

PARKERVISION INC  
Form 10-Q  
May 12, 2014  
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2014

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

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

Commission file number 000-22904

PARKERVISION, INC.

(Exact name of registrant as specified in its charter)

Florida  
(State or other jurisdiction of  
incorporation or organization)

59-2971472  
I.R.S. Employer Identification No

7915 Baymeadows Way, Suite 400

Jacksonville, Florida 32256

(Address of principal executive offices)

(904) 732-6100

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No .

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such file). Yes  No .

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>

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

As of May 6, 2014, 96,718,039 shares of the issuer's common stock, \$.01 par value, were outstanding.

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## PART I - FINANCIAL INFORMATION

## ITEM 1. Financial Statements

## PARKERVISION, INC.

## BALANCE SHEETS

(UNAUDITED)

	March 31, 2014	December 31, 2013
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 652,686	\$ 222,697
Available for sale securities	24,683,616	16,957,489
Prepaid expenses and other	584,332	551,961
Total current assets	25,920,634	17,732,147
<b>PROPERTY AND EQUIPMENT, net</b>	<b>293,371</b>	<b>307,385</b>
<b>INTANGIBLE ASSETS, net</b>	<b>8,439,799</b>	<b>8,552,432</b>
<b>OTHER ASSETS, net</b>	<b>1,683</b>	<b>2,576</b>
Total assets	\$ 34,655,487	\$ 26,594,540
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 367,530	\$ 1,246,470
Accrued expenses:		
Salaries and wages	502,507	325,313
Professional fees	356,980	631,871
Other accrued expenses	347,659	289,031
Deferred rent, current portion	38,637	33,894
Total current liabilities	1,613,313	2,526,579
<b>LONG-TERM LIABILITIES</b>		
Capital lease, net of current portion	0	7,290
Deferred rent, net of current portion	61,769	14,379
Total long-term liabilities	61,769	21,669
Total liabilities	1,675,082	2,548,248

## COMMITMENTS AND CONTINGENCIES

## SHAREHOLDERS' EQUITY:

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Common stock, \$.01 par value, 150,000,000 shares authorized, 96,497,603 and 93,208,471 shares issued and outstanding at March 31, 2014 and December 31, 2013, respectively	964,976	932,085
Accumulated other comprehensive loss	(332)	(8,215)
Warrants outstanding	451,333	663,100
Additional paid-in capital	327,346,788	312,470,030
Accumulated deficit	(295,782,360)	(290,010,708)
Total shareholders' equity	32,980,405	24,046,292
Total liabilities and shareholders' equity	\$ 34,655,487	\$ 26,594,540

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

PARKERVISION, INC.

## STATEMENTS OF COMPREHENSIVE LOSS

(UNAUDITED)

	Three Months Ended March 31,	
	2014	2013
Engineering services revenue	\$ 0	\$ 0
Cost of sales	0	0
Gross margin	0	0
Research and development expenses	2,264,480	2,365,474
Marketing and selling expenses	656,991	396,927
General and administrative expenses	2,872,868	3,711,817
Total operating expenses	5,794,339	6,474,218
Interest and other income	23,884	14,200
Interest expense	(1,197)	(2,154)
Total interest and other income and interest expense	22,687	12,046
Net loss	(5,771,652)	(6,462,172)
Other comprehensive income, net of tax:		
Unrealized gain on available for sale securities	7,883	7,080
Other comprehensive income, net of tax	7,883	7,080
Comprehensive loss	\$ (5,763,769)	\$ (6,455,092)
Basic and diluted net loss per common share	\$ (0.06)	\$ (0.08)



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

PARKERVISION, INC.

