

PARKERVISION INC  
Form 10-K  
March 30, 2012

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2011

☐ ( ) 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  
(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 ☐ ( )

Edgar Filing: PARKERVISION INC - Form 10-K

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. ( )

---

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 ☐

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 ☒

As of June 30, 2011, the aggregate market value of the registrant’s common stock, \$.01 par value, held by non-affiliates of the registrant was approximately \$32,108,153 (based upon \$0.57 share closing price on that date, as reported by NASDAQ).

As of March 30, 2012, 67,640,442 shares of the Issuer's Common Stock were outstanding.

## TABLE OF CONTENTS

INTRODUCTORY NOTE		4
PART I		
Item 1.	Business	4
Item 1A.	Risk Factors	8
Item 1B.	Unresolved Staff Comments	12
Item 2.	Properties	12
Item 3.	Legal Proceedings	12
Item 4.	Mine Safety Disclosures	12
PART II		
Item 5.	Market for the Registrant's Common Equity, Related Stockholder and Issuer	
	Purchases of Equity Securities	12
Item 6.	Selected Financial Data	13
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	13
Item 7A.	Quantitative and Qualitative Disclosures About Market Risk	18
Item 8.	Financial Statements and Supplementary Data	19
Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	44
Item 9A.	Controls and Procedures	44
Item 9B.	Other Information	44
PART III		
Item 10.	Directors, Executive Officers and Corporate Governance	45
Item 11.	Executive Compensation	48
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	60
Item 13.	Certain Relationships and Related Transactions and Director Independence	62
Item 14.	Principal Accountant Fees and Services	62
PART IV		
Item 15.	Exhibits and Financial Statement Schedule	63
SIGNATURES		68
SCHEDULE		69
EXHIBIT INDEX		70

## 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 “Risk Factors” and in our other periodic reports. 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 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.

## 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 anticipate our future business will include both licensing of our intellectual property and 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. We are primarily focused on incorporating our technologies into mobile handsets for 3G and 4G cellular networks, but our technologies are applicable to other wireless products that incorporate RF transmitters, receivers, and/or transceivers, some of which are related to networks serving mobile handsets such as data cards, femtocells, machine-to-machine, and embedded applications. Our technology can also be applied to non-cellular radio applications such as military radios and cable modems.

Our business operates under a single segment. Refer to our financial statements in Item 8 to this Annual Report for financial data including our net losses from operations and total assets.

### Recent Developments

In July 2011, we filed a complaint in the United States District Court of the Middle District of Florida against Qualcomm Incorporated (“Qualcomm”) seeking unspecified damages and injunctive relief for infringement of seven of

our patents related to radio-frequency receivers and the down-conversion of electromagnetic signals (the “Complaint”). Qualcomm filed an Answer and Counterclaim to our Complaint (the “Counterclaim”) in which Qualcomm denied infringement and alleged invalidity and unenforceability of each of our patents. Qualcomm also named our long-time patent prosecution counsel, Sterne, Kessler, Goldstein & Fox PLLC

("SKGF") as a co-defendant in its Counterclaim and further alleged that we aided and abetted SKGF in its alleged breach of fiduciary duty to Qualcomm and tortiously interfered with Qualcomm's contractual relationship with SKGF. In November 2011, we filed a motion to dismiss nine counts of Qualcomm's Counterclaim and a motion to strike certain of Qualcomm's affirmative defenses. SKGF also filed a motion to dismiss Qualcomm's claims against them. In February 2012, we filed an amended Complaint which dropped two patents from our original Complaint and added one patent which was not included in our original Complaint. In March 2012, Qualcomm filed an amended Counterclaim which dropped two counts from the original Counterclaim. Qualcomm also filed a motion to dismiss our claims of indirect patent infringement. The court has not yet ruled on these motions.

In November 2011, Qualcomm also filed a motion for preliminary injunction against SKGF. In February 2012, the court denied as moot Qualcomm's motion for preliminary injunction. Instead, the Court approved a protective order, which all parties negotiated and agreed to, that enables SKGF to continue delivering legal advice and services to ParkerVision provided that they do not represent ParkerVision in the lawsuit or advise the Company regarding Qualcomm's alleged infringement.

The court has set a hearing on claim construction for August 10, 2012, a deadline for fact discovery of November 30, 2012, and a trial date of August 5, 2013. Discovery in the case has recently commenced. At this time, we do not believe it is possible to predict the outcome of these proceedings. The law firm of McKool Smith is representing us in this litigation on a partial contingency basis.

