

PARKERVISION

Moderator: Don Markley
May 19, 2016
11:00 a.m. ET

Operator: This is conference # 98260639.

Operator: Good day everyone. Welcome to the ParkerVision's first quarter 2016 conference call and webcast. Today's call is being recorded and all listeners are in a listen-only mode. Following the presentation, we will open up the conference call for questions-and-answers. The company has requested that questions and answers be limited to one question and one follow-up per caller.

As it is now time for opening remarks and introductions, I would like to turn the call over to Don Markley, Investor Relations. Please begin.

Don Markley: Thank you, Latoya. Good afternoon everyone and thank you all for joining us today. Before we begin, I would like to remind you that this conference call will contain forward-looking statements which involve known and unknown risks and uncertainties about our business and the economy, as well as other factors that may cause our actual results to differ materially from expected achievements and anticipated results.

Included in these risks are the company's ability to maintain technological advantages in the marketplace, the ability to secure new customers for our products and technologies, maintaining our patent protection and the outcome of litigation, among others. Given these uncertainties, as well as other factors related to our business, we caution you not to place undue reliance on any forward-looking statements contained on this conference call. Additional information concerning these and other risks can be found in our periodic filings with the U.S. Securities and Exchange Commission.

On today's call, we will hear from Cindy Poehlman, Chief Financial Officer, who will provide a review of the company's financial results for the first quarter of 2016. Following Cindy's remarks, Jeffrey Parker, Chief Executive Officer, will provide an update on the company's business.

Thank you again. And with that I would like to turn the call over to Cindy. Go ahead, Cindy.

Cindy Poehlman: Thanks Don and good afternoon and to those of you joining us for ParkerVision's first quarter 2016 conference call. My remarks this afternoon will focus on our financial results for the first quarter of 2016 as well as a brief discussion regarding the accounting obligations with regard to our recent litigation funding arrangement.

We reported a net loss of \$5.1 million or \$0.45 per share for the first quarter of 2016, compared to a net loss for the first quarter of 2015 of \$5.8 million or \$0.59 per common share. While this reflects an approximate 11% improvement in our net loss, what is more important is that roughly half of our net loss this past quarter was a result of litigation fees and expenses supporting our ITC proceedings and those expenses are fully funded by a third party. If we exclude these third-party funded expenses, our remaining operating expenses for the first quarter of 2016 were less than half of those for the same quarter in 2015.

This decrease is a result of the significant efforts we have made to reduce our cost of operations, while still remaining committed to the development of new products incorporating our technologies that we anticipate introducing into the market later this year. These efforts are also reflected in our use of cash for the first quarter. Although our cash flow statement that we filed today reflects cash used for operations of approximately \$6 million in the first quarter, again, well over half of this amount was funded from the proceeds received from our litigation funding party.

In addition, we used approximately \$1 million of unrestricted cash in the first quarter of 2016 to reduce our current liabilities which included legal fees payable in connection with various unfunded litigation activities from 2015.

Our current liabilities were further reduced in the first quarter with the conversion of \$825,000 in current accounts payable to a long term unsecured promissory note payable at the end of 2017. In addition to the long-term note payable, our balance sheet as of March 31, 2016 includes a secured contingent payment obligation of nearly \$11 million, which represents the estimated current fair value of the repayment obligation to our third party litigation funder.

As we announced in late February, we received an aggregate of \$11 million from Brickell Key Investments. \$10 million of those proceeds received were recorded as restricted cash and cash equivalents for use in payment of legal fees and related expenses in connection with our ITC and related district court actions. We have nearly \$7 million in restricted cash and cash equivalents remaining at March 31. Importantly, our funding arrangement with regard to the ITC and related actions provides for fee and expense caps to protect us from having to fund any fee in expense over those beyond the restricted funds.

With regard to the repayment obligation to Brickell, they are entitled to reimbursement and compensation from proceeds received by us from these specified proceedings as well as other patent related proceedings up to a defined minimum return that varies over time. The repayment obligation is recorded as long-term debt on our balance sheet in accordance with Generally Accepted Accounting Principles. Based on the variable and contingent nature of the repayment provisions, we have opted to record this obligation at its estimated fair value, which will be remeasured periodically.

