

PARKERVISION INC
Form 10-K
March 16, 2015

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, 2014

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 0-22904

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

Edgar Filing: PARKERVISION INC - Form 10-K

(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	The NASDAQ Stock Market
Common Stock Rights	The NASDAQ Stock Market

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post 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. (X)

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Securities Exchange Act. (Check one):

Large accelerated filer ()	Accelerated filer (X)
Non-accelerated filer ()	Smaller reporting company ()
(Do not check if a smaller reporting company)	

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 30, 2014, the aggregate market value of the registrant's common stock, \$.01 par value, held by non-affiliates of the registrant was approximately \$120,989,335 (based upon \$1.48 share closing price on that date, as reported by NASDAQ).

As of March 11, 2015, 97,555,516 shares of the Issuer's Common Stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Definitive Proxy Statement to be filed with the Commission pursuant to Regulation 14A in connection with the registrant's 2015 Annual Meeting of Shareholders, to be filed not later than 120 days after the end of the fiscal year covered by this report, are incorporated by reference into Part III (Items 10, 11, 12, 13, and 14) of this report.

TABLE OF CONTENTS

3		
INTRODUCTORY NOTE		4
PART I		
Item 1. Business		4
Item 1A. Risk Factors		9
Item 1B. Unresolved Staff Comments		14
Item 2. Properties		14
Item 3. Legal Proceedings		14
Item 4. Mine Safety Disclosures		14
PART II		
Item 5. Market for the Registrant's Common Equity, Related Stockholder		15
	Matters and Issuer Purchases of Equity Securities	
Item 6. Selected Financial Data		17
Item 7. Management's Discussion and Analysis of Financial Condition and Results of		17
	Operations	
Item 7A. Quantitative and Qualitative Disclosures About Market Risk		23
Item 8. Financial Statements and Supplementary Data		24
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial		51
	Disclosure	
Item 9A. Controls and Procedures		51
Item 9B. Other Information		52
PART III		
Item 10. Directors, Executive Officers and Corporate Governance		52
Item 11. Executive Compensation		52
Item 12. Security Ownership of Certain Beneficial Owners and Management and		52
	Related Stockholder Matters	
Item 13. Certain Relationships and Related Transactions and Director Independence		52
Item 14. Principal Accountant Fees and Services		52
PART IV		
Item 15. Exhibits and Financial Statement Schedule		53
SIGNATURES		57
SCHEDULE		58
EXHIBIT INDEX		59

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.

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, in particular, 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.” 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 and sales 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. We design, develop and market our proprietary radio frequency (“RF”) technologies and products for use in semiconductor circuits for 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 (“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.

Based on the manner in which our management views and evaluates our operations, we have determined that our business currently operates under a single segment. Refer to our financial statements in Item 8 of this Annual Report for financial data including net losses from operations and total assets.

Recent Developments

Litigation Funding Agreement

In December 2014, we entered into a funding agreement with 1624 PV, LLC (“1624”), an affiliate of 1624 LLC, a litigation investment firm, whereby 1624 committed to fund up to \$7 million for legal fees and expenses for specified future patent infringement litigation. We will reimburse and compensate 1624 from the proceeds resulting from these actions. In addition, 1624 may receive a portion of our proceeds

from other patent litigation, licensing and patent-related monetization activities. 1624's compensation is subject to a maximum which is determined as a multiple of the funds provided by 1624 under this agreement. We have not yet filed any patent infringement actions covered by this agreement.

Sale of Warrants

In December 2014, we also entered into an agreement for the sale of warrants to 1624 for an aggregate price of \$1.3 million. This transaction closed on January 15, 2015 at which time we issued three warrants to 1624, each for the purchase of up to 1,884,058 shares of our common stock at exercise prices of \$1.50, \$2.50 and \$3.50 per share, respectively. The warrants are exercisable through January 15, 2018. If the warrants are fully exercised in the future, we will receive aggregate exercise proceeds of approximately \$14.1 million. We expect to file a registration statement with the SEC promptly after filing this report to cover the resale of all of the shares of common stock issuable upon exercise of the warrants.

Inter Partes Review

In 2014, RPX Corporation and Michael Farmwald filed petitions for Inter Partes review ("IPR") with the Patent Trial and Appeal Board of the United States Patent and Trademark Office ("PTAB") seeking to invalidate certain claims related to four of our patents. On December 18, 2014, the PTAB issued a decision to institute trial on certain claims included in three of the four IPR petitions and denied institution on one challenged claim. On January 8, 2015, the PTAB denied institution of trial for the fourth IPR petition. Refer to "Legal Proceedings" in Note 11 to our financial statements included in Item 8 for a complete discussion of our IPR proceedings.

