

Edgar Filing: PARKERVISION INC - Form 10-Q/A

PARKERVISION INC
Form 10-Q/A
September 28, 2005

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

Form 10-Q/A

(Mark One)

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

For the quarterly period ended March 31, 2005

() TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE EXCHANGE ACT For the transition period from _____ to _____

Commission file number 0-22904

PARKERVISION, INC.
(Exact name of registrant as specified in its charter)

Florida
(State or other jurisdiction of incorporation or organization)

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

8493 Baymeadows Way
Jacksonville, Florida 32256
(904) 737-1367
(Address of principal executive offices)

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 is an accelerated filer (as defined by rule 12b-2 of the Exchange Act). Yes No .
--- ---

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY
PROCEEDINGS DURING THE PRECEDING FIVE YEARS

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No .
--- ---

APPLICABLE ONLY TO CORPORATE ISSUERS

As of May 5, 2005, 20,900,374 shares of the Issuer's Common Stock, \$.01 par value, were outstanding.

PART I - FINANCIAL INFORMATION

ITEM 1. Financial Statements

Edgar Filing: PARKERVISION INC - Form 10-Q/A

PARKERVISION, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

	March 31, 2005 (unaudited)

CURRENT ASSETS:	
Cash and cash equivalents	\$ 21,745,181
Short-term investments available for sale	1,052,279
Accounts receivable, net of allowance for doubtful accounts of \$42,089 and \$19,164 at March 31, 2005 and December 31, 2004, respectively	199,516
Interest and other receivables	1,247,519
Inventories, net	2,714,059
Prepaid expenses and other current assets	1,726,368

Total current assets	28,684,922
PROPERTY AND EQUIPMENT, net	3,109,878
OTHER ASSETS, net	10,631,172

Total assets	42,425,972
	=====
CURRENT LIABILITIES:	
Accounts payable	712,632
Accrued expenses:	
Salaries and wages	923,690
Professional fees	193,227
Purchase commitments	194,000
Other accrued expenses	321,244
Deferred revenue	594,480

Total current liabilities	2,939,273

COMMITMENTS AND CONTINGENCIES	
(Notes 5, 6, 8 and 9)	-

SHAREHOLDERS' EQUITY:	
Common stock, \$.01 par value, 100,000,000 shares authorized, 20,900,374 and 18,006,324 shares issued and outstanding at March 31, 2005 and December 31, 2004, respectively	209,004
Warrants outstanding	17,693,482
Additional paid-in capital	137,576,291
Accumulated other comprehensive loss	(4,142)
Accumulated deficit	(115,987,936)

Total shareholders' equity	39,486,699

Total liabilities and shareholders' equity	\$ 42,425,972
	=====

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

Edgar Filing: PARKERVISION INC - Form 10-Q/A

2

PARKERVISION, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(UNAUDITED)

	Three months ended March 31,	
	2005	2004
Product revenue	\$ 171,982	\$ 45,775
Royalty revenue	0	250,000
Net revenues	171,982	295,775
Cost of goods sold	261,724	48,085
Gross margin	(89,742)	247,690
Research and development expenses	2,921,674	2,976,668
Marketing and selling expenses	989,970	262,342
General and administrative expenses	1,536,446	1,034,581
Total operating expenses	5,448,090	4,273,591
Investment income	33,591	53,278
Loss from continuing operations	(5,504,241)	(3,972,623)
Loss from discontinued operations	0	(1,389,638)
Net loss	(5,504,241)	(5,362,261)
Unrealized loss on securities	(3,715)	(1,034)
Comprehensive loss	\$ (5,507,956)	\$ (5,363,295)
Basic and diluted net loss per common share		
Continuing operations	\$ (0.30)	\$ (0.22)
Discontinued operations	0.00	(0.08)
Total	\$ (0.30)	\$ (0.30)

