation expenses related to certain assets used in product development; prototype production and materials costs for both chips and end-user products; software licensing and support costs, which represent the annual licensing and support maintenance for engineering design and other software tools; and rent and other overhead costs for our engineering design facility. Personnel costs include share-based compensation which represents the grant date fair value of equity-based awards to our employees which is attributed to expense over the service period of the award.

Research and development costs were approximately \$2.9 million for the year ended December 31, 2018 compared to approximately \$4.3 million for the year ended December 31, 2017, representing a decrease of approximately \$1.4 million, or 33%. This decrease is primarily the result of a \$0.9 million decrease in personnel and related costs, including a \$0.4 million decrease in share-based compensation expense, a \$0.4 million decrease in costs related to chip design and fabrication, a \$0.1 million decrease in software licensing and support costs, and a \$0.1 million decrease in facilities and related costs, offset by a \$0.2 million increase in outside consulting services.

The decreases in personnel, chip fabrication, software and licensing, and facilities costs are all a result of the August 2018 restructuring of operations which included a significant workforce reduction, reduction in engineering executive compensation, and closure of the Lake Mary engineering design facility. Share-based compensation decreased as a result of decreases in the value of current awards when compared to previous awards as a result of the declining price of our common stock, longer vesting periods for new awards, and forfeiture of awards in connection with our restructuring. The increase in outside consulting services is a result of resources utilized in connection with Milo product development. These outside services are not expected to continue in 2019.

We anticipate that our research and development expenses will decrease further in 2019 as our focus will be on providing technical support to the patent enforcement and licensing activities for our patent portfolio with limited resources dedicated to further expansion of our technologies and patents.

## Selling, General, and Administrative Expenses

Selling, general and administrative expenses consist primarily of executive, director, sales and marketing, and finance and administrative personnel costs, including share-based compensation, costs incurred for advertising, insurance, shareholder relations and outside legal and professional services, including litigation expenses, and amortization and maintenance expenses related to our patent assets.

Our selling, general and administrative expenses were approximately \$10.4 million for the year ended December 31, 2018, as compared to approximately \$14.1 million for the year ended December 31, 2017, representing a decrease of approximately \$3.7 million or 26%. This decrease is the result of a decrease in litigation fees and expenses of approximately \$1.5 million, a decrease in outside consulting fees of approximately \$1.4 million, a decrease in share-based compensation expense of approximately \$0.8 million, and a decrease in other personnel costs, including travel costs, of approximately \$0.2 million, somewhat offset by an increase in advertising expense of approximately \$0.3 million.

The decrease in litigation fees and expenses is primarily the result of fees and expenses incurred in 2017 related to the ITC action that was terminated in March 2017. Consulting fees decreased as a result of a reduction in the use of outside professionals for marketing, shareholder relations and business advisory activities in 2018. The decrease in marketing consulting fees for the Milo product launch was somewhat offset by an increase in Milo advertising expense as various marketing campaigns were launched in 2018.

The decrease in share-based compensation is due to decreases in the value of current awards when compared to previous awards as a result of the declining price of our common stock, longer vesting periods for new awards, and forfeiture of awards. Personnel costs decreased as a result of reductions in executive management salaries and a reduction in marketing, sales and administrative personnel as a part of our August 2018 restructuring, somewhat offset by personnel additions in mid to late 2017 to support the Milo product operations.

#### Restructuring Charges

We incurred approximately \$0.7 million in restructuring charges in 2018. These charges are a result of the implementation of cost reduction measures in August 2018 that included a significant reduction in our workforce, the closure of our engineering design center in Lake Mary, Florida, the cessation of ongoing chip development activities, and a significant reduction in our spending for sales and marketing of our Milo product line. These measures were undertaken in order to focus our limited resources toward our patent enforcement program which, if successful, has the ability to generate significant licensing and/or settlement revenue. The restructuring charges were primarily related to one-time termination benefits, the impairment of prepaid assets, and our estimated future lease obligation for our Lake Mary, Florida facility, net of estimated sublease income. At December 31, 2018, we recorded an estimated lease obligation for our Lake Mary facility of approximately \$0.2 million which is net of an estimated \$0.4 million in future sublease rental income. We are actively marketing the Lake Mary facility for sublease, however there can be no assurance that our efforts will be successful. If we are unable to sublet our Lake Mary facility for the rental amount or term that we have estimated, we will incur additional impairment charges related to this lease obligation. In addition, we may incur restructuring charges in 2019 related to the disposition of our Milo product operations.

As a result of our restructuring, we estimate that we will recognize annualized savings of approximately \$9 million primarily related to reduced personnel, outside marketing consulting and advertising costs related to product marketing, facilities costs, and board and executive compensation.

#### Change in Fair Value of Contingent Payment Obligation

Our losses from the changes in fair value of our contingent payment obligation were approximately \$5.7 million and \$0.7 million for the years ended December 31, 2018 and 2017, respectively. See “Financial Condition” above for a discussion of our contingent payment obligation and the factors impacting the change in fair value.

