

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2023

☐ **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 1-15288

NETWORK-1 TECHNOLOGIES, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

11-3027591

(I.R.S. Employer
Identification No.)

**65 Locust Avenue, Third Floor
New Canaan, Connecticut**

(Address of principal executive offices)

06840

(Zip Code)

203-920-1055

(Registrant's Telephone Number)

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

Title of each class	Trading symbol	Name of each exchange on which registered
Common Stock, par value \$0.01 per share	NTIP	NYSE American

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§223.405) of this chapter during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). 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 or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐

Accelerated filer ☐

Non-accelerated filer ☒

Smaller reporting company ☒

Emerging growth company ☐

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

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

The number of shares of the registrant's common stock, \$0.01 par value per share, outstanding as of May 8, 2023 was 23,800,010.

NETWORK-1 TECHNOLOGIES, INC.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains “forward-looking statements” that involve risks and uncertainties, as well as assumptions that, if they never materialize or prove incorrect, could cause our results to differ materially from those expressed or implied by such forward-looking statements. The statements contained in this Quarterly Report on Form 10-Q that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such forward-looking statements include any expectation of earnings, revenue or other financial items; any statements of the plans, strategies and objectives of management for future operations; factors that may affect our operating results; statements related to future performance and other matters that do not relate strictly to historical facts or statements of assumptions underlying any of the foregoing. Forward-looking statements are often identified by the use of words such as, but not limited to, “anticipate,” “believe,” “can,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “will,” “plan,” “project,” “seek,” “should,” “target,” “would,” and similar expressions or variations intended to identify forward-looking statements. These statements are based on the beliefs and assumptions of our management based on information currently available to management. Such forward-looking statements are subject to risks, uncertainties and other important factors that could cause actual results and the timing of certain events to differ materially from future results expressed or implied by such forward-looking statements. Except as required by law, we undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements. Factors that could cause or contribute to such differences include various risks and uncertainties described below and elsewhere in this Quarterly Report on Form 10-Q as well as in our Annual Report on Form 10-K for the year ended December 31, 2022 (filed with the SEC on March 30, 2023). Furthermore, such forward-looking statements speak only as of the date of this report. Such risks and uncertainties include, but are not limited to, the following:

- our uncertain revenue from licensing our intellectual property;
- uncertainty of the outcome of our pending litigations;
- our ability to achieve future revenue from our patent portfolios;
- our ability to protect our patents;
- our ability to execute our strategy to acquire or make investments in high quality patents with significant licensing opportunities;
- our ability to enter into strategic relationships with third parties to license or otherwise monetize their intellectual property;
- our ability to achieve a return on our investment in ILiAD Biotechnologies, LLC;
- our ability to continue to acquire additional intellectual property;
- uncertainty as to whether cash dividends will continue to be paid;
- variations in our quarterly and annual operating results;
- the risk that we may be determined to be a personal holding company in 2023 or future years which may result in our issuing a special cash dividend to our stockholders to the extent we have undistributed personal holding company income resulting in less cash available for our operations and strategic transactions; and
- legislative, regulatory and competitive developments.

PART I. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

NETWORK-1 TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	March 31, 2023	December 31, 2022
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 9,919,000	\$ 13,448,000
Marketable securities, at fair value	36,920,000	34,991,000
Prepaid taxes	177,000	177,000
Other current assets	119,000	348,000
TOTAL CURRENT ASSETS	47,135,000	48,964,000
OTHER ASSETS:		
Patents, net of accumulated amortization	1,509,000	1,592,000
Equity investment	6,578,000	7,252,000
Operating leases right of - use asset	145,000	161,000
Security deposit	13,000	—
Total Other Assets	8,245,000	9,005,000
TOTAL ASSETS	\$ 55,380,000	\$ 57,969,000
LIABILITIES AND STOCKHOLDERS' EQUITY:		
CURRENT LIABILITIES:		
Accounts payable	\$ 601,000	\$ 507,000
Income taxes payable	115,000	115,000
Accrued contingency fees and related costs	96,000	—
Accrued payroll	139,000	317,000
Other accrued expenses	203,000	587,000
Operating lease obligation, current	79,000	79,000
Total Current Liabilities	1,233,000	1,605,000
LONG TERM LIABILITIES:		
Deferred tax liability	1,008,000	1,161,000
Operating lease obligation, non-current	77,000	94,000
TOTAL LIABILITIES	\$ 2,318,000	\$ 2,860,000
COMMITMENTS AND CONTINGENCIES (Note G)		
STOCKHOLDERS' EQUITY		
Preferred stock, \$0.01 par value, authorized 10,000,000 shares; none issued and outstanding at March 31, 2023 and December 31, 2022	—	—
Common stock, \$0.01 par value; authorized 50,000,000 shares; 23,811,505 and 23,863,639 shares issued and outstanding at March 31, 2023 and December 31, 2022, respectively	239,000	239,000
Additional paid-in capital	67,099,000	66,939,000
Accumulated deficit	(14,262,000)	(12,055,000)
Accumulated other comprehensive loss	(14,000)	(14,000)
TOTAL STOCKHOLDERS' EQUITY	53,062,000	55,109,000
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 55,380,000	\$ 57,969,000

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

NETWORK-1 TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(UNAUDITED)

	Three Months Ended March 31,	
	2023	2022
REVENUE	\$ 537,000	\$ —
OPERATING EXPENSES:		
Costs of revenue	151,000	—
Professional fees and related costs	298,000	250,000
General and administrative	781,000	572,000
Amortization of patents	83,000	75,000
TOTAL OPERATING EXPENSES	<u>1,313,000</u>	<u>897,000</u>
OPERATING LOSS	<u>(776,000)</u>	<u>(897,000)</u>
OTHER INCOME (LOSS) :		
Interest and dividend income, net	310,000	80,000
Net realized and unrealized gain (loss) on marketable securities	364,000	(514,000)
Total other income (loss) , net	<u>674,000</u>	<u>(434,000)</u>
LOSS BEFORE INCOME TAXES AND EQUITY IN NET LOSSES OF EQUITY METHOD INVESTEE	<u>(102,000)</u>	<u>(1,331,000)</u>
INCOME TAX PROVISION:		
Current	—	—
Deferred taxes, net	(153,000)	(452,000)
Total income tax benefit	<u>(153,000)</u>	<u>(452,000)</u>
INCOME (LOSS) BEFORE SHARE OF NET LOSSES OF EQUITY METHOD INVESTEE	<u>\$ 51,000</u>	<u>\$ (879,000)</u>
SHARE OF NET LOSSES OF EQUITY METHOD INVESTEE	<u>\$ (674,000)</u>	<u>\$ (433,000)</u>
NET LOSS	<u>\$ (623,000)</u>	<u>\$ (1,312,000)</u>
Net loss per share:		
Basic	<u>\$ (0.03)</u>	<u>\$ (0.05)</u>
Diluted	<u>\$ (0.03)</u>	<u>\$ (0.05)</u>
Weighted average common shares outstanding:		
Basic	<u>23,866,821</u>	<u>23,909,115</u>
Diluted	<u>23,866,821</u>	<u>23,909,115</u>
Cash dividends declared per share	<u>\$ 0.05</u>	<u>\$ 0.05</u>
NET LOSS	<u>\$ (623,000)</u>	<u>\$ (1,312,000)</u>
OTHER COMPREHENSIVE LOSS		
Net unrealized holding loss on corporate bonds and notes during the period, net of tax	<u>—</u>	<u>(3,000)</u>
COMPREHENSIVE LOSS	<u>\$ (623,000)</u>	<u>\$ (1,315,000)</u>

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

NETWORK-1 TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(UNAUDITED)