One last point that I don't want to ignore is that we did report nearly \$60,000 of revenue in the first quarter of 2016 from engineering services primarily related to wireless product testing for a customer with a healthy 36% gross margin. Although the primary focus of our streamlined engineering organization is on bringing a new product to market our ability to deploy our staff expertise in supporting third-party projects on a limited basis has proven successful and will certainly be an area where we will continue to consider good opportunities from time to time.

I am available for questions at the end of the call today, but for now, I would like to turn things over to Jeff Parker for a few comments. Jeff?

Jeffrey Parker: Thank you Cindy and good afternoon. Six weeks ago we provided our latest update and set forth three strategic areas of focus for ParkerVision this year. Those focuses include our international licensing program, our investments in bringing a new end-user RF product to market and our continued investments in furthering the development of our technologies in possible to business ventures that we believe can stem from those technologies. Given the short time since our last call, today my comments are going to be brief, primarily providing an update on our efforts with regard to the launch of our international licensing program and our progress in bringing an RF wireless end-user product to market.

As we have previously discussed, the efforts for our international licensing program are supported by the current action at the International Trade Commission and this is well underway. The trial date is set for August 24, which is only 15 weeks from now. And since our last update, we completed the first of three scheduled settlement conferences with each of the respondents. Respondents also being known as the defendants in a district court case. The deadline for those first conferences was April 14.

What's discussed any settlement conference meeting is confidential. So while I am unable to provide any detail I will comment that I found some of the conference meetings encouraging. The next set of conference meetings must be completed in just a little over five weeks from now, around the middle of June. So in the meantime fact discovery for the ITC action is closing in the next couple of weeks. So as you might imagine, there is currently a flurry of activity leading up to that deadline. I look forward to bringing you updates as our ITC program continues to move forward at this rapid pace.

By the way, I am also pleased to inform you that the Mintz Levin team has joined our in-house staff in the handling of the remaining IPR that's against our 940 patent. You might find it noteworthy that this team led the only reversal at the Federal Circuit Appellate Court to-date that recently reversed patent claims for another client that the PTAB deemed invalid. So those

claims were deemed invalid by the PTAB. Mintz Levin took that case to the Appellate Court and had those completely reversed. You will see the responses to our outstanding IPRs in about a week or so.

Moving on the products. We continue to make good progress in our new product development. We are not quite ready to take the wraps off this product but I want to share with you today at a high level the application of this product, what it's targeted for and the related market that it addresses. I think most anybody who has Internet connectivity in their home today has Wi-Fi. The use of Wi-Fi has continued to expand to where it's probably becoming ubiquitous in many consumer environments, both in the United States and many other countries. The challenge for Wi-Fi is to provide access everywhere that the consumer wants to use it and with that rate of usage of Wi-Fi continuing to rapidly grow.

I think what we were tethered to a wired Internet connection, any Wi-Fi connection was a great relief, right. Because it provided flexibility in where we access the Internet in our home. But in today's world, consumers are demanding much more. Some of these demands are the result of many additional devices that we can use with Wi-Fi and the fact that those devices find location all over our homes. You can use Wi-Fi today as a wireless link for your mobile phone, even for phone calls, not just for data. It can deliver high-definition video. Wi-Fi provides IoT, Internet users would connectivity for cameras, sensors, controllers of all types in our homes, even connectivity to certain appliances now.

These devices are spread out over a large and oftentimes difficult area to cover. Some of these demands are the result of challenging environments. It could be the construction materials, which are attenuating a Wi-Fi signal or areas with a large number of users who are competing and create interference for the limited amount of Wi-Fi channels that are available. Some of these challenges are created by growing demand for faster data speeds. But the sum of all these challenges is that while people are satisfied with the Wi-Fi coverage and performance in their homes, at least some people are, many home users are not and even many of those who are satisfied with their

existing Wi-Fi, we find still want to expand the use beyond what their current system can deliver.