## STATEMENTS OF CASH FLOWS

(UNAUDITED)

	Three Months Ended March 31,	
	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$ (5,771,652)	\$ (6,462,172)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	310,879	308,018
Share-based compensation	1,824,021	1,759,244
Realized loss (gain) on available for sale securities	7,883	(5,704)
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	(31,478)	(230,130)
Accounts payable and accrued expenses	(919,011)	(183,945)
Deferred rent	52,133	(19,971)
Total adjustments	1,244,427	1,627,512
Net cash used in operating activities	(4,527,225)	(4,834,660)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of investments available for sale	(11,526,127)	(14,108,394)
Proceeds from sale of investments	3,800,000	4,635,000
Payments for patent costs and other intangible assets	(158,087)	(168,613)
Purchases of property and equipment	(26,145)	(21,953)
Net cash used in investing activities	(7,910,359)	(9,663,960)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Net proceeds from issuance of common stock in public and private offerings	11,946,365	14,308,428
Net proceeds from exercise of options and warrants	927,496	204,734
Principal payments on capital lease obligation	(6,288)	(5,415)
Net cash provided by financing activities	12,867,573	14,507,747

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NET INCREASE IN CASH AND CASH EQUIVALENTS	429,989	9,127
CASH AND CASH EQUIVALENTS, beginning of period	222,697	298,227
CASH AND CASH EQUIVALENTS, end of period	\$ 652,686	\$ 307,354

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

PARKERVISION, INC.

CONDENSED NOTES TO FINANCIAL STATEMENTS

(UNAUDITED)

1. Description of Business

ParkerVision, Inc. (“we”, the “Company”, or “ParkerVision”) is 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. Our business is expected to include licensing of our intellectual property and/or the sale of integrated circuits based on our technology for incorporation into wireless devices designed by our customers. In addition, from time to time, we offer engineering consulting and design services to our customers, for a negotiated fee, to assist them in developing prototypes and/or products incorporating our technologies.

2. Liquidity and Capital Resources

Our future business plans call for continued investment in sales, marketing, customer support and product development for our technologies and products, as well as investment in continued protection of our intellectual property including prosecution of new patents and defense of existing patents. Our ability to generate revenues sufficient to offset costs is subject to securing new product and licensing customers for our technologies, successfully supporting our customers in completing their product designs, and/or successfully protecting or defending our intellectual property.

We expect that revenue for 2014 will not be sufficient to cover our operational expenses for 2014, and that our expected continued losses and use of cash will be funded from available working capital. In addition, we expect that available working capital will be used for initial production start-up costs, including test programs and production tooling, and for litigation expenses to defend our intellectual property. Our current capital resources include cash and available for sale securities of approximately \$25.3 million at March 31, 2014. These current capital resources are sufficient to meet our working capital needs for 2014, but may not be sufficient to sustain our operations on a longer-term basis and we may require additional capital to fund our operations.

The long-term continuation of our business plan beyond 2014 is dependent upon the generation of sufficient revenues from our technologies and/or products to offset expenses. In the event that we do not generate sufficient revenues, we will be required to obtain additional funding through public or private financing and/or reduce operating costs. 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 long-term liquidity needs and achieve our intended long-term business objectives.

### 3. Basis of Presentation

The accompanying unaudited financial statements for the period ended March 31, 2014 were prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Operating results for the three months ended March 31, 2014 are not necessarily indicative of the results that may be expected for the year ending December 31, 2014 or future years. All normal and recurring adjustments which, in the opinion of management, are necessary for a fair presentation of the financial condition and results of operations have been included.

The year-end balance sheet data was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America. These interim financial statements should be read in conjunction with our latest Annual Report on Form 10-K for the year ended December 31, 2013.

#### 4. Accounting Policies

In July 2013, the Financial Accounting Standards Board issued Accounting Standards Update 2013-11 Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists (“ASU 2013-11”) to provide guidance on the financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists thereby reducing diversity in practice. The amendments in ASU 2013-11 became effective for the Company on January 1, 2014 and did not have a material impact on the Company’s financial statements.

There have been no other changes in accounting policies from those stated in the Annual Report on Form 10-K for the year ended December 31, 2013.

#### 5. Loss per Common Share

Basic loss per common share is determined based on the weighted-average number of common shares outstanding during each period. Diluted loss per common share is the same as basic loss per common share as all common share equivalents are excluded from the calculation, as their effect is anti-dilutive. The weighted average number of common shares outstanding for the three months ended March 31, 2014 and 2013 were 94,005,709 and 83,347,095, respectively.

Options and warrants to purchase 8,258,094 and 10,159,596 shares of common stock were outstanding at March 31, 2014 and 2013, respectively. In addition, unvested restricted stock units (“RSUs”), representing 1,780,301 and 1,278,842 shares of common stock, were outstanding at March 31, 2014 and 2013, respectively. These options, warrants and RSUs were excluded from the computation of diluted loss per common share as their effect would have been anti-dilutive.