THREE MONTHS ENDED MARCH 31, 2023

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount				
Balance – January 1, 2023	23,863,639	\$ 239,000	\$ 66,939,000	\$ (12,055,000)	\$ (14,000)	\$ 55,109,000
Dividends and dividend equivalents declared	—	—	—	(1,196,000)	—	(1,196,000)
Stock-based compensation	—	—	161,000	—	—	161,000
Vesting of restricted stock units	123,750	1,000	(1,000)	—	—	—
Value of shares delivered to pay withholding taxes	(39,099)	—	—	(83,000)	—	(83,000)
Treasury stock purchased and retired	(136,785)	(1,000)	—	(305,000)	—	(306,000)
Net loss	—	—	—	(623,000)	—	(623,000)
Balance – March 31, 2023	<u>23,811,505</u>	<u>\$ 239,000</u>	<u>\$ 67,099,000</u>	<u>\$ (14,262,000)</u>	<u>\$ (14,000)</u>	<u>\$ 53,062,000</u>

THREE MONTHS ENDED MARCH 31, 2022

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Shares	Amount				
Balance – January 1, 2022	23,792,212	\$ 238,000	\$ 66,361,000	\$ (6,428,000)	\$ (12,000)	\$ 60,159,000
Dividends and dividend equivalents declared	—	—	—	(1,190,000)	—	(1,190,000)
Stock-based compensation	—	—	55,000	—	—	55,000
Vesting of restricted stock units	136,250	1,000	(1,000)	—	—	—
Value of shares delivered to pay withholding taxes	(45,438)	—	—	(112,000)	—	(112,000)
Net unrealized loss on corporate bonds and notes	—	—	—	—	(3,000)	(3,000)
Net loss	—	—	—	(1,312,000)	—	(1,312,000)
Balance – March 31, 2022	<u>23,883,024</u>	<u>\$ 239,000</u>	<u>\$ 66,415,000</u>	<u>\$ (9,042,000)</u>	<u>\$ (15,000)</u>	<u>\$ 57,597,000</u>

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

NETWORK-1 TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Three Months Ended March 31,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (623,000)	\$ (1,312,000)
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization of patents	83,000	75,000
Stock-based compensation	161,000	55,000
Loss allocated from equity method investment	674,000	433,000
Unrealized (gain) loss on marketable securities	(270,000)	510,000
Deferred tax benefit	(153,000)	(452,000)
Amortization of operating leases – right of use assets	16,000	—
Changes in operating asset and liabilities:		
Other current assets	229,000	39,000
Other assets	(13,000)	—
Accounts payable	94,000	31,000
Operating lease obligations	(17,000)	—
Accrued expenses	(471,000)	(128,000)
NET CASH USED IN OPERATING ACTIVITIES	(290,000)	(749,000)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sales of marketable securities	7,671,000	1,100,000
Purchases of marketable securities	(9,330,000)	(563,000)
Development of patents	—	(524,000)
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	(1,659,000)	13,000
CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash dividends paid	(1,191,000)	(1,190,000)
Value of shares delivered to fund withholding taxes	(83,000)	(112,000)
Repurchases of common stock, inclusive of commissions	(306,000)	—
NET CASH USED IN FINANCING ACTIVITIES:	(1,580,000)	(1,302,000)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,529,000)	(2,038,000)
CASH AND CASH EQUIVALENTS, beginning of period	13,448,000	44,497,000
CASH AND CASH EQUIVALENTS, end of period	\$ 9,919,000	\$ 42,459,000
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the period for:		
Interest	\$ —	\$ —
Income taxes	\$ —	\$ —
NON-CASH FINANCING ACTIVITIES		
Accrued dividend rights on restricted stock units	\$ 8,000	\$ —

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

NETWORK-1 TECHNOLOGIES, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE A – BASIS OF PRESENTATION AND NATURE OF BUSINESS

[1] BASIS OF PRESENTATION

The accompanying condensed consolidated financial statements are unaudited, but, in the opinion of the management of Network-1 Technologies, Inc. (the “Company”), contain all adjustments consisting only of normal recurring items which the Company considers necessary for the fair presentation of the Company’s financial position as of March 31, 2023, and the results of its operations and comprehensive loss for the three month periods ended March 31, 2023 and March 31, 2022, changes in stockholders’ equity for the three month periods ended March 31, 2023 and March 31, 2022, and its cash flows for the three month periods ended March 31, 2023 and March 31, 2022. The unaudited condensed consolidated financial statements included herein have been prepared in accordance with the accounting principles generally accepted in the United States of America (U.S. GAAP) for interim financial information and the instructions to Form 10-Q and Regulation S-X. Accordingly, certain information and footnote disclosures normally included in the consolidated financial statements prepared in accordance with U.S. GAAP may have been omitted pursuant to such rules and regulations, although management believes that the disclosures are adequate to make the information presented not misleading. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2022 included in the Company’s Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 30, 2023. The results of operations for the three months ended March 31, 2023 are not necessarily indicative of the results of operations to be expected for the full year.

The accompanying unaudited condensed consolidated financial statements include accounts of the Company and its wholly-owned subsidiaries, Mirror Worlds Technologies, LLC. and HFT Solutions, LLC. All intercompany balances and transactions have been eliminated in consolidation.

[2] BUSINESS

The Company is engaged in the development, licensing and protection of its intellectual property assets. The Company presently owns ninety-seven (97) U.S. patents, fifty-two (52) of such patents have expired, and eight foreign patents related to (i) the Cox patent portfolio (the “Cox Patent Portfolio”) relating to enabling technology for identifying media content on the Internet and taking further actions to be performed after such identification; (ii) the M2M/IoT patent portfolio (the “M2M/IoT Patent Portfolio”) relating to, among other things, enabling technology for authenticating, provisioning and using embedded SIM (Subscriber Identification Module) technology in next generation IoT, Machine-to-Machine, and other mobile devices, including smartphones, tablets and computers; (iii) the HFT patent portfolio (the “HFT Patent Portfolio”) covering certain advanced technologies relating to high frequency trading, which inventions specifically address technological problems associated with speed and latency and provide critical latency gains in trading systems where the difference between success and failure may be measured in nanoseconds; (iv) the Mirror Worlds patent portfolio (the “Mirror Worlds Patent Portfolio”) relating to foundational technologies that enable unified search and indexing, displaying and archiving of documents in a computer system; and (v) the remote power patent (the “Remote Power Patent”) covering delivery of Power over Ethernet (PoE) cables for the purpose of remotely powering network devices, such as wireless access ports, IP phones and network based cameras.

NOTE A – BASIS OF PRESENTATION AND NATURE OF BUSINESS (CONTINUED)

The Company's current strategy includes continuing to pursue licensing opportunities for its patent portfolios. In addition, the Company reviews opportunities to acquire or license additional intellectual property as well as other strategic alternatives. The Company's patent acquisition and development strategy is to focus on acquiring high quality patents which management believes have the potential to generate significant licensing opportunities as the Company has achieved with respect to its Remote Power Patent and Mirror Worlds Patent Portfolio. In addition, the Company may also enter into strategic relationships with third parties to develop, commercialize, license or otherwise monetize their intellectual property.

The Company has made equity investments totaling \$7,000,000 in ILiAD Biotechnologies, LLC ("ILiAD"), a clinical stage biotechnology company with an exclusive license to sixty-five (65) patents (see Note J hereof).

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

[1] Use of Estimates and Assumptions

The preparation of the unaudited condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the unaudited condensed consolidated financial statements, and the reported amounts of revenues and expenses during the reporting periods. The significant estimates and assumptions made in the preparation of the Company's unaudited condensed consolidated financial statements include costs related to the Company's assertion of litigation, valuation of the Company's patent portfolios, stock-based compensation, the recoverability of deferred tax assets and the carrying value of the Company's equity method investments. Actual results could be materially different from those estimates, upon which the carrying values were based.

Certain amounts recorded to reflect the Company's share of income or losses of its equity method investee, accounted for under the equity method, are based on estimates and the unaudited results of operations of the equity method investee and may require adjustment in the future when the audit of the equity method investee is complete. The Company reports its share of the results of its equity method investee on a one quarter lag basis.