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

3

Edgar Filing: PARKERVISION INC - Form 10-Q/A

PARKERVISION, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Three Months Ended March 31,	
	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (5,504,241)	\$ (5,362,000)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	801,311	796,000
Amortization of discounts on investments	7,577	13,000
Provision for obsolete inventories	67,940	75,000
Stock compensation	200,000	200,000
Loss on disposal of equipment	8,707	
Changes in operating assets and liabilities:		
Accounts receivable, net	110,884	(143,000)
Inventories	(156,236)	(580,000)
Prepaid, interest receivable and other assets	66,885	(68,000)
Accounts payable and accrued expenses	(570,591)	1,666,000
Deferred revenue	187,077	(200,000)
Total adjustments	723,554	1,758,000
Net cash used in operating activities	(4,780,687)	(3,604,000)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from maturity of investments	300,000	300,000
Purchases of property and equipment	(177,377)	(223,000)
Payments for patent costs	(268,460)	(152,000)
Net cash used in investing activities	(145,837)	(75,000)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of common stock and warrants, net	20,236,804	
Net cash provided by financing activities	20,236,804	
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	15,310,280	(3,679,000)
CASH AND CASH EQUIVALENTS, beginning of period	6,434,901	17,467,000
CASH AND CASH EQUIVALENTS, end of period	\$21,745,181	\$13,788,000

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

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

1. ACCOUNTING POLICIES

The accompanying unaudited consolidated financial statements of ParkerVision, Inc. and subsidiary (the "Company", or "ParkerVision") have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. All normal and recurring adjustments which, in the opinion of management, are necessary for a fair statement of the financial condition and results of operations have been included. Operating results for the three-month period ended March 31, 2005 are not necessarily indicative of the results that may be expected for the year ending December 31, 2005.

These interim consolidated financial statements should be read in conjunction with the Company's latest Annual Report on Form 10-K for the year ended December 31, 2004. There have been no changes in accounting policies from those stated in the Annual Report on Form 10-K for the year ended December 31, 2004.

Consolidated Statements of Cash Flows The Company paid no cash for income taxes or interest for the three periods ended March 31, 2005 and 2004. Unrealized losses on investments for the three month periods ended March 31, 2005 and 2004 were \$3,715 and \$1,034, respectively. In connection with the private placement of 2,880,000 shares of the Company's common stock on March 10, 2005, the Company issued warrants to purchase 720,000 shares of common stock. These warrants were recorded their estimated fair value of approximately \$3.1 million. (see Note 6).

Warranty Costs

The Company warrants its products against defects in workmanship and materials for approximately one year. Estimated costs related to warranties are accrued at the time of revenue recognition and are included in cost of sales. The warranty obligations related to the Company's PTV and camera products were transferred to Thomson upon sale of the assets of the video business unit (see Note 8). For the three-month period ended March 31, 2005, warranty expenses were \$1,363. For the three-month period ended March 31, 2004, warranty expenses from discontinued operations were \$10,291.

A reconciliation of the changes in the aggregate product warranty liability for the three-month periods ended March 31, 2005 and 2004 are as follows:

	Warranty Reserve Debit (Credit)	
	March 31, 2005	March 31, 2004
Balance at the beginning of the period	\$ (4,853)	\$ (199,084)
Accruals for warranties issued during the period	(1,363)	(10,291)
Settlements made (in cash or in kind) during the period		

Edgar Filing: PARKERVISION INC - Form 10-Q/A

	0	2,261
	-----	-----
Balance at the end of the period	\$ (6,216)	\$ (207,114)
	=====	=====

The extended service and support contract obligations related to the Company's PVTV products were transferred to Thomson upon sale of the assets of the video business unit (see Note 8). The Company no longer provides extended service and support contracts on its current products. A reconciliation of the changes in the aggregate deferred revenue from extended service contracts for

5

the three-month period ended March 31, 2004 is as follows:

	Deferred Revenue from Extended Service Contracts

	March 31, 2004

Balance at the beginning of the period	\$ (561,584)
Accruals for contracts issued during the period	(113,300)
Revenue recognized during the period	143,452

Balance at the end of the period	\$ (531,432)
	=====

Revenue Recognition.

