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

# FORM 10-Q

(Mark One)

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

**For the quarterly period ended September 30, 2024**

or

☐ **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 1-37649**

# MINIM, INC.

*(Exact Name of Registrant as Specified in its Charter)*

| | |
|---|---|
| **Delaware** | **04-2621506** |
| *(State or Other Jurisdiction of Incorporation or Organization)* | *(I.R.S. Employer Identification No.)* |
| **848 Elm Street, Manchester, NH** | **03101** |
| *(Address of Principal Executive Offices)* | *(Zip Code)* |

Registrant's Telephone Number, Including Area Code: **(833) 966-4646**

(Former Name or Former Address, if Changed Since Last Report)

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

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| Common Stock, $0.01 per share | MINM | The Nasdaq Capital Market* |

* Currently suspended; See Item 5 in Part II of this Form 10-Q for additional information

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 (§232.405 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, 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.

| | | | |
|---|---|---|---|
| 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 outstanding of the registrant's Common Stock, $.01 par value, as of November 14, 2024, was 3,557,581 shares.

**MINIM, INC. AND SUBSIDIARIES**

**INDEX**

## PART I - FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

### MINIM, INC. AND SUBSIDIARIES
### Condensed Consolidated Balance Sheets

| | September 30, 2024 (Unaudited) | December 31, 2023 |
|---|---|---|
| **ASSETS** | | |
| *Current assets* | | |
| Cash and cash equivalents | $ 191,724 | $ 709,322 |
| Accounts receivable, net of allowance of doubtful accounts of $0 and $312,983 as of September 30, 2024 and December 31, 2023, respectively | - | 701,377 |
| Inventories, net | - | 9,952,647 |
| Prepaid expenses and other current assets | 24,107 | 35,768 |
| Total current assets | 215,831 | 11,399,114 |
| Equipment, net | 189,054 | 432,505 |
| Operating lease right-of-use assets, net | - | 22,512 |
| Intangible assets, net | - | 33,247 |
| Other assets | 28,311 | 472,587 |
| Total assets | $ 433,196 | $ 12,359,965 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)** | | |
| *Current liabilities* | | |
| Accounts payable | $ 307,781 | $ 11,143,693 |
| Current maturities of operating lease liabilities | - | 22,512 |
| Accrued expenses | 684,269 | 1,077,843 |
| Total current liabilities | 992,050 | 12,244,048 |
| Total liabilities | 992,050 | 12,244,048 |
| Commitments and Contingencies (Note 7) | | |
| *Stockholders' equity (deficit)* | | |
| Preferred Stock, authorized: 10,000,000 shares at $0.001 par value; 2,000,000 shares issued and outstanding | 1,358,573 | - |
| Common Stock, authorized: 60,000,000 shares at $0.01 par value; issued and outstanding: 3,557,581 shares at September 30, 2024 and 2,632,809 shares at December 31, 2023 respectively | 488,583 | 479,335 |
| Additional paid-in capital | 94,434,702 | 92,105,360 |
| Accumulated deficit | (96,840,712) | (92,468,778) |
| Total stockholders' equity (deficit) | (558,854) | 115,917 |
| Total liabilities and stockholders' equity (deficit) | $ 433,196 | $ 12,359,965 |

See accompanying notes to the unaudited condensed consolidated financial statements.

**MINIM, INC. AND SUBSIDIARIES**
**Condensed Consolidated Statements of Operations**
**(Unaudited)**

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Net sales | $ - | $ 6,696,187 | $ 639,893 | $ 24,642,728 |
| Cost of goods sold | - | 9,694,096 | 432,634 | 24,545,534 |
| Gross profit | - | (2,997,909) | 207,259 | 97,194 |
| Operating expenses: | | | | |
| Selling and marketing | - | 2,073,636 | 66,171 | 9,386,157 |
| General and administrative | 625,067 | 963,108 | 2,210,097 | 3,460,092 |
| Research and development | - | 687,076 | 113,294 | 3,358,276 |
| Vendor liability forgiveness, net of asset transfers | - | - | 2,200,929 | - |
| Total operating expenses | 625,067 | 3,723,820 | 4,590,491 | 16,204,525 |
| Operating loss | (625,067) | (6,721,729) | (4,383,232) | (16,107,331) |
| Other income (expense): | | | | |
| Interest income (expense), net | - | (99,084) | 82 | (356,644) |
| Total other income (expense) | - | (99,084) | 82 | (356,644) |
| Loss before income taxes | (625,067) | (6,820,813) | (4,383,150) | (16,463,974) |
| Income tax expense (benefit) | - | (525) | (11,216) | 24,451 |
| Net loss | $ (625,067) | $ (6,820,287) | $ (4,371,934) | $(16,488,425) |
| Net loss per share: | | | | |
| Basic and diluted | $ (0.22) | $ (3.61) | $ (1.55) | $ (8.74) |
| Basic and diluted weighted average common and common equivalent shares | 2,866,594 | 1,890,933 | 2,815,907 | 1,886,465 |

See accompanying notes to unaudited condensed consolidated financial statements.