[2] Revenue Recognition

Under ASC 606, revenue is recognized when the Company completes the licensing of its intellectual property to its licensees, in an amount that reflects the consideration the Company expects to be entitled to in exchange for licensing its intellectual property.

The Company determines revenue recognition through the following steps:

- identification of the license agreement;
- identification of the performance obligations in the license agreement;
- determination of the consideration for the license;
- allocation of the transaction price to the performance obligations in the contract; and
- recognition of revenue when the Company satisfies its performance obligations.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue disaggregated by source is as follows:

	Three months Ended March 31,	
	2023	2022
Litigation settlements	\$ 537,000	\$ —
Total Revenue	\$ 537,000	\$ —

During the three months ended March 31, 2023, the Company entered into settlement agreements with Arista Networks, Inc., Antaira Technologies LLC, Panasonic Holdings Corporation and TP-Link USA Corporation with respect to patent infringement litigation involving its Remote Power Patent, resulting in aggregate settlements paid of \$537,000 which are recognized as revenue during the three months ended March 31, 2023 and a conditional payment of \$150,000 which has not been recognized as revenue as of March 31, 2023 because the terms of the conditional payment have not yet been satisfied.

Revenue from the Company's patent licensing business is generated from negotiated license agreements. The timing and amount of revenue recognized from each licensee depends upon a variety of factors, including the terms of each agreement and the nature of the obligations of the parties. These agreements may include, but not be limited to, elements related to past infringement liabilities, non-refundable upfront license fees, and ongoing royalties on licensed products sold by the licensee. Generally, in the event of a litigation settlement related to the Company's assertion of patent infringement involving its intellectual property, defendants will either pay (i) a non-refundable lump sum payment for a non-exclusive fully-paid license, or (ii) a non-refundable lump sum payment (license initiation fee) together with an ongoing obligation to pay quarterly or monthly royalties to the Company for the life of the licensed patent.

[3] Equity Method Investments

Equity method investments are equity securities in entities the Company does not control but over which it has the ability to exercise significant influence. These investments are accounted for under the equity method of accounting in accordance with ASC 323, *Investments — Equity Method and Joint Ventures* (see Note J hereof). Equity method investments are measured at cost minus impairment, if any, plus or minus the Company's share of an investee's income or loss. The Company's proportionate share of the income or loss from equity method investments is recognized on a one-quarter lag. When the Company's carrying value in an equity method investment is reduced to zero, no further losses are recorded in the Company's financial statements unless the Company guaranteed obligations of the investee company or has committed additional funding. When the investee company subsequently reports income, the Company will not record its share of such income until it equals the amount of its share of losses not previously recognized.

[4] Income Taxes

The Company accounts for income taxes in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) *Topic 740, Income Taxes* (ASC 740), which requires the Company to use the assets and liability method of accounting for income taxes. Under the assets and liability method, deferred income taxes are recognized for the tax consequences of temporary (timing) differences by applying enacted statutory tax rates applicable to future years to differences between financial statement carrying amounts and the tax bases of existing assets and liabilities and operating loss and tax credit carry forwards. Under this accounting standard, the effect on deferred income taxes of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is recognized if it is more likely than not that some portion, or all, of a deferred tax asset will not be realized. As of March 31, 2023, the Company had total deferred tax assets generated from its activities totaling \$1,006,000. The Company's deferred tax assets were offset by a valuation allowance of \$1,006,000 as it was determined that it is more likely than not that certain deferred tax assets will not be realized. As of March 31, 2023, the Company also had a deferred tax liability of \$1,008,000, resulting in a net deferred tax liability position of \$1,008,000.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The personal holding company (“PHC”) rules under the Internal Revenue Code impose a 20% tax on a PHC’s undistributed personal holding company income (“UPHCI”), which means, in general, taxable income subject to certain adjustments and reduced by certain distributions to shareholders. For a corporation to be classified as a PHC, it must satisfy two tests: (i) that more than 50% in value of its outstanding shares must be owned directly or indirectly by five or fewer individuals at any time during the second half of the year (after applying constructive ownership rules to attribute stock owned by entities to their beneficial owners and among certain family members and other related parties) (the “Ownership Test”) and (ii) at least 60% of its adjusted ordinary gross income for a taxable year consists of dividends, interest, royalties, annuities and rents (the “Income Test”). During the second half of 2022, based on available information concerning the Company’s shareholder ownership, the Company did not satisfy the Ownership Test. However, the Company may subsequently be determined to be a PHC in 2023 or in future years if it satisfies both the Ownership Test and Income Test. If the Company were to become a PHC in 2023 or any future year, it would be subject to the 20% tax on its UPHCI. In such event, the Company may issue a special cash dividend to its shareholders in an amount equal to the UPHCI rather than incur the 20% tax.

ASC 740-10, *Accounting for Uncertainty in Income Taxes*, defines uncertainty in income taxes and the evaluation of a tax position as a two-step process. The first step is to determine whether it is more likely than not that a tax position will be sustained upon examination, including the resolution of any related appeals or litigation based on the technical merits of that position. The second step is to measure a tax position that meets the more-likely-than-not threshold to determine the amount of benefit to be recognized in the financial statements. A tax position is measured at the largest amount of benefit that is greater than 50 percent likelihood of being realized upon ultimate settlement. Tax positions that previously failed to meet the more-likely-than-not recognition threshold should be recognized in the first subsequent period in which the threshold is met. Previously recognized tax positions that no longer meet the more-likely-than-not criteria should be de-recognized in the first subsequent financial reporting period in which the threshold is no longer met. The Company had no uncertain tax positions as of March 31, 2023.

The Company recognizes interest and penalties related to income tax in the income tax provision in the unaudited condensed consolidated statements of operations and comprehensive loss.

U.S. federal, state and local income tax returns prior to 2019 are not subject to examination by any applicable tax authorities, except that tax authorities could challenge returns (only under certain circumstances) for earlier years to the extent they generated loss carry-forwards that are available for those future years.

[5] Reclassifications

Stock-based compensation in the unaudited condensed consolidated statement of operations and comprehensive loss for the three months ended March 31, 2022 has been recast and reclassified to conform to the current period presentation.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**[6] New Accounting Standards**

There are no new accounting standards that have had a material impact on the Company's unaudited condensed consolidated financial statements.

NOTE C – PATENTS

The Company's intangible assets at March 31, 2023 include patents with estimated remaining economic useful lives ranging from 0.25 to 16.25 years. For all periods presented, all of the Company's patents were subject to amortization. The gross carrying amounts and accumulated amortization related to acquired intangible assets as of March 31, 2023 and December 31, 2022 were as follows:

	March 31, 2023	December 31, 2022
Gross carrying amount – patents	\$ 8,473,000	\$ 8,473,000
Accumulated amortization – patents	(6,964,000)	(6,881,000)
Patents, net	<u>\$ 1,509,000</u>	<u>\$ 1,592,000</u>

Amortization expense for the three months ended March 31, 2023 and 2022 was \$83,000 and \$75,000, respectively. Future amortization of intangible assets, net is as follows:

	Twelve Months Ended March 31,
2023	\$ 214,000
2024	120,000
2025	120,000
2026	120,000
2027	118,000
Thereafter	817,000
Total	<u>\$ 1,509,000</u>

Two patents within the Cox Patent Portfolio expire in July 2023 and November 2023, and the balance of the patents within such portfolio have expired. The expiration dates of patents within the Company's M2M/IoT Patent Portfolio range from September 2033 to May 2034. The expiration dates within the Company's HFT Patent Portfolio range from October 31, 2039 to November 1, 2039. All of the patents within the Company's Mirror Worlds Patent Portfolio and the Remote Power Patent have expired.