#### General Development of Business

Our business has been primarily focused on the development and marketing of our RF technologies for mobile applications. Our technologies represent unique, proprietary methods for processing RF waveforms in wireless applications. Our technologies apply to both transmit and receive functions of a radio transceiver. 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. Our development and marketing efforts since 2005 have been primarily focused on a portion of our transmit technologies; however, incorporation of some of our receiver technology in mobile applications is also contemplated in our product plans. Our patent infringement litigation is based on some of our receiver intellectual property ("IP").

We completed the first d2p integrated circuit ("IC") which embodied many of the advancements of our technology in 2006. This enabled us to create partially-integrated prototype radios for demonstration purposes. Since 2006, we have continued to further develop our prototype ICs and related demonstration platforms. Our prototypes support functionality that is multi-band (meaning multiple frequencies) and multi-mode (meaning multiple cellular standards and corresponding modulation formats). Our ICs support multiple bands of cellular and PCS (Personal Communications Service) frequencies and support the current and emerging cellular standards including GSM/EDGE, CDMA, W-CDMA, and HSUPA. We are also able to demonstrate 802.16e WiMax and LTE standards with our current ICs.

In concert with advancing our prototypes, we began cultivating potential customer relationships, primarily in the mobile handset industry. We believe our direct customers will likely be the mobile handset manufacturers and their chipset suppliers in the mobile handset industry. We have also cultivated relationships with the network providers who exert significant influence on the OEMs (Original Equipment Manufacturers) in the mobile handset industry.

Our lack of tenure in the mobile handset industry coupled with the unique nature of our technology resulted in lengthy and intense technology evaluation and due diligence efforts by potential customers. Furthermore, in order to utilize our technology in a mobile handset application, our RF chipsets must interface with the baseband processor that

generates the data to be transmitted. Although our technology is capable of interfacing with any baseband processor, the development of the interface between the baseband processor and our chipset requires a cooperative effort with the baseband provider.



In December 2007, we entered into a licensing and engineering services agreement with VIA Telecom, Inc. (“VIA”) who is a global supplier of CDMA baseband processors used in a wide range of mobile devices. VIA designs and supplies chipsets and related reference designs to handset OEMs and ODMs (Original Design Manufacturers) for incorporation into mobile devices. During 2008 and 2009, our development efforts were focused on advancing our ICs from prototype to production-ready samples for VIA and other potential customers. We also began development of various packaging designs and production test programs. During 2009, we 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.

During 2010, we modified our circuit layout and packaging to meet the design requirements of one of VIA’s customers. The testing of our product in this design was completed in early 2011. Despite the successful test results, this design did not result in an order from the prospective customer; however we were able to utilize the test results in marketing our solution to other VIA customers. Since mid-year 2011, we have been working with VIA and one of their largest OEM customers to design and test a handset solution incorporating our ICs, the successful completion of which, we anticipate will result in the incorporation of our technology into one or more of this OEM’s products.

Although VIA has the right, under their licensing agreement with us, to manufacture devices based on our technology and pay us a per unit royalty for the license, the agreement also provides for us to manufacture and sell such devices ourselves to third parties. We anticipate that our initial product revenues will be generated from chipset sales to VIA’s customers rather than through the licensing arrangement. We are highly dependent on our relationship with VIA, the loss of which could have a material adverse effect on our business.

ITT Corporation (“ITT”) has been a licensee of our d2p technology since 2007. In 2008, we delivered a development/demonstration platform to ITT for their use in product development and demonstration to their customers. ITT marketed our technology, based on our commercial designs, to a number of their customers and in October 2009, ITT was awarded a government contract for the demonstration of our technology in a highly integrated transceiver application for military products. ITT in turn, engaged us as a subcontractor to incorporate our commercial ICs into an existing highly integrated transceiver platform. The services related to this product demonstration were completed in the first quarter of 2010. We assisted ITT in seeking additional government funding projects for products incorporating our technologies; however, to date, we are not aware of any funds received by ITT for this purpose. We do not intend to initiate any new development efforts for ITT-related projects, unless those projects are funded by either ITT or their customers. In the event ITT completes development of a product incorporating our technology, we will receive a per unit royalty from them for any such products sold under the terms of our agreement with them.