#### Adjusted Net Loss and Adjusted Net Loss per Share

Adjusted net loss decreased by approximately \$2.2 million, or 14%, for the year ended December 31, 2018 compared to the same period in 2017. The decrease in adjusted net loss is a result of the decrease in litigation expenses as well as a decrease in operating expenses as a result of our restructuring. On a per share basis, our adjusted net loss per common share decreased by \$0.35 per share, or 38%. This decrease is primarily the result of a 38% increase in our weighted average common shares outstanding along with the decrease in our adjusted net loss.

### Reconciliation of Non-GAAP Financial Measures

The following table presents a reconciliation of our net loss to the non-GAAP measure of adjusted net loss for the years ended December 31, 2018 and 2017, respectively:

(in thousands)	2018	2017
Net loss	\$ (20,869)	\$ (19,259)
Excluded items:		
Share-based compensation	1,050	2,164
Change in fair value of contingent payment obligation	5,661	711
Adjusted net loss	\$ (14,158)	\$ (16,384)

The following table presents a reconciliation of our net loss per common share to the non-GAAP measure of adjusted net loss per common share for the years ended December 31, 2018 and 2017, respectively:

	2018	2017
Basic and diluted net loss per common share	\$ (0.85)	\$ (1.09)
Excluded items	0.27	0.16
Adjusted net loss per common share	\$ (0.58)	\$ (0.93)

### Critical Accounting Policies

We believe that the following are critical accounting policies and estimates that significantly impact the preparation of our consolidated financial statements:



## Inventory

Inventory is stated at the lower of actual cost, as determined under the first-in, first-out method, or estimated net realizable value. We review our inventory for estimated obsolescence or unmarketable inventory and write down inventory for the difference between cost and estimated market value based upon assumptions about future demand. Future demand is affected by market conditions, technological obsolescence, new products and strategic plans, each of which is subject to change. During the years ended December 31, 2018 and 2017, we recorded \$1.1 million and \$0.1 million, respectively, for impairment charges to reduce excess inventories to their estimated net realizable value.

## Secured Contingent Payment Obligation

We have accounted for our secured contingent repayment obligation as long-term debt. Our repayment obligation is contingent upon the receipt of proceeds from patent enforcement or other patent monetization actions. We have elected to measure our secured contingent payment obligation at its fair value based on the variable and contingent nature of the repayment provisions. We have determined that the fair value of our secured contingent payment obligation falls within Level 3 in the fair value hierarchy which involves significant estimates and assumptions including projected future patent-related proceeds and the risk-adjusted rate for discounting future cash flows. Actual results could differ from the estimates made. Changes in fair value, including the component related to imputed interest, are included in the consolidated statements of comprehensive loss under the heading "Change in fair value of contingent payment obligation." Refer to Note 8 to our consolidated financial statements included in Item 8 for a discussion of the significant estimates and assumptions used in estimated the fair value of our contingent payment obligation.

#### Accounting for Share-Based Compensation

We calculate the fair value of share-based equity awards to employees, including restricted stock, stock options and restricted stock units (“RSUs”), on the date of grant and recognize the calculated fair value as compensation expense over the requisite service periods of the related awards. The fair value of stock option awards is determined using the Black-Scholes option valuation model which requires the use of highly subjective assumptions and estimates including how long employees will retain their stock options before exercising them and the volatility of our common stock price over the expected life of the equity award. Changes in these subjective assumptions can materially affect the estimate of fair value of share-based compensation and consequently, the related amount recognized as expense in the consolidated statements of comprehensive loss.

#### New Accounting Pronouncement - Leases

Our facilities are leased under operating leases. Effective January 1, 2019, we will adopt Accounting Standards Codification 842, “Leases” which requires the recognition of right-to-use assets and lease liabilities on the balance sheet for any financing or operating leases with lease terms of more than one year. The new guidance also increases disclosure of key information about leasing arrangements. A modified retrospective transition approach is required for adoption, applying the new standard to all leases existing at the date of initial application. The new standard provides a number of practical expedients in transition which permits us not to reassess under the new standard our prior conclusions about lease identification, lease classification and treatment of initial direct costs. We intend to elect the package of practical expedients in transition, and we have elected to use the effective date of adoption as the date of initial application of this new standard. Consequently, financial information will not be updated and the disclosures required under the new standard will not be provided for dates and periods prior to January 1, 2019. We expect the adoption of this new standard to result in the recognition of operating lease right-to-use assets and operating lease liabilities of approximately \$0.56 million and \$0.61 million, respectively, primarily related to our facilities leases. In addition, adoption of the new standard will result in significant new disclosures about our leasing activities.

#### Off-Balance Sheet Transactions

As of December 31, 2018, we had outstanding warrants to purchase 13.3 million shares of our common stock. The estimated grant date fair value of these warrants of approximately \$1.8 million is included in shareholders’ deficit in our consolidated balance sheet for the year ended December 31, 2018. The outstanding warrants have an average exercise price of \$0.39 per share and a weighted average remaining life of approximately five years.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Not applicable.

Item 8. Financial Statements and Supplementary Data.

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SUPPLEMENTARY DATA:	
Not applicable	

## Report of Independent Registered Public Accounting Firm

Shareholders and Board of Directors

ParkerVision, Inc.