NOTE D – STOCK-BASED COMPENSATION

Restricted Stock Units

The Company adopted the 2022 Stock Incentive Plan, (the “2022 Plan”), approved by its Board of Directors on July 25, 2022 and its stockholders on September 20, 2022. The 2022 Plan provides for the grant of any or all of the following types of awards: (a) stock options, (b) restricted stock, (c) deferred stock, (d) stock appreciation rights, and (e) other stock-based awards including restricted stock units.

As of March 31, 2023, there were 58,750 shares of common stock subject to outstanding awards under the 2022 Plan and 2,230,000 shares of common stock available for issuance under the 2022 Plan.

As of March 31, 2023, there were 512,500 shares of common stock subject to outstanding awards under the Company’s 2013 Stock Incentive Plan (“2013 Plan”). The Company discontinued issuing awards under its 2013 Plan as a result of the adoption of the 2022 Plan.

A summary of restricted stock unit activity for the three months ended March 31, 2023 is as follows (each restricted stock unit issued by the Company represents the right to receive one share of the Company’s common stock):

	Number of Shares	Weighted-Average Grant Date Fair Value
Balance of restricted stock units outstanding at December 31, 2022	625,000	\$ 1.87
Grants of restricted stock units	70,000	2.25
Vested restricted stock units	(123,750)	(2.48)
Balance of restricted stock units outstanding at March 31, 2023	<u>571,250</u>	<u>\$ 1.79</u>

Restricted stock unit compensation expense was \$161,000 and \$55,000 for the three months ended March 31, 2023 and 2022, respectively. Stock-based compensation expense is included in general and administrative expenses on the unaudited condensed consolidated statement of operations and comprehensive loss.

The Company has an aggregate of \$740,000 of unrecognized restricted stock unit compensation as of March 31, 2023 to be expensed over a weighted average period of 2.35 years.

All of the Company’s outstanding (unvested) restricted stock units have dividend equivalent rights. As of March 31, 2023 and December 31, 2022, there was \$44,000 and \$37,000, respectively, accrued for dividend equivalent rights which were included in other accrued expenses.

NOTE E – LOSS PER SHARE

Basic loss per share is calculated by dividing the net loss by the weighted average number of outstanding common shares during the period. Diluted per share data includes the dilutive effects of options and restricted stock units. Potentially dilutive shares of 571,250 and 1,171,250 at March 31, 2023 and 2022, respectively, consisted of restricted stock units and stock options. However, as the Company generated a net loss in 2023 and 2022, all potentially dilutive shares were not reflected in diluted net loss per share because the impact of such instruments was anti-dilutive.

Computations of basic and diluted weighted average common shares outstanding were as follows:

	Three Months Ended March 31,	
	2023	2022
Weighted-average common shares outstanding – basic	23,866,821	23,909,115
Dilutive effect of restricted stock units and stock options	—	—
Weighted-average common shares outstanding – diluted	<u>23,866,821</u>	<u>23,909,115</u>
Restricted stock units excluded from the computation of diluted loss per share because the effect of inclusion would have been anti-dilutive	571,250	1,171,250

NOTE F – MARKETABLE SECURITIES

Marketable securities as of March 31, 2023 and December 31, 2022 were composed of the following:

	March 31, 2023			
	Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Certificates of deposit	\$ 2,976,000	\$ 21,000	\$ —	\$ 2,997,000
Government securities	25,992,000	204,000	—	26,196,000
Fixed income mutual funds	7,504,000	45,000	—	7,549,000
Corporate bond	<u>178,000</u>	<u>—</u>	<u>—</u>	<u>178,000</u>
Total marketable securities	<u>\$ 36,650,000</u>	<u>\$ 270,000</u>	<u>\$ —</u>	<u>\$ 36,920,000</u>

	December 31, 2022			
	Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Government Securities	\$ 20,781,000	\$ 67,000	\$ —	\$ 20,848,000
Fixed income mutual funds	11,904,000	—	(915,000)	10,989,000
Certificates of Deposit	3,019,000	—	(43,000)	2,976,000
Corporate bonds and notes	<u>192,000</u>	<u>—</u>	<u>(14,000)</u>	<u>178,000</u>
Total marketable securities	<u>\$ 35,896,000</u>	<u>\$ 67,000</u>	<u>\$ (972,000)</u>	<u>\$ 34,991,000</u>

The Company's marketable securities are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices in an active market.

NOTE G – COMMITMENTS AND CONTINGENCIES

[1] Legal Fees

Russ, August & Kabat provides legal services to the Company with respect to its patent litigation filed in May 2017 against Facebook, Inc. (now Meta Platforms, Inc.) in the U.S. District Court for the Southern District of New York relating to several patents within the Company's Mirror Worlds Patent Portfolio (see Note I[2] hereof). The terms of the Company's agreement with Russ, August & Kabat provide for cash payments on a monthly basis subject to a cap plus a contingency fee ranging between 15% and 24% of the net recovery (after deduction of expenses) depending on the stage of the proceeding in which the result (settlement or judgment) is achieved. The Company is responsible for all expenses incurred with respect to this litigation.

Russ, August & Kabat also provides legal services to the Company with respect to its pending patent litigations filed in April 2014 and December 2014 against Google Inc. and YouTube, LLC in the U.S. District Court for the Southern District of New York relating to certain patents within the Company's Cox Patent Portfolio (see Note I[1] hereof). The terms of the Company's agreement with Russ, August & Kabat provide for legal fees on a full contingency basis ranging from 15% to 30% of the net recovery (after deduction of expenses) depending on the stage of the proceeding in which the result (settlement or judgment) is achieved. The Company is responsible for all of the expenses incurred with respect to this litigation.

[2] Patent Acquisitions

On March 25, 2022, the Company completed the acquisition of a new patent portfolio (HFT Patent Portfolio) currently consisting of nine U.S. patents and two pending U.S. patents covering certain advanced technologies relating to high frequency trading, which inventions specifically address technological problems associated with speed and latency and provide critical latency gains in trading systems where the difference between success and failure may be measured in nanoseconds. The Company paid the seller \$500,000 at the closing and has an obligation to pay the seller an additional \$500,000 in cash and \$375,000 of the Company's common stock (up to a maximum of 375,000 shares) upon achieving certain milestones with respect to the patent portfolio. The Company also has an additional obligation to pay the seller 15% of the first \$50 million of net proceeds (after deduction of expenses) generated by the patent portfolio and 17.5% of net proceeds greater than \$50 million.

In connection with the Company's acquisition of its Cox Patent Portfolio, the Company is obligated to pay Dr. Cox 12.5% of the net proceeds (after deduction of expenses) generated by the Company from licensing, sale or enforcement of the patent portfolio.

As part of the acquisition of the Mirror Worlds Patent Portfolio, the Company also entered into an agreement with Recognition Interface, LLC ("Recognition") pursuant to which Recognition received from the Company an interest in the net proceeds realized from the monetization of the Mirror Worlds Patent Portfolio, as follows: (i) 10% of the first \$125 million of net proceeds; (ii) 15% of the next \$125 million of net proceeds; and (iii) 20% of any portion of the net proceeds in excess of \$250 million. Since entering into the agreement with Recognition in May 2013, the Company has paid Recognition an aggregate of \$3,127,000 with respect to such net proceeds interest related to the Mirror Worlds Patent Portfolio. No such payments were made by the Company to Recognition during the three months ended March 31, 2023 and 2022.

In connection with the Company's acquisition of its M2M/IoT Patent Portfolio, the Company is obligated to pay M2M 14% of the first \$100 million of net proceeds (after deduction of expenses) and 5% of net proceeds greater than \$100 million from Monetization Activities (as defined) related to the patent portfolio. In addition, M2M will be entitled to receive from the Company \$250,000 of additional consideration upon the occurrence of certain future events related to the patent portfolio.

NOTE G – COMMITMENTS AND CONTINGENCIES (CONTINUED)**[3] Leases**

The Company has one operating lease for its principal office space in New Canaan, Connecticut that will expire on April 30, 2025.