There are products on the market today that attempt to expand the coverage and reliability of Wi-Fi beyond the main Wi-Fi router in your home. Some of these are known as boosters or repeaters. Some products use a network of hoppers and some of these products can be expensive and add complexity and open people up to lots of future troubleshooting and maintenance. Last year, over \$1 billion in U.S. was spent by consumers trying to add Band-Aids to their Wi-Fi systems and we believe this indicates a real need in the marketplace for additional solutions.

At ParkerVision, we have built all the benefits of some of our RF innovations and taken a different approach to this problem that we believe will be very effective in providing many Wi-Fi home users with the kind of coverage data speed and reliability at a cost and simplicity that will be attractive to a large segment of the home Wi-Fi user market. Our approach is designed for those who are looking to gain access in Wi-Fi, where they may not currently have it or where the access is slow, including those who want complete coverage even in very large homes and who want to enjoy fast data speeds throughout.

Our set up is easy. It will take advantage of the use of your existing Wi-Fi router, providing a complement to what you already like about your existing system and it will be affordable so that we reach a large audience. This is the result of the many years of investment ParkerVision has made and these products will take advantage of reaching these goals through the use of several of our RF and wireless innovations. We are beginning field testing of prototypes and we are looking for as many challenging wireless environments as we can to verify our assumptions.

If you have such a challenge and are willing to let us do a field testing of your environment, feel free to send us an email. We have set up a mailbox. Here is the address, wifi_testing@parkervision.com. Again, that is wifi_testing@parkervision.com. Send us an email and we will contact you to possibly test in your own environment. I look forward to bringing you much

more information regarding this product and our marketing plans as we move closer to launching this product into production and sales later this year.

Last but not least, I want to mention that we are very appreciative of the financial support we have received from our litigation funder, Brickell Key Investments and their management team from Juridica Asset Management. Not only were they able to provide the financial support to ensure that our current enforcement action can be carried all the way to its conclusion without requiring additional capital resources from ParkerVision, but they also included \$1 million of unrestricted working capital to support our ongoing operations. As we have disclosed previously, BKI has the option of providing additional future funds to support our program and we anticipate that there will be a long and mutually beneficial relationship between our companies.

So in summary, ITC upcoming settlement meetings with the hearing in 15 weeks, IPR response in about a week, product field testing now and product introduction later this year and we remain excited about what kind of other business ventures can be developed around additional technologies that we have developed which is a great complement to all of what we have talked about above.

And so now, I would like to open this call to any questions you may have.

Operator: We have a question from Dick Williams, a private investor. Your line is now open.

Dick Williams: Hello Jeff.

Jeffrey Parker: Hi Dick.

Dick Williams: How are you today?

Jeffrey Parker: I am well. Thank you. How about yourself?

Dick Williams: Very good. Thanks. I just have a couple of pretty simplistic type questions. I wanted to get some clarity in the ITC action. In looking at some data that was available over the past month or so, it appears to me that the Mintz Levin

group and I guess the past almost about five years or maybe a little more than five years, in the ITC actions that they had brought against various companies, the data that I seem to see is that they had settled the majority, if not the 95% of those actions, prior to the trial. So in other words, the trial that we have scheduled which is the latter part of August coming up, if they follow the same path that they have followed over their history in the five years and were consistent with that, that would mean that they would settle our actions prior to that trial. Do I have the right assumptions that I am making here in terms of the prior history of what they have done or do I have bad numbers?

Jeffrey Parker: Dick. Thanks for your question. No, the Mintz Levin team has a track record which is publicly you can see this from their own website where they have in fact been able to bring together resolution between the patent holder at the ITC who is the investigations being done for. That's what an ITC action is called. It's called an investigation by the International Trade Commission. Bringing the patent holder together with the respondents and finding a win-win business solution.

And so that was one of the aspects of the Mintz Levin team that we found very attractive was that it cleared from their history that their goal is to try to find resolution as early in these cases as possible, generally speaking before trial. In terms of what their percentages are, I am not certain, but I am pretty certain that most all of their clients have had the benefit of that. Only one that I am aware of went longer than that and it was one out of a number in a particular case everybody else had found resolution before trial or went through trial and ultimately settled right after trial. But no, I think your observation is correct.