Revenue from products sales is generally recognized at the time the product is shipped, provided that persuasive evidence of an arrangement exists, title and risk of loss has transferred to the customer, the sales price is fixed or determinable and collection of the receivable is reasonably assured. The Company sells its products primarily through retail distribution channels, with limited sales direct to end users through its own website and direct value added resellers. Retail distributors are generally given business terms that allow for the return of unsold inventory. In addition, the Company offers a 30-day money back guarantee on its products. With regard to sales through a distribution channel where the right to return unsold product exists, the Company recognizes revenue on a sell-through method utilizing information provided by the distribution channel. At March 31, 2005 and December 31, 2004, the Company had deferred revenue from product sales in the distribution channel of \$594,480 and \$407,403, respectively. In addition, since the Company does not have sufficient history with sales of this nature to establish an estimate of expected returns, it has recorded a return reserve in the amount of 100% of product sales within the 30-day guarantee period.

In addition to the reserve for sales returns, gross revenue is reduced for price protection programs, customer rebates and cooperative marketing expenses deemed to be sales incentives to derive net revenue. For the three-month periods ended March 31, 2005 and 2004, net revenue was reduced for cooperative marketing costs in the amount of \$29,267 and \$24,500, respectively.

Accounting for Stock-Based Compensation.

At March 31, 2005, the Company has two stock-based employee compensation plans. The Company accounts for those plans under the recognition and

Edgar Filing: PARKERVISION INC - Form 10-Q/A

measurement principles of APB Opinion No. 25, "Accounting for Stock Issued to Employees", and related Interpretations. For employee stock option grants, no stock-based employee compensation cost is reflected in net loss, as all options granted under those plans had an exercise price equal to the market value of the underlying common stock on the date of the grant. The following table illustrates the effect on the net loss and loss per share if the Company had applied the fair value recognition provisions of FASB Statement No. 123, "Accounting for Stock-Based Compensation", as amended by FASB Statement No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure", to stock-based employee compensation.

	Three months ended	
	March 31, 2005	March 31, 2004
Net loss, as reported	\$ (5,504,241)	\$ (5,362,000)
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(1,613,836)	(2,885,000)
Pro forma net loss	(7,118,077)	(8,247,000)
Basic and diluted net loss per common share: As reported	\$ (.30)	\$ (.30)
Pro forma	\$ (.38)	\$ (.38)

6

Recent Accounting Pronouncements

On December 16, 2004 the Financial Accounting Standards Board (FASB) issued FASB Statement No. 123(R), Share-Based Payment (FAS 123(R)). FAS 123(R) revises FASB Statement No. 123, Accounting for Stock-Based Compensation (FAS 123) and requires companies to expense the fair value of employee stock options and other forms of stock-based compensation. In addition to revising FAS 123, FAS 123(R) supersedes Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees (APB 25) and amends FASB Statement No. 95, Statement of Cash Flows (FAS 95). The provisions of FAS 123(R) apply to awards that are granted, modified, or settled at the beginning of the interim or annual reporting period that starts after December 31, 2005. The Company will adopt FAS 123(R) effective January 1, 2006 on a modified prospective basis without restatement of prior years. The Company has determined that FAS 123(R) will have a substantial impact on the financial statements of the Company due to its requirement to expense the fair value of employee stock options and other forms of stock-based compensation in the Company's Consolidated Statement of Operations, thereby decreasing income and earnings per share. The Company is currently evaluating and considering the financial accounting, income tax, and internal control implications of FAS 123(R) and the effect that the adoption of this statement may have on its future compensation practices and its consolidated results of operations and financial position.

Reclassifications

Edgar Filing: PARKERVISION INC - Form 10-Q/A

Certain reclassifications have been made to the 2004 consolidated financial statements in order to conform to the 2005 presentation.

2. LOSS PER SHARE

Basic loss per share is determined based on the weighted average number of common shares outstanding during each period. Diluted loss per share is the same as basic loss per share as all common share equivalents are excluded from the calculation, as their effect is anti-dilutive. The weighted average number of common shares outstanding for the three-month periods ended March 31, 2005 and 2004 is 18,552,594 and 17,959,504, respectively. The total number of options and warrants to purchase 7,422,340 and 7,077,127 shares of common stock that were outstanding at March 31, 2005 and 2004, respectively, were excluded from the computation of diluted earnings per share as the effect of these options and warrants would have been anti-dilutive due the net loss for the periods.