There are no material residual guarantees associated with any of the Company's leases and there are no significant restrictions or covenants included in the Company's lease agreements.

The calculated incremental borrowing rate was approximately 4.2%, which was calculated based on the remaining lease term of 3 years as of May 1, 2022. The remaining lease term as of March 31, 2023 was approximately 2 years.

There was no sublease rental income for the three months ended March 31, 2023, and the Company is not the lessor in any lease arrangement, and there were no related-party lease agreements.

Right of use lease assets and related lease obligations for the Company's operating leases were recorded in the unaudited condensed consolidated balance sheet as follows:

	As of March 31, 2023	As of December 31, 2022
Operating lease right-of-use assets	\$ 145,000	\$ 161,000
Operating lease obligations – current	79,000	79,000
Operating lease obligations – non-current	77,000	94,000
Total lease obligations	<u>\$ 156,000</u>	<u>\$ 173,000</u>

The table below presents certain information related to the Company's lease costs for the period ended:

	For the Three Months Ended March 31,	
	2023	2022
Operating lease cost	\$ 19,000	\$ —
Short-term lease cost	—	—
Total lease cost	<u>\$ 19,000</u>	<u>\$ —</u>

Future lease payments included in the measurement of lease liabilities on the unaudited condensed consolidated balance sheet as of March 31, 2023, were as follows:

	Operating Leases
2023 – remaining period	\$ 59,000
2024	78,000
2025	26,000
Total future minimum lease payments	163,000
Less imputed interest	(7,000)
Total operating lease liability	<u>\$ 156,000</u>

NOTE H - EMPLOYMENT ARRANGEMENTS AND OTHER AGREEMENTS

On March 22, 2022, the Company entered into a new employment agreement (“Agreement”) with its Chairman and Chief Executive Officer, pursuant to which he continues to serve as the Company’s Chairman and Chief Executive Officer for a four year term (“Term”), at an annual base salary of \$535,000 which shall be increased by 3% per annum during the term of the Agreement. The Agreement established an annual target bonus of \$175,000 for the Chairman and Chief Executive Officer based upon performance.

Under the terms of the Agreement (which terms are substantially the same as the prior employment agreement with the Chairman and Chief Executive Officer), so long as the Chairman and Chief Executive Officer continues to serve as an executive officer of the Company, whether pursuant to the Agreement or otherwise, the Chairman and Chief Executive Officer shall also receive incentive compensation in an amount equal to 5% of the Company’s gross royalties or other payments from Licensing Activities (as defined) (without deduction of legal fees or any other expenses) with respect to its Remote Power Patent and a 10% net interest (gross royalties and other payments after deduction of all legal fees and litigation expenses related to licensing, enforcement and sale activities, but in no event shall he receive less than 6.25% of the gross recovery) of the Company’s royalties and other payments relating to Licensing Activities with respect to patents other than the Remote Power Patent (including all of the Company’s patent portfolios and its investment in ILiAD Biotechnologies) (collectively, the “Incentive Compensation”). During the three months ended March 31, 2023 and 2022, the Chairman and Chief Executive Officer earned Incentive Compensation of \$27,000 and \$0.

NOTE I – LEGAL PROCEEDINGS

[1] On April 4, 2014 and December 3, 2014, the Company initiated litigation against Google Inc. (“Google”) and YouTube, LLC (“YouTube”) in the U.S. District Court for the Southern District of New York for infringement of several of its patents within its Cox Patent Portfolio acquired from Dr. Cox which relate to the identification of media content on the Internet. The lawsuit alleges that Google and YouTube have infringed and continue to infringe certain of the Company’s patents by making, using, selling and offering to sell unlicensed systems and related products and services, which include YouTube’s Content ID system. The litigations against Google and YouTube were subject to court ordered stays which were in effect from July 2, 2015 until January 2, 2019 as a result of proceedings at the Patent Trial and Appeal Board (PTAB) and the appeals of PTAB Final Written Decisions to the U.S. Court of Appeals for the Federal Circuit. Pursuant to a Joint Stipulation and Order Regarding Lifting of Stays, entered on January 2, 2019, the parties agreed, among other things, that the stays with respect to the litigations were lifted. In January 2019, the two litigations against Google and YouTube were consolidated. Discovery has been completed and the parties have each submitted summary judgment motions. A trial date has not yet been set.

[2] On May 9, 2017, Mirror Worlds Technologies, LLC, the Company’s wholly-owned subsidiary, initiated litigation against Facebook, Inc. (now Meta Platforms, Inc., “Meta”) in the U.S. District Court for the Southern District of New York, for infringement of U.S. Patent No. 6,006,227, U.S. Patent No. 7,865,538 and U.S. Patent No. 8,255,439 (among the patents within the Company’s Mirror Worlds Patent Portfolio). The lawsuit alleged that the asserted patents are infringed by Meta’s core technologies that enable Meta’s Newsfeed and Timeline features. On August 11, 2018, the Court issued an order granting Meta’s motion for summary judgment of non-infringement and dismissed the case. On August 17, 2018, the Company filed a Notice of Appeal to appeal the summary judgment decision to the U.S. Court of Appeals for the Federal Circuit. On January 23, 2020, the U.S. Court of Appeals for the Federal Circuit ruled in the Company’s favor and reversed the summary judgment finding of the District Court and remanded the litigation to the Southern District of New York for further proceedings.

NOTE I – LEGAL PROCEEDINGS (CONTINUED)

On March 7, 2022, the District Court entered a ruling granting in part and denying in part a motion for summary judgment by Meta. In its ruling the Court (i) denied Meta's motion that the asserted patents were invalid by concluding that all asserted claims were patent eligible under §101 of the Patent Act and (ii) granted summary judgment of non-infringement in favor of Meta and dismissed the case. The Company strongly disagrees with the decision of the District Court on non-infringement and on April 4, 2022, the Company filed a notice of appeal to the U.S. Court of Appeals for the Federal Circuit. On April 18, 2022, Meta filed a notice of cross-appeal with respect to the Court's ruling on validity. The appeal is pending.

[3] On December 15, 2020, the Company filed a lawsuit against NETGEAR, Inc. ("Netgear") in the Supreme Court of the State of New York, County of New York, for breach of a Settlement and License Agreement, dated May 22, 2009, with the Company (the "Agreement") for failure to make royalty payments, and provide corresponding royalty reports, to the Company based on sales of Netgear's PoE products. On October 22, 2021, Netgear filed a Demand for Arbitration at the American Arbitration Association ("AAA") seeking to arbitrate certain issues raised in the litigation. The Company objected to jurisdiction at the AAA. On April 1, 2022, the Court denied Netgear's motion to compel arbitration. On April 22, 2022, Netgear filed a counterclaim in the Court action alleging that the Company breached the Agreement by not offering Netgear lower royalties. On September 22, 2022, the arbitration brought by Netgear was dismissed by the AAA on jurisdiction grounds. The case remains pending in the Supreme Court of the State of New York, County of New York.

[4] In October and November 2022, the Company initiated separate litigation against ten defendants for infringement of its Remote Power Patent seeking monetary damages based upon reasonable royalties, as follows: (i) On October 6, 2022, the Company initiated such litigation against Arista Networks, Inc., Fortinet, Inc., Honeywell International Inc. and Ubiquiti Inc. in the United States District Court, District of Delaware; (ii) On October 27, 2022, and November 3, 2022, the Company initiated such litigation against TP-Link USA Corporation and Hikvision USA, Inc. in the United States District Court for the Central District of California; (iii) On November 4, 2022, the Company initiated such litigation against Panasonic Holdings Corporation and Panasonic Corporation of North America in the United States District Court for the Eastern District of Texas (Marshall Division); and (iv) On November 8, 2022 and November 16, 2022, the Company initiated such litigation against Antaira Technologies, LLC and Dahua Technology USA in the United States District Court for the Central District of California.