Jacksonville, Florida

## Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheet of ParkerVision, Inc. (the “Company”) and its subsidiary as of December 31, 2018, and the related consolidated statement of comprehensive loss, shareholders’ deficit and cash flows for the year then ended, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and its subsidiary at December 31, 2018, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial

statements. We believe that our audit provides a reasonable basis for our opinion.

#### Emphasis of Matter Regarding Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company has suffered recurring losses from operations and has a net capital deficiency that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter

/s/ BDO USA, LLP

Certified Public Accountants

We have served as the Company's auditor since 2018.

Jacksonville, Florida

April 1, 2019

Report of Independent Registered Public Accounting Firm

To the Board of Directors and

Shareholders of ParkerVision, Inc.

Opinion on the Financial Statements

We have audited the consolidated balance sheet of ParkerVision, Inc. and its subsidiary (the “Company”) as of December 31, 2017, and the related consolidated statements of comprehensive loss, shareholders’ deficit and cash flows for the year ended December 31, 2017, including the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017, and the results of its operations and its cash flows for the year ended December 31, 2017 in conformity with accounting principles generally accepted in the United States of America.

Substantial Doubt About the Company’s Ability to Continue as a Going Concern

The consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company has suffered recurring losses from operations and negative cash flows that raise substantial doubt about its ability to continue as a going concern. Management’s plans in regard to these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit of these consolidated financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audit included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/PricewaterhouseCoopers LLP

Jacksonville, Florida

March 29, 2018

We served as the Company's auditor from 1999 to 2017.



## PARKERVISION, INC.

## CONSOLIDATED BALANCE SHEETS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 1,527	\$ 354
Restricted cash equivalents	-	1,000
Available-for-sale securities	-	26
Accounts receivable, net of allowance for doubtful accounts of \$0 and \$3 at December 31, 2018 and 2017, respectively	2	27
Inventories, net	98	1,025
Prepaid expenses	538	1,002
Other current assets	55	9
Held for sale assets	65	-
Total current assets	2,285	3,443
Property and equipment, net	129	376
Intangible assets, net	3,902	5,076
Other assets, net	15	15
Total assets	\$ 6,331	\$ 8,910
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 655	\$ 678
Accrued expenses:		
Salaries and wages	122	376
Professional fees	493	2,054
Other accrued expenses	563	238
Related party note payable, current portion	37	294
Secured note payable	2,400	-
Lease payable, current portion	86	-
Deferred revenue	-	19
Total current liabilities	4,356	3,659
<b>LONG-TERM LIABILITIES:</b>		
Secured contingent payment obligation	25,557	15,896
Convertible notes, net	837	-
Related party note payable, net of current portion	799	531
Lease payable, net of current portion	91	-
Other long-term liabilities	1	68
Total long-term liabilities	27,285	16,495
Total liabilities	31,641	20,154

## COMMITMENTS AND CONTINGENCIES

SHAREHOLDERS' DEFICIT:

Common stock, \$.01 par value, 75,000 and 30,000 shares authorized,

28,677 and 21,222 issued and outstanding at December 31, 2018

and 2017, respectively	287	212
Warrants outstanding	1,810	826
Additional paid-in capital	364,885	359,141
Accumulated deficit	(392,292)	(371,423)
Total shareholders' deficit	(25,310)	(11,244)
Total liabilities and shareholders' deficit	\$ 6,331	\$ 8,910

The accompanying notes are an integral part of these consolidated financial statements.

PARKERVISION, INC.

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(in thousands)

	2018	2017
Licensing revenue	\$ -	\$ -
Product revenue	135	100
Total revenue	135	100
Cost of sales - licensing	-	-
Cost of sales - product	103	75
Loss on impairment of inventory	1,134	125
Gross margin	(1,102)	(100)
Research and development expenses	2,875	4,344
Selling, general, and administrative expenses	10,427	14,061
Restructuring expenses	690	-
Total operating expenses	13,992	18,405
Interest and other income	2	26
Interest and other expense	(116)	(69)
Change in fair value of contingent payment obligation	(5,661)	(711)
Total interest and other	(5,775)	(754)
Net loss before income tax	(20,869)	(19,259)
Income tax expense	-	-
Net loss	(20,869)	(19,259)
Other comprehensive income, net of tax	-	-
Comprehensive loss	\$ (20,869)	\$ (19,259)
Basic and diluted net loss per common share	\$ (0.85)	\$ (1.09)
Weighted average common shares outstanding	24,429	17,688

The accompanying notes are an integral part of these consolidated financial statements.

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PARKERVISION, INC.