3. INVENTORIES:

Inventories consist of the following:

	March 31, 2005	December 31, 2004
Purchased materials	\$1,767,970	\$ 1,837,364
Work in process	99,704	165,709
Finished goods	1,123,070	831,435
	2,990,744	2,834,508
Less allowance for inventory obsolescence	(276,685)	(208,745)
	\$2,714,059	\$ 2,625,763

7

4. OTHER ASSETS:

Other assets consists of the following:

	March 31, 2005		
	Gross Carrying Amount	Accumulated Amortization	Net Value
Patents and copyrights	\$10,754,625	\$(2,597,590)	\$ 8,157,035
Prepaid licensing fees	2,405,000	(1,193,667)	1,211,333
Other intangible assets	841,140	(186,920)	654,220
Prepaid services, non current portion	200,000	(200,000)	
Deposits and other	608,584	0	608,584
	\$14,809,349	\$(4,178,177)	\$10,631,172

Edgar Filing: PARKERVISION INC - Form 10-Q/A

December 31, 2004

	Gross Carrying Amount	Accumulated Amortization	Net Value
Patents and copyrights	\$10,486,165	\$(2,462,477)	\$ 8,023,688
Prepaid licensing fees	2,405,000	(1,029,250)	1,375,750
Other intangible assets	841,140	(116,825)	724,315
Prepaid services, non current portion	200,000	0	200,000
Deposits and other	590,264	0	590,264
	\$14,522,569	\$(3,608,552)	\$10,914,017

5. STOCK OPTIONS

For the three months ended March 31, 2005 the Company granted stock options under the 2000 Performance Equity Plan (the "2000 Plan") in connection with hiring and retention of employees to purchase an aggregate of 71,000 shares of its common stock at exercise prices ranging from \$6.79 to \$11.86 per share. The options granted vest ratably over five years and expire five years from the date they become vested.

As of March 31, 2005 options to purchase 1,398,190 shares of common stock were available for future grants under the 2000 Plan.

6. STOCK AUTHORIZATION AND ISSUANCE

On March 14, 2005, ParkerVision consummated the sale of an aggregate of 2,880,000 shares of common stock and warrants to purchase an additional 720,000 shares of common stock to a limited number of institutional and other investors (the "Investors") in a private placement transaction pursuant to offering exemptions under the Securities Act of 1933 for net proceeds of \$20.2 million.

8

The shares represent 14% of the Company's outstanding common stock on an after-issued basis. Each warrant had an estimated fair value of \$6.29. The fair value was estimated as of the date of the transaction using the Black-Scholes option pricing model with the following assumptions: risk free interest rate of 4.15%, no expected dividend yield, expected life of five years and expected volatility of 80.59%. The warrants were recorded in equity at their relative fair value based on an allocation of gross proceeds obtained. The warrants are immediately exercisable at an exercise price of \$9.00 per share and expire on March 10, 2010.

Under the terms of the private placement transaction, the Company is required to file and maintain an effective registration statement for the shares of common stock, including the shares underlying the warrants. In the event that the Company's registration statement is not effective by June 8, 2005, or the registration statement becomes effective and subsequently ceases to be effective for a period of thirty consecutive days, or greater than sixty non consecutive days in a twelve month period, the Company is obligated to pay liquidated damages to the Investors. The liquidated damages are calculated as 1% of the purchase price paid by the Investors for each thirty day period in which the registration statement

Edgar Filing: PARKERVISION INC - Form 10-Q/A

in not in effect, for a maximum of 10% of the purchase price paid, or \$2,160,000. In the event that the registration statement becomes effective and then subsequently ceases to be effective, the liquidated damages are only payable relative to the shares of common stock still held by the Investors.

7. WARRANTS

In accordance with EITF 00-19 "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock", the warrants issued in conjunction with the private placement on March 14, 2005 (Note 6) were classified as equity on the issuance date.