During the three months ended March 31, 2023, the Company entered into settlement agreements with Arista Networks, Inc., Antaira Technologies LLC, Panasonic Holdings Corporation and TP-Link USA Corporation with respect to patent infringement litigation involving its Remote Power Patent, resulting in aggregate settlements paid of \$537,000 which are recognized as revenue during the three months ended March 31, 2023 and a conditional payment of \$150,000 which has not been recognized as revenue as of March 31, 2023 because the terms of the conditional payment have not yet been satisfied.

NOTE J – INVESTMENT

During the period December 2018 through August 2022, the Company made an aggregate investment of \$7,000,000 in ILiAD Biotechnologies, LLC (“ILiAD”), a privately held clinical stage biotechnology company dedicated to the prevention and treatment of human disease caused by Bordetella pertussis. ILiAD is focused on validating its proprietary intranasal vaccine, BPZE1, for the prevention of pertussis (whooping cough). At March 31, 2023, the Company owned approximately 6.8% of the outstanding units of ILiAD on a non-fully diluted basis and 6.1% of the outstanding units on a fully diluted basis (after giving effect to the exercise all outstanding options and warrants). In connection with its initial investment, the Company’s Chairman and Chief Executive Officer obtained a seat on ILiAD’s Board of Managers and receives the same compensation for service on the Board of Managers as other non-management Board members.

For the three months ended March 31, 2023 and 2022, the Company recorded an allocated net loss from its equity method investment in ILiAD of \$674,000 and \$433,000, respectively.

The difference between the Company’s share of equity in ILiAD’s net assets and the purchase price of the investment is due to an excess amount paid over the book value of the investment of \$4,254,000, which is accounted for as equity method goodwill.

The following table provides certain summarized financial information for the Company’s equity method investee for the periods presented and has been compiled from the equity investee’s financial statement, reported on one quarter lag.

	Three Months Ended December 31,	
	2022	2021
Loss from continuing operations	\$ 3,466,000	\$ 3,367,000
Comprehensive loss	\$ 9,911,000	\$ 4,560,000

NOTE K – STOCK REPURCHASES

On June 8, 2021, the Board of Directors authorized an extension and increase of the Company's share repurchase program (the "Share Repurchase Program") to repurchase up to \$5,000,000 of common stock over the subsequent 24 month period. The common stock may be repurchased from time to time in open market transactions or privately negotiated transactions in the Company's discretion. The timing and amount of the shares repurchased is determined by management based on its evaluation of market conditions and other factors. The Share Repurchase Program may be increased, suspended or discontinued at any time. Since inception of the Share Repurchase Program through March 31, 2023, the Company has repurchased an aggregate of 9,349,449 shares of its common stock at an aggregate cost of \$18,060,296 (exclusive of commissions) or an average per share price of \$1.93. During the three months ended March 31, 2023, the Company repurchased an aggregate of 136,785 shares of its common stock at an aggregate cost of \$302,202 (exclusive of commissions) or an average per share price of \$2.21. At March 31, 2023, the dollar value of remaining shares that may be repurchased under the Share Repurchase Program was \$3,095,688.

On August 16, 2022, the Inflation Reduction Act of 2022 (the "IR Act") was signed into federal law. The IR Act provides for, among other things, a new U.S. federal 1% excise tax on certain repurchases of stock by publicly traded U.S. domestic corporations and certain U.S. domestic subsidiaries of publicly traded foreign corporations occurring on or after January 1, 2023. The excise tax is imposed on the repurchasing corporation itself, not its shareholders from which shares are repurchased. The amount of the excise tax is generally 1% of the fair market value of the shares repurchased at the time of the repurchase. However, for purposes of calculating the excise tax, repurchasing corporations are permitted to net the fair market value of certain new stock issuances against the fair market value of stock repurchases during the same taxable year. In addition, certain exceptions apply to the excise tax. The U.S. Department of Treasury has been given authority to provide regulations and other guidance to carry out and prevent the abuse or avoidance of the excise tax. The excise tax applies in case where the total value of the stock repurchase during the taxable year exceeds \$1,000,000.

NOTE L – CONCENTRATIONS

The Company maintains cash deposits in high quality financial institutions insured by the Federal Deposit Insurance Corporation ("FDIC"). Accounts at each institution are insured by the FDIC up to \$250,000. At March 31, 2023, the Company had \$680,000 in excess of the FDIC insured limit.

Revenue from three parties constituted 94% of the Company's revenue for the three months ended March 31, 2023 and all of such revenue was derived from the Remote Power Patent portfolio. The Company had no revenue for the three months ended March 31, 2022.

NOTE M – DIVIDEND POLICY

The Company's dividend policy consists of semi-annual cash dividends of \$0.05 per share (\$0.10 per share annually) which have been paid in March and September of each year. The Company has been paid semi-annual cash dividends consistent with its policy. On March 3, 2023, the Company's Board of Directors declared a semi-annual cash dividend of \$0.05 per share with a payment date of March 31, 2023 to all common shareholders of record as of March 15, 2023. The Company's dividend policy undergoes a periodic review by the Board of Directors and is subject to change at any time depending upon the Company's earnings, financial requirements and other factors existing at the time.

ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the financial statements and related notes contained elsewhere in this Quarterly Report on Form 10-Q.

OVERVIEW

Our principal business is the development, licensing and protection of our intellectual property assets. We presently own ninety-seven (97) U.S. patents and eight foreign patents relating to: (i) our Cox Patent Portfolio relating to enabling technology for identifying media content on the Internet and taking further action to be performed after such identification; (ii) our M2M/IoT Patent Portfolio relating to, among other things, enabling technology for authenticating, provisioning and using embedded Sim (Subscriber Identification Module) technology in next generation IoT, Machine-to-Machine, and other mobile devices, including smartphones, tablets and computers; (iii) our HFT Patent Portfolio covering certain advanced technologies relating to high frequency trading, which inventions specifically address technological problems associated with speed and latency and provide critical latency gains in trading systems where the difference between success and failure may be measured in nanoseconds; (iv) our Mirror Worlds Patent Portfolio relating to foundational technologies that enable unified search and indexing, displaying and archiving of documents in a computer system; and (v) our Remote Power Patent covering the delivery of power over Ethernet (PoE) cables for the purpose of remotely powering network devices, such as wireless access ports, IP phones and network based cameras. In addition, we continually review opportunities to acquire or license additional intellectual property as well as other strategic alternatives.

With respect to our ninety-seven (97) U.S. patents, fifty-two (52) of such patents have expired. However, we can assert expired patents against third parties but only for past damages up to the patent expiration date. We currently have pending litigation involving expired patents including our Remote Power Patent and certain patents within our Cox and Mirror Worlds Patent Portfolios (see Note I).

At March 31, 2023, our principal sources of liquidity consisted of cash and cash equivalents and marketable securities of \$46,839,000 and working capital of \$45,902,000. Based on our cash position, we continually review opportunities to acquire additional intellectual property as well as evaluate other strategic opportunities.

To date we have invested \$7,000,000 in ILiAD, a clinical stage biotechnology company with an exclusive license to sixty-five patents. Although in 2022 we recorded gains on our investment in ILiAD (see Note J to our unaudited condensed consolidated financial statements included herein), our investment continues to involve significant risk and the outcome is uncertain.

We have been dependent upon our Remote Power Patent for a significant portion of our revenue. Our Remote Power Patent generated licensing revenue in excess of \$187,000,000 from May 2007 through March 31, 2023. We no longer receive licensing revenue for our Remote Power Patent for any period subsequent to March 7, 2020 (the expiration date of the patent). During the fourth quarter of 2022, we commenced separate litigation against ten defendants involving our Remote Power Patent for patent infringement for the period prior to March 7, 2020. During the three months ended March 31, 2023, we entered into settlement agreements with Arista Networks, Inc., Antaira Technologies LLC, Panasonic Holdings Corporation and TP-Link USA Corporation with respect to the aforementioned litigation resulting in aggregate settlement payments made to the Company of \$537,000 and a future conditional payment of \$150,000 (see Note I[4] hereof). All of our revenue of \$537,000 for the three months ended March 31, 2023 was from these settlements.