## CONSOLIDATED STATEMENTS OF SHAREHOLDERS' DEFICIT

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(in thousands)

	Common Stock, Par Value	Warrants Outstanding	Additional Paid-in Capital	Accumulated Deficit	Total Shareholders' Deficit
Balance as of December 31, 2016	\$ 132	\$ 826	\$ 343,087	\$ (352,164)	\$ (8,119)
Issuance of common stock and warrants in public and private offerings, net of issuance costs	73	-	13,606	-	13,679
Issuance of common stock for services	3	-	422	-	425
Share-based compensation, net of shares withheld for taxes	4	-	2,026	-	2,030
Comprehensive loss for the year	-	-	-	(19,259)	(19,259)
Balance as of December 31, 2017	212	826	359,141	(371,423)	(11,244)
Issuance of common stock and warrants in public and private offerings, net of issuance costs	45	1,950	3,281	-	5,276
Exercise of warrants	20	(475)	455	-	-
Expiration of warrants	-	(491)	491	-	-
Issuance of convertible debt with beneficial conversion feature	-	-	442	-	442
Issuance of common stock upon conversion and payment of interest in kind on convertible debt	4	-	52	-	56
Share-based compensation, net of shares withheld for taxes	6	-	1,023	-	1,029
Comprehensive loss for the year	-	-	-	(20,869)	(20,869)
Balance as of December 31, 2018	\$ 287	\$ 1,810	\$ 364,885	\$ (392,292)	\$ (25,310)

The accompanying notes are an integral part of these consolidated financial statements.

PARKERVISION, INC.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(in thousands)

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$ (20,869)	\$ (19,259)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,209	1,301
Share-based compensation	1,050	2,164
Loss on disposal of equipment and other assets	489	85
Write down of obsolete inventory	1,134	125
Realized gain on available-for-sale securities	-	(9)
Changes in fair value of contingent payment obligation	5,661	711
Changes in operating assets and liabilities:		
Accounts receivable	25	(26)
Inventories	(207)	(980)
Prepaid expenses and other	62	84
Accounts payable and accrued expenses	1,034	1,744
Lease payable	115	-
Total adjustments	10,572	5,199
Net cash used in operating activities	(10,297)	(14,060)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of available-for-sale securities	-	(4,813)
Proceeds from redemption of available-for-sale securities	26	4,810
Proceeds from sale of assets	50	18
Purchases of property and equipment	(5)	(252)
Payments for patent costs and other intangible assets	(16)	(61)
Net cash provided by (used in) investing activities	55	(298)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Net proceeds from issuance of common stock and warrants in public and private offerings	5,276	13,679
Net proceeds from debt financings	5,294	1,000
Shares withheld for payment of taxes	(21)	(134)
Debt repayments	(132)	-
Principal payments on capital lease obligation	(2)	(2)
Net cash provided by financing activities	10,415	14,543
<b>NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH EQUIVALENTS</b>	<b>173</b>	<b>185</b>

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CASH, CASH EQUIVALENTS, AND RESTRICTED CASH EQUIVALENTS, beginning of year	1,354	1,169
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH EQUIVALENTS, end of year	\$ 1,527	\$ 1,354

SUPPLEMENTAL CASH FLOW INFORMATION:

Cash paid for interest	\$ 39	\$ 69
Cash paid for income taxes	\$ -	\$ -

SUPPLEMENTAL SCHEDULE OF NON-CASH ACTIVITIES:

Payment of interest in kind on convertible notes	\$ 26	\$ -
Purchase of equipment under capital lease	\$ -	\$ 6

The accompanying notes are an integral part of these consolidated financial statements.



PARKERVISION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 and 2017

## 1. SIGNIFICANT ACCOUNTING POLICIES

ParkerVision, Inc. and its wholly-owned German subsidiary, ParkerVision GmbH (collectively “ParkerVision”, “we” or the “Company”) is in the business of innovating fundamental wireless hardware and software technologies and products. We have designed and developed proprietary radio frequency (“RF”) technologies for use in semiconductor circuits for wireless communication products. We believe certain patents protecting our proprietary technologies have been broadly infringed by others and therefore our business plan includes enforcement of our intellectual property rights through patent infringement litigation and licensing efforts. We have also designed and developed a consumer distributed WiFi product line that is being marketed under the brand name Milo®.

We restructured our operations during the third quarter of 2018 in order to reduce operating expenses in light of our limited capital resources. As a result, our primary business is to support and defend the investments we have made in developing and protecting our technologies by focusing on our patent enforcement program. We have determined that our business currently operates under a single operating and reportable segment.

### Basis of Presentation

Our consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”). Certain reclassifications have been made to prior period amounts to conform to the current period presentation. The consolidated financial statements include the accounts of ParkerVision, Inc. and our wholly-owned German subsidiary, ParkerVision GmbH, after elimination of all intercompany transactions and accounts.

### Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. The more significant estimates made by us include projected future cash flows and risk-adjusted discount rates for estimating the fair value of our secured contingent payment obligation, the volatility and estimated lives of share-based awards used in the estimate of the fair market value of share-based compensation, the assessment of recoverability of long-lived assets, the amortization periods for intangible and long-lived assets, and the valuation allowance for deferred taxes. Actual results could differ from the estimates made. We periodically evaluate estimates used in the preparation of the financial statements for continued

reasonableness. Appropriate adjustments, if any, to the estimates used are made prospectively based upon such periodic evaluation.