#### 6. Intangible Assets

Intangible assets consist of the following:

	March 31, 2014		
	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Patents and copyrights	\$ 19,101,107	\$ 10,665,360	\$ 8,435,747
Prepaid licensing fees	574,000	569,948	4,052
	\$ 19,675,107	\$ 11,235,308	\$ 8,439,799

	December 31, 2013		
	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Patents and copyrights	\$ 18,943,020	\$ 10,397,136	\$ 8,545,884
Prepaid licensing fees	574,000	567,452	6,548
	\$ 19,517,020	\$ 10,964,588	\$ 8,552,432

## 7. Share-Based Compensation

There has been no material change in the assumptions used to compute the fair value of our equity awards, nor in the method used to account for share-based compensation from those stated in our Annual Report on Form 10-K for the year ended December 31, 2013.

The following table presents share-based compensation expense included in our statements of comprehensive loss for the three months ended March 31, 2014 and 2013, respectively:

	Three months ended	
	March 31,	
	2014	2013
Research and development expense	\$ 384,075	\$ 361,595
Sales and marketing expense	74,178	73,666
General and administrative expense	1,365,768	1,323,983
Total share-based expense	\$ 1,824,021	\$ 1,759,244

As of March 31, 2014, we had approximately \$2.8 million in unrecognized compensation cost, net of estimated forfeitures, related to unvested share-based compensation awards. This cost is expected to be recognized over a weighted average period of approximately 1.0 years.

For the three-month periods ended March 31, 2014 and 2013, share-based compensation expense above includes \$476,000 and \$621,000, respectively, recognized upon vesting of RSUs granted to consultants. As of March 31, 2014, we have an aggregate of 33,334 time-based RSUs and 750,000 performance-based RSUs to consultants that remain unvested. The remaining time-based RSUs will vest by May 2014. The performance-based RSUs vest only upon achievement of certain market conditions, as measured based on the closing price of our common stock during a period ending on the earlier of (i) December 31, 2015 or (ii) thirty days following termination of the related consulting agreement. Upon thirty days' notice, the consulting agreements may be terminated and any unvested portion of the RSUs will be cancelled.



## 8. Stock Authorization and Issuance

On March 13, 2014, we completed the sale of an aggregate of 2,666,666 shares of our common stock, at a price of \$4.50 per share, to two accredited investors in a private placement transaction pursuant to Rule 506 of Regulation D under the Securities Act of 1933, as amended. The offering represented 2.8% of our outstanding common stock on an after-issued basis. The aggregate net proceeds from this offering, after deduction of offering costs which are recorded to additional-paid-in-capital in the accompanying balance sheets, were approximately \$11.9 million. We filed a registration statement on April 7, 2014 to register the resale of the common stock issued in the private placement transaction. The registration statement became effective on May 1, 2014 (File No. 333-195105). In the event the registration statement ceases to be effective for any continuous period that exceeds 10 consecutive calendar days or more than an aggregate of fifteen calendar days during any 12-month period or any time during the six-month anniversary of the registration date (a "Registration Default"), we shall pay the investors an amount in cash equal to 1% of the aggregate purchase price paid for each 30-day period of a Registration Default. The maximum penalty that we may incur under this arrangement is 6% of the aggregate purchase price, or approximately \$720,000 subject to reduction for shares sold or transferred and not held at the penalty determination date. We do not believe that payment under the registration payment arrangement is probable and therefore no related liability has been recorded in the accompanying financial statements.

## 9. Fair Value Measurements

We have determined the estimated fair value amounts of our financial instruments using available market information. Our assets that are measured at fair value on a recurring basis include the following as of March 31, 2014 and December 31, 2013:

	Fair Value Measurements			
	Total	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
March 31, 2014:				
Available for sale securities:				
Municipal bond mutual funds	\$ 24,683,616	\$ 24,683,616	\$ 0	\$ 0

	Fair Value Measurements			
	Total	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2013:				
Available for sale securities:				
Municipal bond mutual funds	\$ 16,957,489	\$ 16,957,489	\$ 0	\$ 0

## 10. Commitments and Contingencies

### Legal Proceedings

From time to time, we are subject to legal proceedings and claims which arise in the ordinary course of our business. We believe, based upon advice from outside legal counsel, that the final disposition of such matters will not have a material adverse effect on our financial position, results of operations or liquidity.