8. DISCONTINUED OPERATIONS

On May 14, 2004, the Company completed the sale of certain designated assets of its video division to Thomson Broadcast & Media Solutions, Inc. and Thomson Licensing, SA (collectively referred to as "Thomson"). The assets sold included the PVTV and CameraMan products, services, patents, patent applications, tradenames, trademarks and other intellectual property, inventory, specified design, development and manufacturing equipment, and obligations under outstanding contracts for products and services and other assets. Certain specified assets related to the video division, such as accounts receivable and certain contracts, were excluded from the transaction. Thomson extended offers to and received acceptances from thirty-one of the persons employed in connection with the video division who transferred employment effective May 14, 2004.

The sales price of the assets was approximately \$13.4 million, which included \$11.25 million paid at closing, a \$0.9 million price adjustment paid in July 2004 and a \$1.25 million price holdback payable in May 2005. The price adjustment represents the net book value of assets and liabilities sold, excluding intangible assets. The price holdback represents a portion of the sales price held by Thomson to indemnify Thomson against breaches of the Company's continuing obligations and its representations and warranties. This amount, which has been recorded in interest and other receivables, is payable in May 2005 and will earn interest until paid.

9

The Company recognized a gain on the sale of discontinued operations in 2004 of \$11,220,469 which is net of losses on the disposal of remaining assets related to the video operations of \$598,088. The net loss on disposal of the remaining video assets included a write down of inventory of \$594,609, a loss on the disposal of property and equipment of \$83,983, net of accumulated depreciation of \$2,316,294, and a gain from the recovery of previously reserved accounts receivable of \$80,504.

The Company agreed not to compete with the business of the video division for five years after the closing date. The Company also agreed not to seek legal recourse against Thomson in respect of its intellectual property that was transferred or should have been transferred if used in connection with the video operations. Thomson was granted a license to use the "ParkerVision" name for a limited time in connection with the transition of the video business to the integrated operations of Thomson.

For a period of up to six months after the closing, the Company assisted Thomson in transitioning the video business into Thomson's operations. This included providing Thomson's employees with office space, training in

Edgar Filing: PARKERVISION INC - Form 10-Q/A

respect of the business and the products and services, contract manufacturing, and certain general administrative functions. The Company was reimbursed at cost and at cost-plus depending on the service and the length of time for which the service was provided. The Company sublet to Thomson a portion of its office space from May 2004 to August 2004.

The purchase agreement provides that each party will indemnify the other for damages incurred as a result of the breach of their respective representations and warranties and failure to observe their covenants. In general, the representations and warranties will survive for 18 months after the closing and will not be affected by any investigation by the other party. Each party is obligated to indemnify the other up to \$4,000,000, once a threshold of \$150,000 in damages is achieved. Additionally, the Company must indemnify Thomson against intellectual property claims for an unlimited period of time, without any minimum threshold, and with a separate maximum of \$5,000,000. Certain other claims by Thomson will not be limited as to time or amount. Thomson will be permitted to offset their claims against the amount held back on the sales price and other amounts due the Company through May 14, 2005 at which time the holdback amount must be paid to the Company. Currently, the Company is not aware of any claims against the holdback amount.

The operations of the video business unit were classified as discontinued operations when the operations and cash flows of the business unit were eliminated from ongoing operations. The prior years' operating activities for the video business unit have also been reclassified to "Loss from discontinued operations" in the accompanying Statements of Operations.

Net loss from discontinued operations for the three month period ended March 31, 2004 includes the following components:

	Three month period ended March 31, 2004
Net revenues	\$ 1,157,970
Cost of goods sold and operating expenses	(2,547,608)
Loss from discontinued operations	\$ (1,389,638)

9. LEGAL PROCEEDINGS

The Company is subject to legal proceedings and claims which arise in the ordinary course of its business. Although occasional adverse decisions or settlements may occur, the Company believes

10

that the final disposition of such matters will not have a material adverse effect on its financial position, results of operations or liquidity.