#### Cash, Cash Equivalents, and Restricted Cash Equivalents

We consider cash and cash equivalents to include cash on hand, interest-bearing deposits, overnight repurchase agreements and investments with original maturities of three months or less when purchased. Restricted cash equivalents represent money market investments that are restricted for specific use in payment of legal fees and expenses related to certain of our patent infringement actions. The restricted money market investments have weighted average maturities of three months or less when purchased and are recorded at fair value. We have determined that the fair value of our restricted money market investments fall within Level 1 in the fair value hierarchy (see Note 8).

## Inventory

Inventory is stated at the lower of actual cost, as determined under the first-in, first-out method, or estimated net realizable value. We review our inventory for estimated obsolescence or unmarketable inventory and write down inventory for the difference between cost and estimated market value based upon assumptions about future demand. Future demand is affected by market conditions, technological obsolescence, new products and strategic plans, each of which is subject to change.

## Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation. Depreciation is determined using the straight-line method over the following estimated useful lives:

Manufacturing and office equipment	5-7 years
Leasehold improvements	Shorter of useful life or remaining life of lease
Furniture and fixtures	7 years
Computer equipment and software	3-5 years

The cost and accumulated depreciation of assets sold or retired are removed from their respective accounts, and any resulting net gain or loss is recognized in the accompanying consolidated statements of comprehensive loss. The carrying value of long-lived assets is reviewed on a regular basis for the existence of facts, both internally and externally, that may suggest impairment. Recoverability of assets to be held and used is measured by comparing the carrying amount of an asset to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the assets exceeds its estimated undiscounted future net cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the assets.

## Intangible Assets

Patents, copyrights and other intangible assets are amortized using the straight-line method over their estimated period of benefit. We estimate the economic lives of our patents and copyrights to be fifteen to twenty years. We estimate the economic lives of other intangible assets, including licenses, based on estimated technological obsolescence, to be two to five years, which is generally shorter than the contractual lives. Management evaluates the recoverability of intangible assets periodically and takes into account events or circumstances that may warrant revised estimates of useful lives or that may indicate impairment exists.

## Secured Contingent Payment Obligation

We have accounted for our secured contingent repayment obligation as long-term debt in accordance with Accounting Standards Codification (“ASC”) 470-10-25, “Sales of Future Revenues or Various other Measures of Income.” Our repayment obligations are contingent upon the receipt of proceeds from patent enforcement and/or patent monetization actions. We have elected to measure our secured contingent payment obligation at its fair value in accordance with ASC 825, “Financial Instruments” based on the variable and contingent nature of the repayment provisions. We have determined that the fair value of our secured contingent payment obligation falls within Level 3 in the fair value hierarchy which involves significant estimates and assumptions including projected future patent-related proceeds and the risk-adjusted rate for discounting future cash flows (see Note 8). Actual results could differ from the estimates made. Changes in fair value, including the component related to imputed interest, are included in the accompanying consolidated statements of comprehensive loss under the heading “Change in fair value of contingent payment obligation”.

## Leases

Our facilities are leased under operating leases. For those leases that contain rent escalations or rent concessions, we record the total rent payable during the lease term on a straight-line basis over the term of the lease with the difference between the rents paid and the straight-line rent recorded as a deferred rent liability in the accompanying consolidated balance sheets.

In February 2016, the FASB established ASC 842, "Leases" by issuing ASU 2016-02 to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. ASC 842 was subsequently amended by ASU 2018-01, ASU 2018-10 and ASU 2018-11 which provided practical expedients for adoption of ASC 842. Under the new guidance, a lessee will be required to recognize assets and liabilities for capital and operating leases with lease terms of more than 12 months. ASC 842 is effective for interim and annual periods beginning after December 15, 2018. A modified retrospective transition approach is required for adoption, applying the new standard to all leases existing at the date of initial application. An entity may choose to use either the effective date or the beginning of the earliest comparative period presented in the financial statements as its date of initial application.

ASC 842 will be effective for us as of January 1, 2019, and we have elected to use the effective date as the initial application date. Consequently, financial information will not be updated and the disclosures required under the new standard will not be provided for dates and period prior to January 1, 2019. The new standard provides a number of practical expedients in transition and we expect to elect the package of practical expedients which permits us not to reassess under the new standard our prior conclusions about lease identification, lease classification and treatment of initial direct costs. We expect the adoption of this new standard to result in the recognition of operating lease right-to-use assets and operating lease liabilities of approximately \$0.56 million and \$0.61 million, respectively, primarily related to our facilities leases. In addition, adoption of the new standard will result in significant new disclosures about our leasing activities.

## Revenue Recognition

As of January 1, 2018, we adopted ASC 606, "Revenue from Contracts with Customers" which implements a common revenue standard that clarifies the principles for recognizing revenue. This new revenue recognition model provides a five-step analysis in determining when and how revenue is recognized. The adoption of ASC 606 had no material effect on our consolidated financial statements.

We derive revenue from licensing of our intellectual property, settlements from patent infringement disputes and sales of products. The timing of revenue recognition and the amount of revenue recognized depends upon a variety of factors, including the specific terms of each arrangement and the nature of our deliverables and obligations. In general, we recognize revenue when the performance obligations to our customers have been met. For the sale of products, the performance obligation is generally met at the time product is delivered to the customer. Estimated product returns are deducted from revenue and recorded as a liability. Revenue from the sale of our products includes shipping and handling charged to the customer. Product revenue is recorded net of sales tax collected from customers,

discounts, and actual and estimated future returns.