In addition, we have pending litigation involving certain patents within our Cox Patent Portfolio and have appealed the judgment of the District Court dismissing our litigation against Meta (Facebook) on the grounds of non-infringement involving certain patents within our Mirror Worlds Portfolio. We also intend to commence efforts to monetize certain patents within our M2M/IoT Patent Portfolio and HFT Patent Portfolio. We may not achieve successful outcomes of such litigation, the appeal, or future litigation involving our patent assets.

Our current strategy includes continuing our licensing efforts with respect to our intellectual property assets and the monetization of our patent portfolios. In addition, we continue to seek to acquire additional intellectual property assets to develop, commercialize, license or otherwise monetize. Our strategy includes working with inventors and patent owners to assist in the development and monetization of their patented technologies. We may also enter into strategic relationships with third parties to develop, commercialize, license or otherwise monetize their intellectual property. Our patent acquisition and development strategy is to focus on acquiring high quality patents which management believes have the potential to generate significant licensing opportunities as we have achieved with respect to our Remote Power Patent and Mirror Worlds Patent Portfolio.

On March 25, 2022, we completed the acquisition of a new patent portfolio (the HFT Patent Portfolio) currently consisting of nine U.S. patents and two pending U.S. patents (see Note G[2] to our unaudited condensed consolidated financial statements included in this Quarterly Report).

The significant components of expenses impacting our net loss related to contingent legal fees and expenses related to our patent litigation (see Note G[1] to our unaudited condensed consolidated financial statements included herein) and incentive compensation payable to our Chairman and Chief Executive Officer pursuant to his employment agreement (see Note H to our unaudited condensed consolidated financial statements included herein), both such components of expenses are based on a percentage of the revenue received by us as a result of litigation or otherwise.

Our annual and quarterly operating and financial results may fluctuate significantly from period to period as a result of a variety of factors that are outside our control, including the timing and our ability to achieve successful outcomes of our patent litigation, our ability and timing of consummating future license agreements for our intellectual property, and whether we will achieve a return on our investment in ILiAD and the timing of any such return.

Our future operating results may also be materially impacted by our ability to acquire high quality patents which management believes have the potential to generate significant licensing opportunities. In the future, we may not be able to identify or consummate such patent acquisitions or, if consummated, achieve significant licensing revenue with respect to such acquisitions.

In 2023 and future years we could be classified as a Personal Holding Company. If this is the case, we would be subject to a 20% tax on the amount of any undistributed personal holding company income (as defined) for such year that we do not distribute to our shareholders (see Note B[4] to our unaudited condensed consolidated financial statements included in this Quarterly Report).

RESULTS OF OPERATIONS

Three Months Ended March 31, 2023 Compared to Three Months Ended March 31, 2022

Revenue. We had revenue of \$537,000 for the three months ended March 31, 2023 as compared to no revenue for the three months ended March 31, 2022. Our revenue for the three months ended March 31, 2023 was from litigation settlements involving our Remote Power Patent (see Note I[4] to our unaudited condensed consolidated financial statements included herein).

Operating Expenses. Operating expenses for the three months ended March 31, 2023 were \$1,313,000 as compared to \$897,000 for the three months ended March 31, 2022. The increase in operating expenses of \$416,000 for the three months ended March 31, 2023 was primarily due to an increase in general and administrative expenses of \$209,000 and an increase in costs of revenue of \$151,000 related to litigation settlements.

We had costs of revenue of \$151,000 and -0- for the three months ended March 31, 2023 and 2022, respectively. Included in the costs of revenue for the three months ended March 31, 2023 were contingent legal fees of \$124,000 and incentive bonus compensation of \$27,000 payable to our Chairman and Chief Executive Officer pursuant to his employment agreement (see Note H to our unaudited condensed consolidated financial statements included herein), each contingent upon the litigation settlements.

Stock-based compensation, included in general and administrative expenses, was \$161,000 for the three months ended March 31, 2023 as compared to \$55,000 for the three months ended March 31, 2022. The increase in stock-based compensation expense was due to the issuance of restricted stock units to our Chairman and Chief Executive Officer pursuant to his employment agreement.

Operating Loss. We had an operating loss of \$776,000 for the three months ended March 31, 2023 compared with an operating loss of \$897,000 for the three months ended March 31, 2022. The operating loss decrease of \$121,000 was due primarily to revenue from litigation settlements offset by increases in costs of revenue and stock-based compensation.

Income Taxes. For the three months ended March 31, 2023, we had a current tax expense for federal, state and local income taxes of \$0 and a deferred tax benefit of \$153,000. For the three months ended March 31, 2022, we had a current tax expense for federal, state and local income taxes of \$0 and a deferred tax benefit of \$452,000.

Share of Net Losses of Equity Method Investee. We incurred a net loss of \$674,000 during the three month period ended March 31, 2023 related to our equity share in ILiAD as compared to a net loss of \$433,000 for the three months ended March 31, 2022 (see Note J to our unaudited condensed consolidated financial statements included herein).

Net Loss. As a result of the foregoing, we realized a net loss of \$623,000 or \$0.03 per share basic and diluted for the three months ended March 31, 2023 compared with a net loss of \$1,312,000 or \$0.05 per share basic and diluted for the three months ended March 31, 2022.

LIQUIDITY AND CAPITAL RESOURCES

We have financed our operations primarily from revenue from licensing our patents. At March 31, 2023, our principal sources of liquidity consisted of cash and cash equivalents and marketable securities of \$46,839,000 and working capital of \$45,902,000. Based on our current cash position, we believe that we will have sufficient cash to fund our operations for the next twelve months and the foreseeable future.

Working capital decreased by \$1,457,000 at March 31, 2023 to \$45,902,000 as compared to working capital of \$47,359,000 at December 31, 2022. The decrease in working capital of \$1,457,000 for the three months ended March 31, 2023 was primarily due to our dividend payments of \$1,191,000 during the period.

Net cash used in operating activities for the three months ended March 31, 2023 decreased by \$459,000 from \$749,000 for the three months ended March 31, 2022 to \$290,000 for the three months ended March 31, 2023.

Net cash (used in) provided by investing activities during the three months ended March 31, 2023 was (\$1,659,000) as compared to \$13,000 for the three months ended March 31, 2022 primarily as a result of the increased purchases of marketable securities, offset somewhat by increased sales of marketable securities and reduced spending on patent acquisitions.

Net cash used in financing activities for the three months ended March 31, 2023 and 2022 was \$1,580,000 and \$1,302,000, respectively. The change of \$278,000 primarily resulted from repurchases of treasury shares of \$306,000 in 2023.

We maintain our cash in money market funds, government securities, certificates of deposit and short-term fixed income securities. Accordingly, we do not believe that our investments have significant exposure to interest rate risk.

OFF-BALANCE SHEET ARRANGEMENTS

We do not have any off-balance sheet arrangements.

CONTRACTUAL OBLIGATIONS

We do not have any long-term debt, capital lease obligations, purchase obligations or other long-term liabilities except for our lease obligations for our principal office space (see Note G[3] to our unaudited condensed consolidated financial statement included herein).

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our unaudited condensed consolidated financial statements are prepared in accordance with GAAP. The preparation of our financial statements included in this Quarterly Report on Form 10-Q requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. The significant estimates and assumptions made in the preparation of our unaudited condensed consolidated financial statements include revenue recognition, contingent legal fees and related expenses, income taxes, valuation of patents and equity method investments, including the evaluation of the Company's basis difference. Actual results could be materially different from those estimates, upon which the carrying values were based. See also Note B to our unaudited condensed consolidated financial statements included in this quarterly report.