General Development of Business

Our business has been primarily focused on the development, marketing and legal enforcement of our RF technologies for mobile and other wireless applications. Our technologies represent among other things, unique, proprietary methods for processing RF waveforms in wireless applications. Our technologies apply to both transmit and receive functions of transmitters, receivers, and transceivers as well as other related RF communications functions. A portion of our transmit technology is marketed as Direct2Power™, or d2p™, and enables the transformation of a baseband data signal to an RF carrier waveform, at the desired power output level, in a single unified operation. A portion of our receiver technology is marketed as Direct2Data™, or d2d™, and enables the direct conversion of an RF carrier to a baseband data signal. We have developed these and a number of additional innovations which are protected by the intellectual property we have secured in various patent families for RF and related functions in RF-based communications.

Strategy

We have a three-part growth strategy for commercializing our innovations that includes intellectual property licensing and/or product ventures, intellectual property enforcement, and product and component development, manufacturing and sales.

- Intellectual Property Licensing and Product Ventures. In 2014, we launched a licensing/product venture campaign to explore licensing and joint product development opportunities with wireless communications companies that make, use or sell chipsets and/or products that incorporate RF. We believe there are a number of 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. We have engaged 3LP Advisors, LLC (“3LP”) under a licensing services agreement for the management of our licensing operation, largely on a commission basis.

5

- Intellectual Property Enforcement. We are also involved in litigation against others in order to protect and defend our intellectual property rights. We are currently involved in two patent infringement cases against Qualcomm Incorporated (“Qualcomm”) for their unauthorized use of certain of our patents. One case was filed in July 2011 and is currently on appeal. The second case was served in August 2014 against Qualcomm and certain of its customers with a trial date currently scheduled for August 2016. Refer to “Legal Proceedings” in Note 11 to our financial statements included in Item 8 for a complete discussion of the proceedings in this matter.
- Product and Component Sales. Our product development and marketing efforts are focused on our RF technologies in communications industries that do not use highly integrated semiconductors, such as infrastructure, industrial and military applications. In 2014, we established a network of sales representatives throughout the U.S. and Asia and also initiated production of component products in order to provide inventory to support our sales efforts.

Since 2005, we have generated no royalty or product revenue from our RF technologies. Our ability to generate revenues sufficient to offset costs is subject to our ability to successfully enforce and defend our intellectual property rights, secure new product and/or licensing customers for our technologies, and successfully support those customers in completing their product designs.

We believe the investments we make in new technology innovations and obtaining intellectual property rights on those innovations are critical business processes and, as such, we have and will continue to devote substantial resources to research and development for this purpose. We protect our intellectual property rights by securing patent protection and, where necessary, defending those patents against infringement by others.

Products and Services

In order to utilize RF technology in a mobile handset or certain other wireless application, RF chipsets must interface with the baseband processor that generates the data to be transmitted and/or received. The development of the interface between the baseband processor and RF chipsets requires a cooperative effort with the baseband provider.

We have designed RF chipsets to interface specifically with baseband processors produced by VIA-Telecom, Inc. (“VIA”), a CDMA baseband provider. We have worked with VIA since 2009 on the joint development of reference platforms that incorporate our products and VIA baseband processors without the exchange of intellectual property rights. We also worked with VIA to co-develop a sample 3G mobile handset which verified our technology in a working implementation and tested our technology’s performance. The results of these efforts were utilized to market our product to VIA’s customers. Since 2010, we have modified our circuit layout and packaging to meet design requirements of specific VIA’s customers. In 2013, we entered into a formal development agreement with VIA whereby we would compensate VIA for the resources required for their development and ongoing support and maintenance of the custom interfaces between our products for a specific customer. Pursuant to the agreement, VIA completed the development of the custom interface for certain of its baseband processors. In 2014, we terminated our formal development agreement with VIA prior to VIA’s completion of the interface to its latest model baseband

processor due to the uncertainty of the specific customer's future use of the VIA baseband in its products.

We anticipate our future business will include licensing of our intellectual property, the joint development and/or sale of integrated circuits based on our technology for incorporation into wireless devices designed and manufactured by our customers, and the sale of products and components developed and manufactured by us. In addition, from time to time, we may provide engineering consulting and design

6

services to our customers, for a negotiated fee, to assist them in developing prototypes and/or products incorporating our technologies. Our technology is capable of being incorporated for any of the mobile handset standards, as well as numerous other communications protocols such as WiFi, Bluetooth, Zigbee, and GPS. By pursuing both licensing and product opportunities, we believe our technologies can be deployed in multiple markets that incorporate RF transmitters, receivers, and/or transceivers, including mobile handsets, tablets, femtocells, machine-to-machine, RF identification and infrastructure, among others. In order to secure proper compensation for the unauthorized use of our technologies by others, our licensing efforts also include enforcement actions against parties in these markets who we believe have already deployed products that infringe certain of our patented technologies.