The consideration received from patent license and settlement agreements is allocated to the various elements of the arrangement to the extent the revenue recognition differs between the elements of the arrangement. Elements related to past and future royalties as well as elements related to settlement will be recorded as revenue in our consolidated statements of comprehensive loss when our performance obligations related to each element have been met.

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### Shipping and Handling Costs

Shipping and handling costs related to product sales for the years ended December 31, 2018 and 2017 were approximately \$12,000 and \$5,000, respectively. These costs are included in selling, general and administrative expenses in the accompanying consolidated statements of comprehensive loss.

### Advertising Expense

Advertising costs are expensed as incurred. Advertising expenses of approximately \$0.7 million and \$0.4 million for the years ended December 31, 2018 and 2017, respectively, are included in selling, general, and administrative expenses in the accompanying consolidated statements of comprehensive loss.

### Research and Development Expenses

Research and development costs are expensed as incurred and include salaries and benefits, costs paid to third party contractors, prototype expenses, an allocated portion of facilities costs, maintenance costs for software development tools, and depreciation.

### Accounting for Share-Based Compensation

We have various share-based compensation programs which provide for equity awards including stock options, restricted stock units (“RSUs”) and restricted stock awards (“RSAs”). We calculate the fair value of employee share-based equity awards on the date of grant and recognize the calculated fair value as compensation expense over the requisite service periods of the related awards. We estimate the fair value of stock option awards using the Black-Scholes option valuation model. This valuation model requires the use of highly subjective assumptions and estimates including how long employees will retain their stock options before exercising them and the volatility of our common stock price over the expected life of the equity award. Such estimates, and the basis for our conclusions regarding such estimates, are outlined in detail in Note 12. Estimates of fair value are not intended to predict actual future events or the value ultimately realized by persons who receive equity awards. We account for forfeitures of share-based awards as they occur.

As of January 1, 2018, we adopted ASU No. 2017-09, “Compensation - Stock Compensation (Topic 718): Scope of Modification Accounting.” This update provides guidance on the types of changes to the terms or conditions of share-based payment awards to which an entity would be required to apply modification accounting under ASC 718. The adoption of this guidance did not have a material effect on our consolidated financial statements.

### Income Taxes

The provision for income taxes is based on loss before taxes as reported in the accompanying consolidated statements of comprehensive loss. Deferred tax assets and liabilities are recognized for the expected future tax consequences of events that have been included in the financial statements or tax returns. Deferred tax assets and liabilities are determined based on differences between the financial statement carrying amounts and the tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Valuation allowances are established to reduce deferred tax assets when, based on available objective evidence, it is more likely than not that the benefit of such assets will not be realized. Our deferred tax assets exclude unrecognized tax benefits which do not meet a more-likely-than-not threshold for financial statement recognition for tax positions taken or expected to be taken in a tax return.

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (the "Tax Act") was signed into law making significant changes to the Internal Revenue Code. Changes include, but are not limited to, a corporate tax rate decrease to 21% effective for tax years beginning after December 31, 2017.



## Loss per Common Share

Basic loss per common share is determined based on the weighted-average number of common shares outstanding during each year. Diluted loss per common share is the same as basic loss per common share as all potential common shares are excluded from the calculation, as their effect is anti-dilutive.

The number of shares underlying outstanding options, warrants, unvested RSUs and convertible notes at December 31, 2018 and 2017 were as follows (in thousands):

	2018	2017
Options outstanding	1,228	1,007
Warrants outstanding	13,279	420
Unvested RSUs	14	521
Shares underlying convertible notes	2,746	-
	17,267	1,948

These potential shares were excluded from the computation of diluted loss per share as their effect would have been anti-dilutive.

## 2. LIQUIDITY AND GOING CONCERN

The accompanying consolidated financial statements as of and for the year ended December 31, 2018 were prepared assuming we will continue as a going concern, which contemplates that we will continue in operation and will be able to realize our assets and settle our liabilities and commitments in the normal course of business for a period of at least one year from the issuance date of these financial statements. These consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that could result should we be unable to continue as a going concern.

We have incurred significant losses from operations and negative cash flows in every year since inception and have utilized the proceeds from the sales of our equity and equity-linked securities and our contingent funding arrangements with third-parties to fund our operations, including our litigation costs. For the year ended December 31, 2018, we incurred a net loss of approximately \$20.9 million and negative cash flows from operations of approximately \$10.3 million. At December 31, 2018, we had a working capital deficit of approximately \$2.1 million and an accumulated deficit of approximately \$392.3 million. These circumstances raise substantial doubt about our ability to continue to operate as a going concern for a period of one year after the issuance date of these consolidated

financial statements.