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

Forward-Looking Statements

When used in this Form 10-Q and in future filings by the Company with the Securities and Exchange Commission, the words or phrases "will likely result", "management expects" or "Company expects", "will continue", "is anticipated", "estimated" or similar expressions are intended to identify "forward-looking

Edgar Filing: PARKERVISION INC - Form 10-Q/A

statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Readers are cautioned not to place undue reliance on such forward-looking statements, each of which speaks only as of the date made. Such statements are subject to certain risks and uncertainties that could cause actual results to differ materially from historical earnings and those presently anticipated or projected, including the timely development and acceptance of new products, sources of supply and concentration of customers. The Company has no obligation to publicly release the results of any revisions, which may be made to any forward-looking statements to reflect, anticipated events or circumstances occurring after the date of such statements.

Results of Operations for the Three-Month Periods Ended March 31, 2005 and 2004

Revenues

Product revenue for the three-month periods ended March 31, 2005 and 2004 were \$171,982 and \$45,775, respectively, representing sales of wireless consumer products. These revenues are net of cooperative marketing costs for the three-month periods ended March 31, 2005 and 2004 of \$29,267 and \$24,500, respectively. For the three-month period ended March 31, 2004, the Company also recognized a one-time, previously deferred royalty payment of \$250,000 upon termination of a licensing agreement.

In the first quarter of 2004, the Company's wireless product sales channel consisted of direct web sales and a single e-retailer relationship. During the third quarter of 2004 the Company began expanding its product distribution to additional retail outlets. The Company currently has products in over 300 retail storefronts and multiple e-retailer sites. The increase in product revenues from the first quarter in 2004 to the same period in 2005 is due to the addition of these retail outlets throughout the year in 2004.

The Company's ability to increase revenues is dependent upon the rate at which the Company is able to introduce new products, secure additional distribution channels, increase brand recognition and customer demand for its products and sufficiently increase production volumes to meet such demand. The Company has chosen to maintain a narrow retail distribution channel to date and is currently evaluating its retail expansion strategy. The Company's longer term business plan includes the sale of chips, chipsets and/or modules to OEM customers for integration into their own products. To date, the Company has generated no revenue from OEM channels. There can be no assurance that the Company will be able to increase its current level of revenues on a quarterly or annual basis in the future.

Gross Margin

The gross margins for products and royalties for the three-month periods ending March 31, 2005 and 2004 were as follows:

	Three Month Period Ended March 31,	
	2005	2004
Products	\$(89,742)	\$(2,310)
Royalties	0	250,000

In the first quarter of 2004, the Company's product revenues were offset by cooperative marketing costs of \$24,500 resulting in negative gross margins.

Edgar Filing: PARKERVISION INC - Form 10-Q/A

These high marketing costs in relation to overall product revenue were due to marketing programs to launch initial product sales through an e-retail outlet. In addition, the Company's margin was impacted by start up production costs on initial production inventory.

In the fourth quarter of 2004, the Company recorded a writedown on its certain of its wireless product inventory to reduce it to net realizable value. As a result, the Company anticipated selling this inventory at zero margin in the first half of 2005. The Company's negative gross margin in the first quarter of 2005 is primarily due to an increase in inventory reserves resulting from performance yields on certain in process inventories tested during the first quarter of 2005.

The margin recognized on royalty revenues in the first quarter of 2004 was due to the recognition of a one-time, previously deferred prepaid royalty in connection with the termination of the related licensing agreement.

The Company anticipates that zero or possibly even negative gross margins will continue through the second quarter of 2005 as the Company sells through its inventory that has been reduced to its net realizable value. The Company believes its next generation products - which may include chips, chipsets, modules, or complete branded products - can be produced at significantly lower manufactured cost as a percentage of revenue. Future gross margins, however, may be negatively impacted by many factors including competitive sales price reductions, fluctuating component costs, production yields, start up costs associated with new product production, and channel marketing costs which are netted against revenue from retail channels. In addition, to the extent that the Company is unable to increase sales volume of its products, additional write downs of inventory may result.