#### ParkerVision vs. Qualcomm, Inc.

In October 2013, a jury in the United States District Court of the Middle District of Florida awarded us \$172.7 million in damages for direct and indirect infringement of eleven claims of four of our patents by Qualcomm Incorporated (“Qualcomm”). This award was the result of a patent infringement action filed against Qualcomm on July 20, 2011, in which we initially sought unspecified damages and injunctive relief for infringement of our patents related to radio-frequency receivers and the down-conversion of electromagnetic signals. The jury also found that all eleven claims of the four patents were valid and that we did not prove our claims of willfulness, which would have allowed the judge to enhance the jury-awarded damages. On May 1, 2014, a district court hearing was held on the outstanding motions in this case. At the hearing, the court denied Qualcomm’s motion for a new trial or a judgment as a matter of law (“JMOL”) on damages. The court also denied our motion for a new trial or a JMOL on willfulness and denied our motion for a permanent injunction. The court has reserved ruling on Qualcomm’s motions

for a new trial or JMOL on infringement and invalidity as well as our motion for ongoing royalties and pre- and post-judgment interest. The court ordered the parties to meet with regard to an ongoing royalty rate and an agreeable interest rate for the pre- and post-judgment interest calculation. The parties are required to report the results of the meeting to the court within 30 days. We do not know at this time when the court will issue its final ruling on the outstanding motions. The amount and timing of the collection of damages from Qualcomm is dependent upon final disposition of the litigation which may include settlement discussions and/or appeals. Following a final district court adjudication, either party has 30 days to appeal the ruling to the federal appellate court. Qualcomm has indicated that it plans to appeal the district court decision.

#### ParkerVision vs. Qualcomm and HTC

On May 1, 2014, we filed a complaint against Qualcomm, Qualcomm Atheros, Inc., HTC Corporation and HTC America, Inc. seeking unspecified damages and injunctive relief for infringement of seven of our patents related to RF up-conversion, systems for control of multi-mode, multi-band communications, baseband innovations including control and system calibration, and wireless protocol conversion. The complaint was filed in the United States District Court of the Middle District of Florida.

#### Maxtak Capital Advisors LLC vs. ParkerVision

On December 28, 2011, Maxtak Capital Advisors LLC, Maxtak Partners LP and David Greenbaum (the "Plaintiffs") filed a complaint in the United States District Court of New Jersey against us, our chief executive officer, Jeffrey Parker and one of our directors, Robert Sterne, alleging common law fraud and negligent misrepresentation of material facts concerning the effectiveness of our technology and our success in securing customers. The Plaintiffs are seeking unspecified damages, including attorneys' fees and costs. In October 2012, the court granted our motion to transfer the case to the Middle District of Florida. In May 2013, the court denied our motion to dismiss. Discovery is ongoing in this case. The court recently granted a joint motion by the parties for an approximate six month extension of case deadlines. The cut-off date for discovery is currently set for December 2, 2014 and a jury trial date is set to commence August 3, 2015. We believe this matter is without merit, and we do not believe it is probable that this case will have a material adverse effect on our financial position, results of operations or liquidity.

## ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

### Forward-Looking Statements

We believe that it is important to communicate our future expectations to our shareholders and to the public. This 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 contained in this Item. When used in this report and in future filings by us with the Securities and Exchange Commission (“SEC”), the words or phrases “expects”, “will likely result”, “will continue”, “is anticipated”, “estimated” or similar expressions are intended to identify “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 identified in our annual report on Form 10-K for the fiscal year ended December 31, 2013 (the “Annual Report”) and in this Item 2 of Part I of this quarterly report. Examples of such risks and uncertainties include general economic and business conditions, 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, the outcome of our intellectual property litigation 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.

#### 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 quarterly 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.