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 support our customers in completing their initial product designs, our ability to secure a reasonable market share through product offerings with our current customers and/or the addition of new customers and/or products, and our ability to successfully protect our IP.

#### Competitive Position

We operate in a highly competitive industry against companies with substantially greater financial, technical, and sales and marketing resources. Our technologies, which are currently being marketed in the mobile handset industry, face competition from incumbent providers of transceivers, such as Broadcom, Qualcomm, Intel, Renesas, ST-Ericsson, Fujitsu, MediaTek, and others, as well as incumbent providers of power amplifiers, including companies such as Anadigics, RF Microdevices, and Skyworks, among others. Each of our competitors, however, also has the potential of becoming a customer for our technologies.

To date, we are unaware of any competing or emerging RF technologies that provide all the simultaneous

benefits that our technology enables. Our unique technologies process the RF waveform in a more optimal manner than 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, and reduce manufacturing costs. Our technologies provide such attractive benefits, in part, because of their unique integrated circuit architectures which enable highly accurate transmission and reception of RF waveforms that use less power than traditional linear architectures and components thereby extending battery life, reducing heat and enabling certain packaging advantages.

Hurdles to the adoption of our technologies include entrenchment of, and therefore familiarity with, existing technologies, the disruptive nature of our technology, and our lack of tenure in the markets we are targeting. We believe we can gain adoption, and therefore compete, based on the performance advantages enabled by our unique circuit architectures, as supported by a solid and defensible IP portfolio. Our circuit architectures are capable of being compliant with all current mobile phone standards and can be configured to accept all standard baseband data interfaces with the cooperation of the baseband processor OEMs. In addition, we believe that one or more of our technology's abilities to provide improved power efficiencies, highly accurate RF carrier waveforms, smaller form factors and better manufacturing yields, provides a solution to existing problems in applications for 3G and 4G standards and beyond that the mobile wireless industry is seeking to solve, as well as in other applications where we believe our IP can provide an attractive solution.

#### Production and Supply

The ICs 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 ICs 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 IP, the production capacity risk shifts to that customer.

#### Patents and Trademarks

We consider our IP, 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 United States 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, 2011, we have 128 U.S. and 60 foreign patents related to our RF technologies. In addition, we have approximately 51 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 patents and patent applications has an average estimated remaining life of approximately 12 years.

From time to time, we obtain licenses from others for standard industry circuit designs that are integrated into our own ICs 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, 2011, 2010, and 2009 we spent approximately \$8.4 million, \$8.9 million, and \$13.5 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 ICs for proof of concept purposes, the development of

production-ready silicon samples and reference designs for specific customer applications, and the creation of test programs for quality control testing of our ICs in high volumes.

## Employees

As of December 31, 2011, we had 47 full-time and 2 part-time employees, of which 31 are employed in engineering research and development, 6 in sales and marketing, and 12 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. Copies of these reports may also be obtained at no charge from the Company's website (<http://www.parkervision.com>) via the link "SEC filings." 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.

## 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, 2011 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, 2011, was approximately \$241.8 million. The net loss for 2011 was approximately \$14.6 million. To date, our technologies and products have not produced revenues sufficient to cover operating, research and development and overhead costs. We also will continue to make expenditures on marketing, research and development, pursuit of patent protection for and defense of our intellectual property and operational costs for fulfillment of any contracts that we achieve for the sale of our products or technologies. We expect that our revenues in 2012, if any, will not bring the Company to profitability and our current capital resources will not be sufficient to

sustain our operations through 2012. 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 result in a change in our business strategies.

We expect to need additional capital in the future, which, if we are unable to raise will result in our not being able to implement 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 research and development, patent protection, sales and marketing, and general operations. Furthermore, we expect that the implementation of significant cost reduction measures in order to reduce our cash needs would jeopardize our operations and future growth plans. Our current capital resources include cash, cash equivalents, and available for sale securities of \$5.2 million at December 31, 2011. We believe our current capital resources will not be sufficient to meet our working capital needs for 2012, and we will require additional capital to fund our operations. Financing, if any, may be in the form of debt or additional sales of equity securities. 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. The sale of equity securities will 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 the sale of our products, 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.

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 microelectronics industry, we must continually devote substantial resources to developing and improving our technology and introducing new product offerings. For example, in fiscal years 2011 and 2010, we spent approximately \$8.4 million and \$8.9 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 and increase market share and, ultimately, to generate revenues. If another company offers better products or our product development lags, a competitive position or market window opportunity may be lost, and therefore our revenues or revenue potential may be adversely affected.