Dick Williams: Okay. Thanks. That gives me enough color on that. And then just a little color on the financials there. I don't know what analysts project typically for us to lose at this juncture was not probably any revenue. I think everybody in terms of stockholders are in this who are in the future and the coming and all the activities we have going on that you just went through, but after the market today, one of these entities came out with a claim that ParkerVision missed the quarter by \$0.16 and obviously I was very miffed by that because I didn't even they were forecasting numbers or wanted to do that at this juncture with

the company. Can you clarify that? Was there any number out there that someone was expecting? And also based on what Cindy said, did they not adjust for the monies we spent from the entity that financed the ITC action? Cindy may just throw us some color on that area? Are these people wrong or what?

Jeffrey Parker: Let me --

Cindy Poehlman: Jeffery, it's okay. Why don't you let me jump on it? Hi Dick. How are you doing?

Dick Williams: Hi Cindy. Okay. Thanks.

Cindy Poehlman: Yes. As I think several people are aware of, I believe we do have one analyst that covers ParkerVision and so I believe what you are referring to came from his report, but I also think you hit the nail on the head, Dick, in that I expect that forecast did not predict the level of expenses specific to this ITC action that were incurred in the first quarter that again are funded by another party. So if you had excluded those costs funded by another party, I think we would have been well within and beating the forecast, if you will, that was out there.

But I think the large number of expenses in this case and as I pointed out, you are going to see those things be high obviously first quarter, probably continuing some, although maybe tapering off of a bit in the second quarter. But there are caps in place with regard to those. And so ParkerVision is not going to be coming out-of-pocket for any expenses or fees in relation to those proceedings outside of what's been set aside in those restricted funds and in fact, some of those restricted funds, it's very possible may not get used.

Dick Williams: Okay. Thanks. I kind of presumed that was something like that, no adjustments were made. So obviously that puts us on track or even above what someone was expecting without the adjustments. So thank you.

Cindy Poehlman: Sure.

Operator: Thank you. The next question is from Don Dion of DRD Investments, LLC. Your line is open.

Don Dion: Okay. Thank you. Hi Jeff. Congratulations on getting the Mintz Levin team to work with you. My question is, besides the \$11 million that you got from Brickell, which lawyers at Brickell are you working with and how are they interacting with you and with the Mintz Levin team?

Jeffrey Parker: Hi Don. So that's a good question. So the way we interact with Brickell and Juridica is surely on the financial basis. They don't have any authority in terms of decisions we make in the case, strategies in the case. They truly just look at what do they think is the merits of the case and their own opinion of its chances for success. And then they decide to fund or not. So I don't think I am really at liberty without asking them to share with you who within their organization did that due diligence. Although I would feel comfortable saying it was at very high levels in management, but they really look at the case from a probability standpoint and they leave the decision-making to the company and its legal counsel.

Don Dion: Okay. So once they give you the \$11 million, they really don't have any role, it's strictly you and Mintz Levin driving the bus.

Jeffrey Parker: That's correct. And in fact, didn't even have a role in launching the case. Just to look at the timing, we actually launched the case about a month, I think, before they even became a funding partner.

Don Dion: And you are happy with the job that Mintz Levin is doing so far?

Jeffrey Parker: I am very, very pleased with our relationship with Mintz Levin, how they pull the case together, their attention to detail and candidly their experience in dealing with what I would consider to be our technology is categorically a complex technology. They have got a lot of experience in taking complex technologies into enforcement actions like ours into the ITC and they know how to communicate those technologies in a way that the staff, I think, can really grasp and understand how the technology is being infringed, how the patents have been written and that there are valid, why the company deserves the support of the ITC and Mintz Levin has told me in numerous times that they think our situation is among the highest quality situations that they ever

handled for an ITC action. So yes, I am very, very pleased. I think it's a great fit for ParkerVision and frankly for ParkerVision shareholders.

Operator: Thank you. The next question is from Robert Cassel of Robert Cassel Investment. Your line is open.

Robert Cassel: Hi Jeff. How are you doing?