Competitive Position

We operate in a highly competitive industry against companies with substantially greater financial, technical, and sales and marketing resources. Our technologies 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. Competition in our industry is generally based on price and technological performance.

To date, we are unaware of any competing or emerging RF technologies that provide all the simultaneous benefits that certain of our technologies enable. Our unique technologies process RF carriers in a more optimal manner than prior traditional technologies, thereby allowing the creation of handsets and other products that have extended battery life, lower operating temperatures, more easily incorporate multiple air interface standards and frequencies in smaller form factors, improve operational performance, and reduce manufacturing costs. One or more of these benefits enable some of the key features that can be found in high volume wireless products. Our technologies provide such attractive benefits, in part, because of their unique operational and/or circuit architectures. The benefits our technologies enable include 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. In some cases, the disruptive nature of our technologies, the required integration of our technologies with other sub-systems in semiconductor systems on-chip, and our lack of tenure in the markets we are targeting provide further hurdles to adoption. 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. Our circuit architectures are capable of being compliant with all current mobile phone and numerous other wireless industry standards and can be configured to accept all standard baseband data interfaces with the cooperation of the baseband processor providers. In addition, we believe that one or more of our technology's abilities to provide improved power efficiencies, highly accurate RF carrier waveforms, reduced cost, smaller form factors and better

manufacturing yields, provides a sought-after solution to existing problems in applications for 3G, 4G, and next-generation mobile wireless standards, as well as in other applications where we believe our technologies can provide an attractive solution.

Production and Supply

In 2014, we initiated production of certain component products in order to provide inventory to support

7

our sales efforts. The integrated circuits which incorporate our RF technologies are produced through fabrication relationships with IBM Microelectronics (“IBM”) using a silicon germanium process and Taiwan Semiconductor Manufacturing Company Limited (“TSMC”) using a CMOS semiconductor process. We believe IBM and TSMC have sufficient capacity to meet our foreseeable needs. In addition, our integrated circuits have been and can be produced using different materials and processes, if necessary, to satisfy capacity requirements and/or customer preferences. In instances where our customer licenses our intellectual property, the production capacity risk shifts to that customer.

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, 2014, we had 179 U.S. and 88 foreign patents related to our RF technologies. In addition, we have approximately 45 U.S. and foreign patent applications pending. We estimate the economic lives of our patents to be fifteen to twenty years and our current portfolio of issued patents have expirations ranging from 2018 to 2032.

From time to time, we obtain licenses from others for standard industry circuit designs that are integrated into our own integrated circuits as supporting components that are peripheral to our core technologies. We believe there are multiple sources for these types of standard circuits and we estimate the economic lives of the licenses to be two to five years based on estimated technological obsolescence.

Research and Development

For the years ended December 31, 2014, 2013, and 2012 we spent approximately \$8.5 million, \$10.4 million, and \$8.4 million, respectively, on Company-sponsored research and development activities. Our research and development efforts have been, and are expected to continue to be, devoted to the development and advancement of RF technologies, including the development of prototype integrated circuits for proof of concept purposes, the development of production-ready silicon samples and reference designs for specific applications, and the creation of test programs for quality control testing of our chipsets.

Employees

As of December 31, 2014, we had 47 full-time and 2 part-time employees, of which 30 are employed in engineering research and development, 6 in sales and marketing, and 13 in executive management, finance and

administration. Our employees are not represented by a labor union. We consider our employee relations 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. Copies of these reports may also be obtained from the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. Information on the operation of the SEC Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. 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. We also will provide copies of the annual report on Form 10-K and the

quarterly reports on Forms 10-Q filed during the current fiscal year, including any amendments thereto, upon written request to us at ParkerVision, Inc., Investor Relations, 7915 Baymeadows Way, Suite 400, Jacksonville, Florida, 32256. These reports will be provided at no charge. Exhibits to these reports may be obtained at a cost of \$.25 per page plus \$5.00 postage and handling.

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.

Our independent registered certified public accounting firm has included in their audit opinion on our financial statements as of and for the year ended December 31, 2014 a statement with respect to substantial doubt regarding our ability to continue as a going concern. Our 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 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 suppliers 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.

We have had losses in each year since our inception in 1989, and continue to have an accumulated deficit which, at December 31, 2014, was approximately \$313.6 million. The net loss for 2014 was approximately \$23.6 million. To date, our technologies and products have not produced revenues sufficient to cover operating, research and development and overhead costs. We will continue to make expenditures on patent protection and enforcement, research and development, marketing, and general operations in order to secure and fulfill any contracts that we achieve for the sale of our products or technologies. We expect that our revenues in 2015 will not bring the Company to profitability and our current capital resources will not be sufficient to sustain our operations through 2015. If we are not able to generate sufficient revenues or obtain sufficient capital resources, we will not be able to implement our

business plan and investors will suffer a loss in their investment. This may also result in a change in our business strategies.