We believe our most critical accounting policies and estimates to be the following:

Equity Method Investments

Equity method investments are equity securities in entities that we do not control but over which we have the ability to exercise significant influence. These investments are accounted for under the equity method of accounting in accordance with ASC 323, *Investments — Equity Method and Joint Ventures* (see Note J hereof). Equity method investments are measured at cost minus impairment, if any, plus or minus our share of an investee's income or loss, and adjustments based on the investee's observable price transactions, if any. Our proportionate share of the income or loss from equity method investments is recognized on a one-quarter lag. When our carrying value in an equity method investment is reduced to zero, no further losses are recorded in our financial statements unless we have guaranteed obligations of the investee company or have committed additional funding. When the investee company subsequently reports income, we will not record our share of such income until it equals the amount of our share of losses not previously recognized. In the event the equity method investee enters into an observable price transaction, we will increase or decrease the carrying value in its equity method investment based on the transaction price. Upon sale of equity method investments, the difference between sales proceeds and the carrying amount of the equity investment is recognized in profit or loss. In determining whether an equity method investment is impaired, we take into consideration a variety of factors including the operating and financial performance of the investee, the investee's future business plans and projections, discussions with the investee's management, and our intent and ability to hold the investment until it recovers in value. Accordingly, we make assumptions and estimates in assessing whether an impairment has occurred and if, in the future, our assumptions and estimates made in assessing the fair value of these investments change, this could result in a material decrease in the carrying value of the investment. This would cause us to write-down the carrying value of the investment and could have a material adverse effect on our results of operations in the period the impairment charge is taken.

Income Taxes

We account for income taxes in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) *Topic 740, Income Taxes* (ASC 740), which requires us to use the assets and liability method of accounting for income taxes. Under the assets and liability method, deferred income taxes are recognized for the tax consequences of temporary (timing) differences by applying enacted statutory tax rates applicable to future years to differences between financial statement carrying amounts and the tax bases of existing assets and liabilities and operating loss and tax credit carry forwards. Under this accounting standard, the effect on deferred income taxes of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is recognized if it is more likely than not that some portion, or all, of a deferred tax asset will not be realized. In evaluating the need for a valuation allowance, we estimate future taxable income based on management business plans. This process involves significant management judgment about assumptions that are subject to change from period to period. Because the recognition of deferred tax assets requires management to make significant judgments about future earnings, the periods in which items will impact taxable income and the application of inherently complex tax laws, we have identified the assessment of deferred tax assets and the need for any related valuation allowance as a critical accounting estimate.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not Applicable

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

Our Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based upon this review, these officers concluded that, as of the end of the period covered by this Quarterly Report on Form 10-Q, our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported, within the time periods specified in applicable rules and forms and is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

(b) Changes in Internal Controls

There was no change in our internal control over financial reporting that occurred during the fiscal quarter ended March 31, 2023 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For a description of our legal proceedings see Note I to our unaudited condensed consolidated financial statements included in this Quarterly Report and Item 3. Legal Proceedings of our Annual Report on Form 10-K for the year ended December 31, 2022 (filed with the SEC on March 30, 2023). During the three months ended March 31, 2023, no material events occurred with respect to our legal proceedings.

ITEM 1A. RISK FACTORS

Our operations and financial results are subject to various risks and uncertainties that could adversely affect our business, financial condition, results of operations and trading price of our common stock. Investors should carefully consider the risks described in this Quarterly Report on Form 10-Q for the three months ended March 31, 2023, and our Annual Report on Form 10-K for the year ended December 31, 2022 (pages 19-21), filed with the SEC on March 30, 2023.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Recent Issuances of Unregistered Securities

There were no such issuances during the three months ended March 31, 2023.

Stock Repurchases

On June 8, 2021, our Board of Directors authorized an extension and increase of the Share Repurchase Program to repurchase up to \$5,000,000 of shares of our common stock over the subsequent 24 month period. The common stock may be repurchased from time to time in open market transactions or privately negotiated transactions in our discretion. The timing and amount of the shares repurchased is determined by management based on its evaluation of market conditions and other factors. The Share Repurchase Program may be increased, suspended or discontinued at any time. Since inception of the Share Repurchase Program in August 2011 through March 31, 2023, we have repurchased an aggregate of 9,349,449 shares of our common stock at an aggregate cost of \$18,060,296 (exclusive of commissions) or an average per share price of \$1.93. During the three months ended March 31, 2023, we repurchased an aggregate of 136,785 shares of our common stock at an aggregate cost of \$302,202 or an average per share price of \$2.21. At March 31, 2023, the remaining dollar value of shares that may be repurchased under the Share Repurchase Program was \$3,095,688.

During the months of January, February and March 2023, we purchased common stock pursuant to our Share Repurchase Program as indicated below:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs
January 1 to January 31, 2023	5,177	2.22	5,177	3,386,378
February 1 to February 28, 2023	43,939	2.28	43,939	3,286,369
March 1 to March 31, 2023	87,669	2.18	87,669	3,095,688
Total	136,785	2.21	136,785	

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

(a) Exhibits

<u>31.1</u>	<u>Controls and Procedure Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*</u>
<u>31.2</u>	<u>Controls and Procedure Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*</u>
<u>32.1</u>	<u>Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*</u>
<u>32.2</u>	<u>Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*</u>
101	Interactive data files:**
101.INS	XBRL Instance Document
101.SCH	XBRL Scheme Document
101.CAL	XBRL Calculation Linkbase Document
101.DEF	XBRL Definition Linkbase Document
101.LAB	XBRL Label Linkbase Document
101.PRE	XBRL Presentation Linkbase Document

* Filed herewith

** Furnished herewith

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.

NETWORK-1 TECHNOLOGIES, INC.

Date: May 12, 2023

By: /s/ Corey M. Horowitz
Corey M. Horowitz
Chairman and Chief Executive Officer
(Principal Executive Officer)

Date: May 12, 2023

By: /s/ Robert Mahan
Robert Mahan
Chief Financial Officer
(Principal Financial Officer)

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (18 U.S.C.ss.1350)**

I, Corey M. Horowitz, Chairman and Chief Executive Officer of Network-1 Technologies, Inc. (the "Registrant"), certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarterly period ended March 31, 2023 of the Registrant;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (that Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: May 12, 2023

/s/ Corey M. Horowitz

Corey M. Horowitz
Chairman and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION OF CHIEF FINANCIAL OFFICER
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (18 U.S.C.ss.1350)

I, Robert Mahan, Chief Financial Officer of Network-1 Technologies, Inc. (the “Registrant”), certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarterly period ended March 31, 2023 of the Registrant;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the Registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the Registrant’s internal control over financial reporting that occurred during the Registrant’s most recent fiscal quarter (the Registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant’s internal control over financial reporting; and
5. The Registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant’s auditors and the audit committee of the Registrant’s board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant’s ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant’s internal control over financial reporting.

Date: May 12, 2023

/s/ Robert Mahan
Robert Mahan
Chief Financial Officer
(Principal Financial Officer)

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. ss. 1350)

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. ss. 1350), the undersigned, Corey M. Horowitz, Chief Executive Officer and Chairman of Network-1 Technologies, Inc., a Delaware corporation (the “Company”), does hereby certify to his knowledge, that:

The Quarterly Report on Form 10-Q for the quarter ended March 31, 2023 of the Company (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Act of 1934, and the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Corey M. Horowitz

Chairman and Chief Executive Officer
(Principal Executive Officer)

May 12, 2023

CERTIFICATION OF CHIEF FINANCIAL OFFICER

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. ss. 1350)

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. ss. 1350), the undersigned, Robert Mahan, Chief Financial Officer of Network-1 Technologies, Inc., a Delaware corporation (the “Company”), does hereby certify to his knowledge, that:

The Quarterly Report on Form 10-Q for the quarter ended March 31, 2023 of the Company (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Act of 1934, and the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Robert Mahan
Chief Financial Officer
(Principal Financial Officer)

May 12, 2023