Research and Development Expenses

The Company's research and development expenses for the three-month period ended March 31, 2005 were \$2,921,674 as compared to \$2,976,668 for the same period in 2004. The decrease for the three-month period of \$54,994, was due to a decrease in outsourced design work and a decrease in prototype foundry expenses from the first quarter of 2005 to the same period in 2004, largely due to timing of projects and prototype foundry runs. These decreases were somewhat offset by an increase in the allocation of production overhead costs for use of the manufacturing facility for prototype product development in the first quarter of 2005 and an increase in amortization expense due to increases in patent costs and intangible research and development assets.

Marketing and Selling Expenses

Marketing and selling expenses for the three-month period ended March 31, 2005 were \$989,970 as compared to \$262,342 for the same period in 2004. The increase for the three-month period of \$727,628 was primarily due to increases in advertising and retail market launch expenses to promote the Company's wireless products and also the addition of marketing, sales and customer support personnel to support such products. The Company anticipates marketing and selling expenses to increase in relation to increases in future revenues.

General and Administrative Expenses

General and administrative expenses for the three month period ended March 31, 2005 were \$1,536,446 as compared to \$1,034,581 for the same period in 2004. The increase for the three-month period of \$501,865 was primarily due to increases in corporate outside professional fees and personnel costs, executive travel and Board compensation, offset somewhat by decreases in corporate insurance costs.

The increase in professional fees incurred is largely due to fees from the

Edgar Filing: PARKERVISION INC - Form 10-Q/A

Company's independent auditors related to the Company's 2004 year-end audit, which for the first time included an internal control evaluation as required by Section 404 of the Sarbanes Oxley Act of 2002.

Investment Income

Investment income consists of interest earned on the Company's investments and net gains recognized on the sale of investments. Investment income for the three-month periods ended March 31, 2005 and 2004 was \$33,591 and \$53,278, respectively. The decrease of \$19,687 was primarily due to the decrease in interest income due to the continued use of cash and investments to fund operations and a decline in interest rates due to a change in the mix of the Company's investment portfolio.

Discontinued Operations

On February 25, 2004, ParkerVision entered into an asset purchase agreement and various ancillary agreements ("Asset Agreement") with Thomson Broadcast & Media Solutions, Inc. ("Thomson") and Thomson Licensing, SA ("Thomson Licensing" and, together with Thomson, the "Purchasers") for the sale of all the assets of the Company's video business unit. On May 14, 2004, after receipt of shareholder approval of the transaction and satisfaction of the conditions to closing, the Company, Thomson and Thomson Licensing consummated the sale.

The prior year's operations of the video business unit were classified as net loss from discontinued operations when the operations and cash flows of the business unit were eliminated from ongoing operations. The prior years' operating activities for the video business unit have also been reclassified to "Net loss from discontinued operations" in the accompanying Statements of Operations.

Net loss from discontinued operations for the three-month period ended March 31, 2004 includes the following components:

	Three month period ended March 31, 2004
Net revenues	\$ 1,157,970
Cost of goods sold and operating expenses	(2,547,608)
Loss from discontinued operations	<u>\$ (1,389,638)</u>

Loss and Loss per Share

The Company had a net loss of \$5,504,241 or \$0.30 per common share for the three-month period ended March 31, 2005 as compared to a net loss of \$5,362,261 or \$0.30 per common share for the same period in 2004, representing an increase in net loss of approximately \$141,980. The loss per share remained static due to the additional 2,880,000 shares issued in conjunction with the private placement in March 2005.

The increase in net loss for the three-month period is primarily due to increases in operating expenses and the 2004 margin from a one-time royalty payment, offset by the 2004 loss from discontinued operations.

Liquidity and Capital Resources

At March 31, 2005, the Company had working capital of approximately \$25.7 million including approximately \$22.8 million in cash, cash equivalents and short-term investments. This represents an increase of approximately \$15.2 million from working capital of \$10.5 million at December 31, 2004. This increase is due to the proceeds from the private placement in March 2005 of approximately \$20.2 million offset by the use of cash to fund operations of approximately \$4.8 million.