#### Overview

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 a three-part growth strategy that includes intellectual property licensing and/or product ventures, intellectual property enforcement, and product and component development, manufacturing and sales. We have 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 technology. In February 2014, we engaged the intellectual property firm of 3LP Advisors, LLC ("3LP") to assist in managing our licensing operations. 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 would include licensing rights. We will pay 3LP success fees as a percentage of net proceeds received by us for licensing and licensing-related transactions. During the first 12 months of the term of their engagement, we will also pay 3LP a monthly retainer, one-half of which will be offset against success fees earned by 3LP.

From time to time we expect to be involved in litigation in order to protect or defend our intellectual property rights. Since 2011, we have been involved in patent infringement litigation against Qualcomm Incorporated ("Qualcomm") for their unauthorized use of our receiver technology. In October 2013, a jury awarded us \$172.7 million in past damages for Qualcomm's infringement of four of our patents. We are awaiting a final district court decision in this case. In May 2014, we filed a second patent infringement litigation action against Qualcomm, as well

as their customer, HTC, for their infringement of seven patents related to different technologies of ours. Refer to “Legal Proceedings” in Note 10 to our financial statements included in Item 8 for a complete discussion of the proceedings in this matter. The law firm of McKool Smith is representing us in both patent litigation actions on a partial contingency basis. We believe there are funding opportunities available to us for financing our portion of the litigation fees for the May 2014 patent infringement action in return for a contingent share of any damages awarded in the case should we determine that such financing is necessary.

Our product development and marketing efforts are focused on our RF technologies in mobile and other communications industries that use RF. We have developed and are actively marketing a number of RF component products to industries that presently use less highly integrated semiconductors than would

typically be found in mobile wireless applications. These are applications such as industrial, infrastructure, and military devices. In addition, we are working with VIA Telecom, Inc. on the continued development and marketing of RF integrated circuits that function with their baseband products for mobile handset customers.

Since 2005, we have generated no product or royalty revenue from our wireless technologies. We have made significant investments in developing and protecting our technologies and products, the returns on which are dependent upon the generation of future revenues for realization.

#### Liquidity and Capital Resources

On March 13, 2014, we completed the sale of an aggregate of 2,666,666 shares of our common stock, at a price of \$4.50 per share, to two accredited investors in a private placement transaction pursuant to Rule 506 of Regulation D under the Securities Act of 1933, as amended. The offering represented 2.8% of our outstanding common stock on an after-issued basis. The aggregate net proceeds from this offering, after deduction of offering costs, were approximately \$11.9 million and will be used for general working capital purposes. We filed a registration statement on April 7, 2014 to register the resale of the common stock issued in the private placement transaction. The registration statement became effective on May 1, 2014 (File No. 333-195105).

As of March 31, 2014, we had working capital of approximately \$24.3 million which represented an increase of approximately \$9.1 million from working capital at December 31, 2013. This increase in working capital is a result of approximately \$11.9 million in net proceeds from the March 2014 offering and approximately \$0.9 million in proceeds from the exercise of stock options and warrants, less approximately \$4.5 million to fund operations and approximately \$0.2 million used for patents and fixed assets during the first three months of 2014.

Our future business plans call for continued investment in sales, marketing, customer support and product development for our technologies and products, as well as investment in continued protection of our intellectual property, including the prosecution of new patents and defense of existing patents. Our ability to generate revenues sufficient to offset costs is subject to our ability to successfully support our customers in completing their initial product designs incorporating our technologies, our ability to secure a reasonable share of the market through additional product offerings with our customers, our ability to secure new customers for our products or technologies, and/or our ability to defend our intellectual property.

Revenue generated from technology licenses and/or the sale of RF chipsets or component products in 2014 may not be sufficient to cover our operational expenses, and we expect that our continued losses and use of cash will be funded from available working capital. In addition, we expect that available working capital will be used for initial production start-up costs, including test programs and production tooling, and for litigation expenses to defend our intellectual property.



We believe our current capital resources are sufficient to support our currently projected liquidity requirements through 2014 and beyond. The long-term continuation of our business plan is dependent upon the generation of sufficient revenues from our technologies and/or products to offset expenses. In the event that we do not generate sufficient revenues, we will be required to obtain additional funding through public or private financing and/or reduce operating costs. 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 long-term liquidity needs and achieve our intended long-term business objectives.

Results of Operations for Each of the Three Months Ended March 31, 2014 and 2013

Revenue and Gross Margin

We had no product or royalty revenue for the three months ended March 31, 2014 and 2013.