We expect to need additional capital in the future. 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 from the sale of equity securities from time to time. We anticipate that our business plan will continue to require significant expenditures for patent protection and enforcement, research and development, marketing, and general operations. Furthermore, we expect that the implementation of significant cost reduction measures in order to reduce our cash needs may jeopardize our operations and future growth plans. Our current capital resources include cash and available-for-sale securities of \$11.2 million at December 31, 2014 and \$1.3 million in net proceeds from our January 2015 sale of warrants. In addition, we have a \$7 million litigation funding commitment from a third-party; however, this funding is for specified use in future, not existing, patent enforcement actions. These capital resources will not be sufficient to meet our working capital needs for 2015 and we will require additional capital to fund our operations. Financing, if any, may be in the form of debt, contingent fee arrangements, or additional sales of equity securities, including common or preferred stock. The incurrence of debt 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. Contingent fee arrangements may result in a significant reduction in net earnings from litigation and/or licensing activities. The sale of equity securities, including common or preferred stock, may result in dilution to the current shareholders' ownership. The long-term continuation of our business plan is dependent upon the generation of sufficient revenues from patent enforcement actions or the sale or license of our products or technologies, additional funding, reducing expenses or a combination of the foregoing. The failure to generate sufficient revenues, raise capital or reduce expenses will have a material adverse effect on our ability to achieve our long-term business objectives.

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. 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.

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 others 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.

Furthermore, any litigation-based awards collected will be subject to contingency payments to

10

legal counsel and/or funding parties which will reduce the amount retained by us.

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. recently 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, we must continually devote substantial resources to developing and improving our technology and introducing new product offerings. For example, in fiscal years 2014 and 2013, we spent approximately \$8.5 million and \$10.4 million, respectively, on research and development and, we expect to continue to spend a significant amount in this area in the future. These efforts and expenditures are necessary to establish market share and, ultimately, to generate revenues. If another company offers better products or technologies, a competitive position or market window opportunity may be lost, and therefore our revenues or revenue potential may be adversely affected.

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.

Our business is highly reliant on our business relationships with baseband suppliers for support of the interface of their product to our technology and the support of our sales and marketing efforts to their customers, the failure of which will have an adverse impact on our business.

The successful commercialization of our products will be impacted, in part, by factors outside of our control including the success and timing of product development and sales support activities of the suppliers of baseband processors with which our products interface. Delays in or failure of a baseband supplier’s product development or sales support activities will hinder the commercialization of our products which will have an adverse impact on our ability to generate revenues and recover development expenses.

We rely, in large part, on key business and sales relationships for the successful commercialization of our products, which if not developed or maintained, will have an adverse impact on achieving market awareness and acceptance and will result in a loss of business opportunity.

To achieve a wide market awareness and acceptance of our products and technologies, as part of our business strategy, we will attempt to enter into a variety of business relationships with other companies which will incorporate our technologies into their products and/or market products based on our

11

technologies. The successful commercialization of our products and technologies will depend in part on our ability to meet obligations under contracts with respect to the products and related development requirements. The failure of these business relationships will limit the commercialization of our products and technologies which will have an adverse impact on our business development and our ability to generate revenues and recover development expenses.

We are highly dependent on Mr. Jeffrey Parker as our chief executive officer and Mr. David Sorrells as our chief technology officer. If either of their 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. Because of Mr. Sorrells' technical expertise, the loss of his services could have an adverse impact on our research, technical support, and enforcement activities and impede the execution of our business plan. If either Mr. Parker or Mr. Sorrells were no longer available to the company, investors might experience an adverse impact on their investment. We currently have employment agreements with and maintain key-employee life insurance for our benefit for both Mr. Parker and Mr. Sorrells.

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 very specialized, and therefore it is dependent on having skilled and specialized key executives and other employees to conduct our research, development and customer support 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 customer support activities that our products require. These activities are instrumental to the successful execution of our business plan.

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

At December 31, 2014, we had 97,183,433 shares of common stock outstanding and had 9,880,352 options, warrants, and restricted share units ("RSU") outstanding for the purchase and/or issuance of additional shares of common stock. Of these outstanding equity instruments, 7,209,938 were exercisable as of December 31, 2014. The majority of the shares of common stock underlying these securities is registered for sale to the holder or for public resale by the holder. The amount of common stock available for the sales may have an adverse impact on our ability to raise capital and may affect the price and liquidity of the common stock in the public market. In addition, the issuance of these shares of common stock will have a dilutive effect on current shareholders' ownership.

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, 2014 and December 31, 2014, the reported high and low sales prices for our common stock ranged between \$0.80 and \$5.80 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 litigations, 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.

The bid price of our common stock has been below the minimum requirement for the NASDAQ Capital Market and there can be no assurance that we will continue to maintain compliance with the minimum bid price requi