**MINIM, INC. AND SUBSIDIARIES**
**Condensed Consolidated Statements of Stockholders' Equity (deficit)**
**(Unaudited)**

**For the Nine months ended September 30, 2024**

| | Preferred Stock | | Common Stock | | Additional Paid In Capital | Accumulated Deficit | Total |
|---|---|---|---|---|---|---|---|
| | Shares | Amount | Shares | Amount | | | |
| Balance at December 31, 2023 | - | $ - | 2,632,809 | $ 479,335 | $92,105,360 | $ (92,468,778) | $ 115,917 |
| Net loss | - | - | - | - | - | (3,258,955) | (3,258,955) |
| Preferred stock issuance | 2,000,000 | 1,358,573 | - | - | - | - | 1,358,573 |
| Issuance of warrants | - | - | - | - | 1,441,427 | - | 1,441,427 |
| Stock-based compensation | - | - | 176,880 | 1,769 | 424,512 | - | 426,281 |
| Balance at March 31, 2024 | 2,000,000 | $1,358,573 | 2,809,689 | $ 481,104 | $93,971,299 | $ (95,727,733) | $ 83,243 |
| Net loss | - | - | - | - | - | (487,912) | (487,912) |
| Balance at June 30, 2024 | 2,000,000 | $1,358,573 | 2,809,689 | $ 481,104 | $93,971,299 | $ (96,215,645) | $ (404,669) |
| Net loss | - | - | - | - | - | (625,067) | (625,067) |
| Stock-based compensation | - | - | 747,892 | 7,479 | 463,403 | - | 470,882 |
| Balance at September 30, 2024 | 2,000,000 | $1,358,573 | 3,557,581 | $ 488,583 | $94,434,702 | $ (96,840,712) | $ (558,854) |

**For the Nine months ended September 30, 2023**

| | Common Stock | | Additional Paid In Capital | Accumulated Deficit | Total |
|---|---|---|---|---|---|
| | Shares | Amount | | | |
| Balance at December 31, 2022 | 1,877,970 | $ 469,492 | $90,710,030 | $ (74,834,854) | $16,344,668 |
| Net loss | - | - | - | (4,070,457) | (4,070,457) |
| Common stock issued for vested restricted units | 9,565 | 2,391 | (2,391) | - | - |
| Stock-based compensation | - | - | 123,500 | - | 123,501 |
| Balance at March 31, 2023 | 1,887,535 | $ 471,883 | $90,831,139 | $ (78,905,311) | $12,397,711 |
| Net loss | - | - | - | (5,597,681) | (5,597,681) |
| Common stock issued for vested restricted stock units | 739 | 7 | (7) | - | - |
| Stock-based compensation | - | - | 101,589 | - | 101,589 |
| Balance at June 30, 2023 | 1,888,274 | $ 471,890 | $90,932,721 | $ (84,502,992) | $ 6,901,619 |
| Net loss | - | - | - | (6,820,287) | (6,820,287) |
| Common stock issued for vested restricted stock units | 10,191 | 102 | (102) | - | - |
| Stock-based compensation | - | - | 54,305 | - | 54,305 |
| Balance at September 30, 2023 | 1,898,466 | $ 471,992 | $90,986,924 | $ (91,323,279) | $ 135,637 |

See accompanying notes to unaudited condensed consolidated financial statements.

**MINIM, INC. AND SUBSIDIARIES**
**Condensed Consolidated Statements of Cash Flows**
**(Unaudited)**

| | Nine Months Ended September 30, 2024 | Nine Months Ended September 30, 2023 |
|---|---|---|
| **Cash flows used in operating activities:** | | |
| Net loss | $ (4,371,934) | $(16,488,425) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation and amortization | 290,130 | 440,546 |
| Amortization of right-of-use assets | 22,512 | 119,465 |
| Amortization of debt issuance costs | - | 29,815 |
| Stock based compensation | 431,681 | 279,394 |
| Provision for accounts receivable allowances | (29,741) | (138,331) |
| Vendor liability forgiveness, net of asset transfers | 2,200,929 | - |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 731,118 | (102,495) |
| Inventories | 404,299 | 14,922,185 |
| Prepaid expenses and other current assets | 11,660 | 230,993 |
| Other assets | 27,318 | 26,803 |
| Accounts payable | (3,084,966) | 7,365,878 |
| Accrued expenses | (393,574) | (3,041,742) |
| Deferred revenue | - | 184,940 |
| Operating lease liabilities | (22,512) | (119,465) |
| Net cash provided by (used in) operating activities | (3,783,080) | 3,709,561 |
| **Cash flows from investing activities:** | | |
| Purchases of equipment | - | (162,270) |
| Certification costs capitalized | - | (219,595) |
| Net cash used in investing activities | - | (381,865) |
| **Cash flows from financing activities:** | | |
| Net payment on the bank credit line | - | (3,891,682) |
| Proceeds from preferred stock issuance | 2,800,000 | - |
| Proceeds from common stock issuance | 465,482 | - |
| Net cash provided by (used in) financing activities | 3,265,482 | (3,891,682) |
| Net decrease in cash and cash equivalents | (517,598) | (563,986) |
| Cash and cash equivalents - Beginning | 709,322 | 1,030,110 |
| Cash and cash equivalents - Ending | $ 191,724 | $ 466,124 |
| **Supplemental disclosures of cash flow information:** | | |
| Cash paid during the period for: | | |
| Interest | $ - | $ 235,006 |
| Income taxes | $ 11,125 | $ 24,451 |