At December 31, 2018, we had cash and cash equivalents of approximately \$1.5 million. In addition, during the first quarter of 2019, we received net proceeds of approximately \$1.3 million from the issuance of additional convertible debt securities. In August 2018, we implemented cost reduction measures and ceased ongoing chip development activities and significantly curtailed our spending for sales and marketing of our WiFi product line in order to focus our limited resources on our patent enforcement program. We expect to sell or otherwise exit the Milo product operations the second quarter of 2019 and intend to focus our resources solely on licensing and enforcement of our wireless technologies. However, although we may receive proceeds from our patent enforcement actions in 2019, the timing and amount of such proceeds, if any, are difficult to predict and there can be no assurance we will receive any proceeds from these enforcement actions. In addition, we have approximately \$2.4 million in debt obligations due to be repaid in 2019.

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Our ability to meet our liquidity needs for the twelve months after the issuance date of these financial statements is dependent upon one or more of (i) our ability to successfully negotiate licensing agreements and/or settlements relating to the use of our technologies by others in excess of our contingent payment obligations to legal counsel; and/or (ii) our ability to raise additional capital from the sale of equity securities or other financing arrangements. We anticipate that we will continue to invest in patent protection and licensing and enforcement of our wireless technologies. We expect that revenue generated from patent enforcement actions, and technology licenses over the twelve months after the issuance date of these financial statements, if any, after deduction of payment obligations to Brickell and legal counsel, may not be sufficient to cover our operating expenses. In the event we do not generate revenues, or other patent-asset proceeds, sufficient to cover our operational costs and contingent repayment obligation, we will be required to raise additional working capital through the sale of equity securities or other financing arrangements.

The long-term continuation of our business plan is dependent upon our ability to secure sufficient financing to support our business, and our ability to generate revenues and/or patent-related proceeds sufficient to offset expenses and meet our contingent payment obligation and other long-term debt repayment obligations. Failure to generate sufficient revenues, raise additional capital through debt or equity financings, and/or reduce operating costs could have a material adverse effect on our ability to meet our short and long-term liquidity needs and achieve our intended long-term business objectives.

### 3. INVENTORIES

Inventories consisted of the following at December 31, 2018 and 2017 (in thousands):

	2018	2017
Raw materials	\$ 139	\$ 573
Work-in-process	-	-
Finished goods	941	452
	1,080	1,025
Inventory reserves	(982)	-
	98	1,025

During the years ended December 31, 2018 and 2017, we recognized impairment charges to reduce our excess and obsolete inventories to their net realizable values. The following table provides a reconciliation of our inventory reserves for the years ended December 31, 2018 and 2017, respectively (in thousands):

	2018	2017
Inventory reserves at beginning of year	\$ -	\$ -
Impairment charges	1,134	125
Write down of impaired inventories	(152)	(125)
Inventory reserves at end of year	\$ 982	\$ -

## 4. PREPAID EXPENSES

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

	2018	2017
Prepaid services	\$ 252	\$ 253
Prepaid bonds for German statutory costs	199	62
Prepaid licenses, software tools and support	51	404
Prepaid inventory and production tooling	-	121
Prepaid advertising	-	75
Prepaid insurance	19	54
Other prepaid expenses	17	33
	\$ 538	\$ 1,002

In 2018, we recorded impairment charges of approximately \$0.4 million related to prepaid licenses and production tooling as a result of the restructuring of our operations. These charges are included in “Restructuring expenses” in the accompanying statements of comprehensive loss (see Note 13).

## 5. PROPERTY AND EQUIPMENT, NET

Property and equipment, at cost, consisted of the following at December 31, 2018 and 2017 (in thousands):

	2018	2017
Equipment and software, including equipment purchased under capital leases of \$17 and \$297 at December 31, 2018 and 2017, respectively	\$ 1,555	\$ 6,556
Leasehold improvements	786	786
Furniture and fixtures	182	185
	2,523	7,527
Less accumulated depreciation, including accumulated depreciation for equipment purchased under capital leases of \$13 and \$206 at December 31, 2018 and 2017, respectively	(2,394)	(7,151)
	\$ 129	\$ 376

Depreciation expense related to property and equipment was approximately \$0.13 million and \$0.15 million in 2018 and 2017, respectively. Depreciation expense includes depreciation related to capital leases of approximately \$0.002 million and \$0.05 for the periods ended December 31, 2018 and 2017, respectively. Our capital leases have original terms of one to three years. The principal payments for these capital leases are reflected as cash outflows from financing activities in the accompanying consolidated statements of cash flows. Future minimum lease payments under our capital leases that have initial terms in excess of one year are included in "Contractual Obligations" in Note 10.

In connection with the closure of our Lake Mary facility in 2018, we reclassified equipment with a net book value of approximately \$0.07 million to assets held for sale. We have contracted with a third party for the consignment sale of these assets and anticipate completion of the sale within 12 months. For the year ended December 31, 2018, we recognized a gain on the sale of assets held for sale of approximately \$0.01 million which is included in selling, general and administrative expenses in the accompanying statements of comprehensive loss.