The Company's ability to increase revenues is dependent upon the rate at which the Company is able to introduce new products, secure additional distribution channels, increase brand recognition and customer demand for its products and sufficiently increase production volumes to meet such demand. The Company has chosen to maintain a narrow retail distribution channel to date and is currently evaluating its retail expansion strategy. The Company's longer term business plan includes the sale of chips, chipsets and/or modules to OEM customers for integration into their own products. To date the Company has generated no revenue from OEM channels. There can be no assurance that the Company will be able to increase its current level of revenues on a quarterly or annual basis in the future.

The overall revenues for 2005 will not be sufficient to cover the operational expenses of the Company for this fiscal year. The expected continued losses and negative cash flow will continue to be funded by the use of its available working capital.

On March 14, 2005, ParkerVision received net proceeds of \$20.2 million from the sale of equity securities in a private placement transaction. The Company plans to use its cash, cash equivalents and short term investments at March 31, 2005, to fund its future business plans. The Company believes that its current capital resources which include the March 2005 equity financing will be sufficient to support the Company's liquidity requirements at least through December 31, 2005. The long-term continuation of the Company's business plans is dependent upon generation of sufficient revenues from its products to offset expenses. In the event that the Company does not generate sufficient revenues, it will be required to obtain additional funding through public or private financing and/or reduce certain discretionary spending. Management believes certain operating costs could be reduced if working capital decreases significantly and additional funding is not available. In addition, the Company currently has no outstanding long-term debt obligations. Failure to generate sufficient revenues, raise additional capital and/or reduce certain discretionary spending could have a material adverse effect on the Company's ability to achieve its intended long-term business objectives.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk. Not Applicable

ITEM 4. Controls and Procedures.

An evaluation of the effectiveness of the Company's disclosure controls and procedures as of March 31, 2005 was made under the supervision and with the participation of the Company's management, including the chief executive officer and chief financial officer. Based on that evaluation, they concluded that the Company's disclosure controls and procedures are effective as of the end of the period covered by this report to ensure that information required to be disclosed by the Company in reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms. As of the end of the period covered by this report, there has been no change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. Legal Proceedings.

The Company is subject to legal proceedings and claims which arise in the

Edgar Filing: PARKERVISION INC - Form 10-Q/A

ordinary course of its business. Although occasional adverse decisions or settlements may occur, the Company believes that the

14

final disposition of such matters will not have a material adverse effect on its financial position, results of operations or liquidity.

ITEM 2. Changes in Securities.

Sales of Unregistered Securities

Date of sale	Title of security	Number sold	Consideration received and description of underwriting or other discounts to market price afforded to purchasers	Exemption from registration claimed	If option convertible terms convertible
1/1/05 to 3/31/05	Options to purchase common stock granted to employees	71,000	Option granted - no consideration received by Company until exercise	4(2)	Expiration date varies from 1 to 5 years ranging from \$11.86 to \$15.00
3/14/05	Common Stock	2,880,000	Received net proceeds of \$20.2 million	4(2)	n/a
3/14/05	Warrants	720,000	Option granted - no consideration received by Company until exercised	4(2)	Expiration date varies from 1 to 5 years from the grant date at the current price

ITEM 3. Defaults Upon Senior Securities. Not applicable.

ITEM 4. Submission of Matters to a Vote of Security Holders. Not applicable.

ITEM 5. Other Information. Not applicable.

ITEM 6. Exhibits and Reports on Form 8-K.

(a) Exhibits.

15

31.1 Section 302 Certification of Jeffery L. Parker, CEO

31.2 Section 302 Certification of Cynthia Poehlman, CFO

Edgar Filing: PARKERVISION INC - Form 10-Q/A

32.1 Section 906 Certification

(b) Reports on Form 8-K.

1. Form 8-K, dated March 14, 2005. Item 2.02 - Results of Operations and Financial Condition. Report of press release disclosing the consummation of the private placement disclosed in Item 3.02. Item 3.02 - Unregistered Sales of Equity Securities. Item 9.01 - Financial Statement and Exhibits.

SIGNATURES

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

ParkerVision, Inc.
Registrant

September 28, 2005

By: /s/Jeffrey L. Parker

Jeffrey L. Parker
Chairman and Chief Executive Officer

September 28, 2005

By: /s/Cynthia L. Poehlman

Cynthia L. Poehlman
Chief Financial Officer