As discussed above, in October 2013, a jury in the United States District Court in the Middle District of Florida awarded us \$172.7 million in damages for infringement of four of our patents by Qualcomm. Revenue from litigation awards, including settlements, will be recognized upon final disposition of all litigation, including rulings on the post-trial motions for an injunction or ongoing royalties discussed above and the outcome of any settlement discussions and/or appeals. Refer to “Legal Proceedings” in note 10 for further discussion of our litigation against Qualcomm.

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; amortization and depreciation expense related to our patents and other assets used in product development; prototype production and materials costs, which represent the fabrication and packaging costs for prototype integrated circuits, as well as the cost of supporting components for prototype board development; 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 amounts which have been determined based on the grant date fair value of equity-based awards to our employees and then recorded to expense over the vesting period of the award.

Our research and development expenses decreased approximately \$101,000, or 4%, during the three months ended March 31, 2014 when compared to the same period in 2013. This decrease is primarily due to a decrease in prototype production and materials of approximately \$124,000 due to the timing of prototype fabrication runs.

We expect a significant percentage of our current working capital will continue to be invested in our research and product development activities. However, cash expenditures for research and product development activities will fluctuate on a quarter to quarter basis depending on the timing of various projects.

Marketing and Selling Expenses

Marketing and selling expenses consist primarily of marketing and sales personnel costs, including share-based compensation and travel costs, and outside professional fees. Marketing and selling expenses increased approximately \$260,000, or 66% during the three months ended March 31, 2014 when compared to the same period in 2013. This increase is primarily due to an increase in outside professional fees of approximately \$207,000 as a result

of an increase in certain business development activities, including those related to licensing operations and component products.

#### General and Administrative Expenses

General and administrative expenses consist primarily of executive, director, finance and administrative personnel costs, including share-based compensation, and costs incurred for insurance, shareholder relations and outside professional services, including litigation and other legal services.

General and administrative expenses decreased approximately \$839,000, or 23%, during the three months ended March 31, 2014 when compared to the same period in 2013, primarily as a result of a decrease of approximately \$860,000 in litigation fees and expenses. Litigation fees and expenses declined following the conclusion of the patent infringement jury trial against Qualcomm in October 2013.

## Net Loss and Net Loss per Common Share

Our net loss decreased approximately \$690,000, or 11%, during the three months ended March 31, 2014 when compared to the same period in 2013. This decrease is primarily the result of an \$860,000 decrease in litigation expenses. On a per share basis, our net loss decreased \$0.02 per common share, or 25%, for the three months ended March 31, 2014 when compared to the same period in 2013 as a result of a \$680,000 decrease in operating expenses and a 12.8% increase in the weighted average shares outstanding for the period.

## Off-Balance Sheet Transactions, Arrangements and Other Relationships

As of March 31, 2014, we had outstanding warrants to purchase 1,584,390 shares of common stock that were issued in connection with the sale of equity securities in various public and private placement transactions in 2010 and 2011. These warrants have exercise prices ranging from \$0.54 to \$0.88 per share, with a weighted average exercise price of \$0.58 and a weighted average remaining contractual life of approximately 1.0 years. The estimated fair value of these warrants of \$451,333 is included in shareholders' equity in our balance sheets.

## Critical Accounting Policies

In July 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2013-11 Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists ("ASU 2013-11") to provide guidance on the financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists thereby reducing diversity in practice. The amendments in ASU 2013-11 became effective for the Company on January 1, 2014 and did not have a material impact on the Company's financial statements.

There have been no other changes in critical accounting policies from those stated in our Annual Report.

## ITEM 3. Quantitative and Qualitative Disclosures About Market Risk.

For the three months ended March 31, 2014, there were no material changes from the market risk information disclosed under Item 7A of Part II of our Annual Report.

## ITEM 4. Controls and Procedures.

### Evaluation of Disclosure Controls and Procedures

As of March 31, 2014, our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our “disclosure controls and procedures,” as defined in Rule 13a-15(e) under the Securities and Exchange Act of 1934, as amended (the “Exchange Act”). Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that these disclosure controls and procedures were effective as of March 31, 2014.

#### Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(e) under the Exchange Act that occurred during the last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. Legal Proceedings.