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

We rely on our intellectual property, including patents and patent applications, to provide competitive advantage and protect us from theft of our intellectual property. We believe that many of our patents are for entirely new technologies. If the patents are not issued or issued patents are later 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.

On July 20, 2011, we filed a complaint in the United States District Court of the Middle District of Florida against Qualcomm Incorporated seeking unspecified damages and injunctive relief for infringement of a number of our patents related to radio-frequency receivers and the down-conversion of electromagnetic signals. Qualcomm has filed counterclaims against us. The trial date for this case is set for August 2013. At this time, we do not believe it is possible to predict the outcome of the litigation. We could incur significant costs in this litigation and there can be no assurance that we will prevail or that any damages we receive will



cover our costs. Furthermore, the litigation may divert our technical and management personnel from their normal responsibilities. The occurrence of any of the foregoing could adversely affect our ability to pursue our business plan.

If we cannot demonstrate that our technologies and products can compete in the marketplace and are better than current competitive solutions, then we will not be able to generate the sales we need to continue our business and our prospects will be impaired.

We expect to face competition from chip suppliers such as Anadigics, Broadcom, Fujitsu, Intel, MediaTek, Qualcomm, Renesas, RF Microdevices, Skyworks, and ST-Ericsson, among others. Our technology may also face competition from other emerging approaches or new technological advances which are under development and have not yet emerged. If our technologies and products are not established in the market place as improvements over current, traditional chip solutions in wireless communications, our business prospects and financial condition will be adversely affected.

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, 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 technologies. The successful commercialization of our products 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 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. If his services were lost, it would have an adverse impact on our leadership and on how we are perceived within the industry and by investors.

Because of Mr. Parker's 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 were no longer available to the company, investors might experience an adverse impact on their investment. We currently have an employment agreement with Mr. Parker and we maintain key-employee life insurance for our benefit on 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 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 and warrants may affect the market price and liquidity of the common stock.

At December 31, 2011, we had 67,573,775 shares of common stock outstanding and had 11,105,288 options and warrants outstanding for the purchase of shares of common stock. Of these outstanding options and warrants, 8,460,411 were exercisable as of December 31, 2011. The majority of the underlying common

stock of 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 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 requirement for trading on that market or another national securities exchange.

On November 2, 2011, we received a notice from the NASDAQ Stock Market stating that, for the last 30 consecutive business days, the closing bid price for our common stock had been below the minimum of \$1 per share required for continued inclusion on the exchange. The notification letter stated that we would be afforded 180 calendar days, or until April 30, 2012 to regain compliance with the minimum bid price requirement. In order to regain compliance with the NASDAQ minimum bid price requirement, the closing bid price for shares of our common stock had to remain at \$1 per share or more for a minimum of ten consecutive trading days. On March 23, 2012, we received notice from the NASDAQ Stock Market that we had regained compliance with the minimum bid price requirement. There can be no assurance, however, that we will be able to maintain compliance. If we are unable to do so and our common stock is no longer listed on NASDAQ or another national securities exchange, the liquidity and market price of our common stock may be adversely affected.

We may not be able to deliver shares of common stock upon exercise of our public warrants if such issuance has not been registered or qualified or deemed exempt under the securities laws of the state of residence of the holder of the warrant.

On March 3, 2009, November 3, 2010, and March 30, 2011, we sold warrants to the public in offerings registered under shelf registration statements. The issuance of common stock upon exercise of these warrants must qualify for exemption from registration under the securities laws of the state of residence of the warrant holder. The qualification for exemption from registration may differ in different states. As a result, a warrant may be held by a holder in a state where an exemption is not available for such exercise and we may be precluded from issuing such shares. If our common stock continues to be listed on the NASDAQ Capital Market or another national securities exchange, an exemption from registration in every state for the issuance of common stock upon exercise of these warrants would be available. However, we cannot assure you that our common stock will continue to be so listed. As a result, these warrants may be deprived of any value, the market for these warrants may be limited and the holders of these warrants may not be able to obtain shares of common stock upon exercise of the warrants if the common stock issuable upon such exercise is not qualified or otherwise exempt from qualification in the jurisdictions in which the holders of the warrants reside.

Provisions in the 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, the board of directors has the ability to issue preferred stock without shareholder approval, and there are pre-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, the 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 pri