Jeffrey Parker: Hi, Bob. Good.

Robert Cassel: Congratulations. I think the way that the finances and the progress on the ITC cases were handled were right in line with what you are hoping to achieve and just congratulations on that score. On another question, with regard to this new technology for Wi-Fi, I am very interested in that. I live in a large home here in Palm Desert up against the mountain and in order to correct my Wi-Fi shortcomings, I actually had to have a small tower built on top of the mountain behind my house at a substantial cost. Now I am curious as to whether your new technology works along the same lines as these repeaters and so forth that you can buy from Apple, because I bought a bunch of them. They didn't do any good and some of the other products that claim they could enhance and expand the Wi-Fi reception. Or does it work on different technology or new technology that is better and it works independent of those systems?

Jeffrey Parker: Well, Bob, that's a good question. Thanks for actually asking that. It does not work on the same concept as boosters and repeaters. The challenge that the boosters and repeaters have is they are taking the same Wi-Fi signal and they are trying to detect it and then boost it and then repeat it and often times the problem in the first place is created because your environment is very suboptimal. It could be suboptimal because of what you described at a difficult construction environment. It could be suboptimal because maybe you are in a crowded environment or a metropolitan area, New York City or what have you and there is lots of users. I know these days I may go to places and I will turn on my laptop to get a Wi-Fi network and I will have 100 networks show up. And so those create a lot of competition, a lot of interference.

We have created our own special wireless link to achieve the performance that we get. And that link is based off of our both transmitter and receiver technology as well as a few other technologies we have developed. It doesn't compete for the same Wi-Fi signal, has terrific ability to propagate through challenging construction environments and candidly if you I would like, we would be happy to come to your place and test it out. See without the use of your tower, how and what kind of coverage can we get. It's not going to be a miracle. It can't probably fix everything, but I have done some testing myself and I can tell you that I have a very difficult environment because my home was built in the 20s and it's built out of a lot of stucco and plaster walls with a lot of metal. And so I have a heck of a time getting any kind of reliable coverage and this has completely fixed my entire house. So I am pretty bullish that we are going to be able to deal with some very challenging environments. But it is not the same old, let's just take a Wi-Fi signal and brute force repeat it. It's a different signal and it is made possible through the use of our technologies.

Robert Cassel: Well, that sounds very positive. One follow-up question was, whether you have in furtherance of getting ready to launch later this year have begun any discussions with potential distributors that would be interested in this kind of product?

Jeffrey Parker: We haven't gotten that far yet. I have had some conversations with some people who seem to think that there could be users who provide a lot of Wi-Fi networks to customers who might be interested in a product like this. But I will say this, I think the opportunities to get this product in front of a lot of people who are looking for something like this has never been better. Today, the ability to use the Internet and to get your message out and to offer things directly to the end-user has never been easier and you read success story after success story of companies who have been able to reach out directly and get quite a bit of market penetration. So I think there is different channels that we will explore, everything from our own direct-to-consumer marketing to possible distribution with people who may want to even brand this themselves or co-brand it for other distribution opportunities. But I think the efficiency to get a product like this into the marketplace has never been easier than it is right now.

Robert Cassel: Well, I agree. That's a great, great potential, because I live in a community that has those problems. So anything that can help would be very welcome and I am sure if priced correctly, easy to market.

Jeffrey Parker: Well, I appreciate that.

Robert Cassel: Congratulations on such a great --

Jeffrey Parker: You don't have to send an email. We will put you on the list and we will get on with it, we will do a test. You are on the list. Thank you Bob.

Operator: Thank you. And at this time, I would like to turn the call back over to Mr. Parker for any closing remarks.

Jeffrey Parker: Well folks, thank you for taking the time this afternoon to hear an update. As I said, it was only six short weeks ago that we had our last one but a lot of progress at the company and we look forward to bringing you more news in our next conference call update, if not sooner. Have a great afternoon. Thank you very much. Bye, bye.

Operator: Thank you. That does conclude today's conference. If you wish to access the archived audio cast replay of this call, you may do so by visiting the company's website at www.parkervision.com. Thank you.

END