Reference is made to the section entitled "Legal Proceedings" in Note 10 to our unaudited financial statements for a discussion of current legal proceedings, which discussion is incorporated herein by reference.

ITEM 1A. Risk Factors.

There have been no material changes from the risk factors disclosed in Item 1A of Part I of our Annual Report. In addition to the information in this quarterly report, the risk factors disclosed in our Annual Report 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.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds.

On March 13, 2014, we sold an aggregate of 2,666,666 shares of our common stock to an affiliate of MSDC Management, L.P. and Falcon Fund, Ltd. for \$4.50 per share, or gross proceeds of \$11,999,997. We did not pay any underwriting discounts or commissions in connection with the sale. The shares were sold pursuant to the exemption provided by Section 4(2) of the Securities Act of 1933, as amended, and Rule 506(b) and promulgated thereunder. The sales were made solely to accredited investors without the use of any general solicitation or general advertising. The proceeds from the sale will be used for general working capital purposes.

ITEM 3. Defaults Upon Senior Securities.

None.

ITEM 4. Mine Safety Disclosures.

Not applicable.

ITEM 5. Other Information.

On May 12, 2014, we issued a press release announcing our results of operations and financial condition for the three months ended March 31, 2014. The press release is attached hereto as Exhibit 99.1.

The foregoing information, including the exhibit related thereto, is furnished in response to Item 2.02 of Form 8-K and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, nor shall it be deemed incorporated by reference in any disclosure document of the Registrant, except as shall be expressly set forth by specific reference in such document.

ITEM 6. Exhibits.

- 3.1 Articles of Incorporation, as amended (incorporated by reference from Exhibit 3.1 of Registration Statement No. 33-70588-A)
- 3.2 Amendment to Amended Articles of Incorporation dated March 6, 2000 (incorporated by reference from Exhibit 3.2 of Annual Report on Form 10-K for the year ended December 31, 1999)

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- 3.3 Bylaws, as amended (incorporated by reference from Exhibit 3.2 of Annual Report on Form 10-K for the year ended December 31, 1998)
- 3.4 Amendment to Certificate of Incorporation, dated July 17, 2000 (incorporated by reference from Exhibit 3.1 of Quarterly Report on Form 10-Q for the quarter ended June 30, 2000)
- 3.5 Certificate of Designations of the Preferences, Limitations, and Relative Rights of Series E Preferred Stock, dated November 21, 2005 (incorporated by reference from Exhibit 4.02 of Form 8-K filed November 21, 2005)
- 3.6 Amended and Restated Bylaws (incorporated by reference from Exhibit 3.1 of Current Report on Form 8-K filed August 14, 2007)
- 3.7 Articles of Amendment to Articles of Incorporation, dated October 3, 2012 (incorporated by reference from Exhibit 3.1 of Current Report on Form 8-K filed October 4, 2012)
- 3.8 Articles of Amendment to Articles of Incorporation, dated July 11, 2013 (incorporated by reference from Exhibit 3.1 of Current Report on Form 8-K filed July 12, 2013)
- 10.1 Licensing Services Agreement dated February 4, 2014 between Registrant and 3LP Advisors, LLC †
- 31.1 Section 302 Certification of Jeffrey L. Parker, CEO\*
- 31.2 Section 302 Certification of Cynthia Poehlman, CFO\*
- 32.1 Section 906 Certification\*
- 99.1 Earnings Press Release\*
- 101.INS XBRL Instance Document\*
- 101.SCH XBRL Taxonomy Extension Schema\*
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase\*
- 101.DEF XBRL Taxonomy Extension Definition Linkbase\*
- 101.LAB XBRL Taxonomy Extension Label Linkbase\*
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase\*

\*Filed herewith.

†Portions of this exhibit have been omitted pursuant to a request for confidential treatment filed separately with the SEC.



SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ParkerVision, Inc.

Registrant

May 12, 2014 By: /s/Jeffrey L. Parker  
Jeffrey L. Parker  
Chairman and Chief Executive Officer  
(Principal Executive Officer)

May 12, 2014 By: /s/Cynthia L. Poehlman  
Cynthia L. Poehlman  
Chief Financial Officer  
(Principal Financial Officer and Principal  
Accounting Officer)

EXHIBIT INDEX

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