## 6. INTANGIBLE ASSETS

Intangible assets consisted of the following at December 31, 2018 and 2017 (in thousands):

	2018	2017
Patents and copyrights	\$ 18,350	\$ 19,324
Less accumulated amortization	(14,448)	(14,248)
	\$ 3,902	\$ 5,076

Amortization expense for each of the years ended December 31, 2018 and 2017 was approximately \$1.1 million and \$1.2 million, respectively. For each of the years ended December 31, 2018 and 2017, we recorded losses on the disposal of intangible assets of approximately \$0.1 million.

Future estimated amortization expense for intangible assets that have remaining unamortized amounts as of December 31, 2018 is as follows (in thousands):

2019	\$ 713
2020	520
2021	448
2022	406
2023	359
2024 and thereafter	1,456
Total	\$ 3,902

## 7. DEBT

## Notes Payable

Notes payable at December 31, 2018 and 2017, consisted of the following (in thousands):

Description	2018	2017
Note payable to a related party	\$ 836	\$ 825
Secured note payable	2,400	-
Total notes payable	3,236	825
Less current maturities	2,437	294
Long-term note payable	\$ 799	\$ 531

#### Note Payable to a Related Party

The note payable to a related party represents an unsecured promissory note to Sterne, Kessler, Goldstein, & Fox, PLLC (“SKGF”), a related party (see Note 14) upon conversion of outstanding and unpaid legal fees of \$0.8 million in February 2016. The note had an interest rate of 8% per annum with an original balloon maturity of the outstanding principal balance due on December 31, 2017. In January 2018, we amended the note, retroactive to December 31, 2017 to allow for interest only payments through March 2018 and principal and interest payments through March 31, 2020. In August 2018, we further amended the note, retroactive to April 30, 2018 to defer principal and interest payments from May 1, 2018 through September 30, 2018. We determined that the amendments to the note constitute modifications of the debt which are accounted for on a prospective basis.



The note, as modified, provided for payments of principal and interest of approximately \$48,500 per month commencing October 31, 2018 through March 31, 2020. Failure to comply with the payment terms of this note constitutes an event of default which, if uncured, will result in the entire unpaid principal balance of the note and any unpaid, accrued interest to become immediately due and payable. In addition, the note provides for an increase in the interest rate to 12% per annum in the event of a default.

As of December 31, 2018, we were in default on the payment terms of the SKGF note. In March 2019, we amended the note to provide for a waiver of past payment defaults, a decrease in the interest rate from 8% per annum to 4% per annum, an extension of the maturity date of the note from March 2020 to April 2022, and a modification of payment terms under the note (see Note 16).

#### Secured Note Payable

The secured note payable represents a non-interest bearing promissory note payable to Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C. (“Mintz”) in settlement of outstanding and unpaid legal fees and costs associated with our patent enforcement programs. We paid Mintz an initial installment of \$0.1 million upon execution of the note and the remaining balance is payable in monthly installments of \$0.2 million commencing November 1, 2018 and continuing until the entire unpaid principal balance is paid. We pledged as security for the note 25 United States (“U.S.”) patents and 6 correlating foreign patents that were simultaneously released by Brickell Key Investments LP (“Brickell”). The Mintz note accelerates and becomes immediately due and payable in the case of standard events of default or in the event of a sale or other transfer of substantially all of our assets or a transfer of more than 50% of our capital stock in one or a series of transactions or through a merger or other similar transaction. In an event of default, the Mintz note will accrue interest at a rate of 12% per annum on any outstanding balance until such time that the note is paid in full. As of December 31, 2018, we were in default on the payment terms of the Mintz note. The payment default was cured in January 2019. On April 1, 2019, Mintz waived past and future payment defaults under the note through at least May 31, 2019, provided that no other event of default occurs. Mintz also waived acceleration of unpaid principal and interest as well as an increase in the interest rate to the default rate of 12%.

At December 31, 2018, the aggregate maturities of our notes payable, after consideration of the effect of the March 2019 amendment of the SKGF note, are as follows (in thousands):

2019	\$ 2,437
2020	90
2021	93
2022	616

Total \$ 3,236

The estimated fair value of our notes payable at December 31, 2018 is approximately \$3.0 million based on a risk-adjusted discount rate.

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## Convertible Notes

In September 2018, we sold two tranches of five-year promissory notes for aggregate proceeds of approximately \$1.3 million, including \$0.4 million sold to related parties (see Note 14). The notes are convertible, at the holders' option, into shares of our common stock at fixed conversion prices. We must repay, in cash, the principal balance of any outstanding, unconverted notes on the five-year anniversary of the issuance date. Accordingly, we have recognized the convertible notes as debt in our consolidated financial statements. The fixed conversion prices of the notes were below market value of our common stock on the closing date resulting in a beneficial conversion feature with a value of approximately \$0.4 million. The beneficial conversion feature is recorded as a discount on the convertible notes with a corresponding increase to additional paid in capital.

Convertible notes payable at December 31, 2018 consist of the following (in thousands):

Description	Fixed Conversion Rate	Effective Interest Rate	Maturity Date	2018
Convertible notes dated September 10, 2018	\$0.40	8.3%	September 7, 2023	\$ 800
Convertible notes dated September 19, 2018	\$0.57	8.3%	September 19, 2023	425
Total principal balance				1,225
Less unamortized discount				