See accompanying notes to the unaudited condensed consolidated financial statements.

## MINIM, INC. AND SUBSIDIARIES
## Notes to Consolidated Financial Statements
## (Unaudited)

### (1) NATURE OF OPERATIONS AND BASIS OF PRESENTATION

Minim, Inc. and its wholly owned subsidiaries, MME Sub 1 LLC, Cadence Connectivity, Inc., MTRLC LLC, and Minim Asia Private Limited, are herein collectively referred to as “Minim” or the “Company”. The Company support and services intelligent networking products that reliably and securely connect homes and offices around the world that it previously sold. We were the exclusive global license holder to the Motorola brand for home networking hardware until 2023. The Company supports and services products including cable modems, cable modem/routers, mobile broadband modems, wireless routers, Multimedia over Coax (“MoCA”) adapters and mesh home networking devices. Our AI-driven cloud software platform and applications make network management and security simple for home and business users, as well as the service providers that assist them— leading to higher customer satisfaction and decreased support burden.

***Basis of Presentation***

The accompanying unaudited consolidated financial statements of the Company have been prepared in accordance with the requirements of the U.S. Securities and Exchange Commission (“SEC”) for interim reporting. As permitted under those rules, certain footnotes or other financial information that are normally required by U.S. generally accepted accounting principles (“GAAP”) can be condensed or omitted. In the opinion of management, the financial statements include all normal and recurring adjustments that are considered necessary for the fair presentation of the Company’s financial position and operating results. All intercompany balances and transactions have been eliminated in consolidation. The information included in this Quarterly Report on Form 10-Q should be read in conjunction with the audited financial statements included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2023.

The results of the Company’s operations can vary during each quarter of the year. Therefore, the results and trends in these interim financial statements may not be the same as those for the full year or any future periods.

On April 17, 2023, the Company effected a 25:1 reverse stock split for each share of common stock issued and outstanding. All shares and associated amounts have been retroactively restated to reflect the stock split.

***Liquidity***

The Company’s operations have historically been financed through the issuance of common stock and borrowings. Since inception, the Company has incurred significant losses and negative cash flows from operations. During the nine months ended September 30, 2024, the Company incurred a net loss of $4.4 million, and used cash from operations of $3.8 million, which was offset by $3.3 million in cash provided from financing activities. As of September 30, 2024, the Company had an accumulated deficit of $96.8 million and cash and cash equivalents of $0.2 million. The Company will continue to monitor its costs in relation to its sales and adjust its cost structure accordingly. Management of the Company believes it will not have sufficient resources to continue as a going concern through at least one year from the issuance of these financial statements.

***Merger Agreement with e2 Companies, LLC***

On March 12, 2024, the “Company”, and its wholly owned subsidiary, MME Sub 1 LLC, a Florida limited liability company (“Merger Sub”), formed in March 2024, entered into an Agreement and Plan of Merger (“Merger Agreement”) with e2Companies LLC, a Florida limited liability company (“e2Companies”). The Merger Agreement did not close by the end date, and as such, by the terms of the agreement, in July 2024 it terminated of its own accord.

## (2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company's significant accounting policies are disclosed in its Annual Report on Form 10-K for the year ended December 31, 2023. The Company's significant accounting policies did not change during the nine months ended September 30, 2024.

***Recently Issued Accounting Standards***

In *2023,* the FASB issued ASU *2023-09* – Income Taxes (Topic *740*): Improvements to Income Tax Disclosures ("ASU 2023-09"). This update standardizes categories for the effective tax rate reconciliation, requires disaggregation of income taxes and additional income tax-related disclosures. This update is required to be effective for the Company for fiscal periods beginning after December 15, 2025. The Company is evaluating the effect that ASU 2023-09 will have on its financial statements and disclosures.

The FASB also issued ASU *2023-07:* Segment Reporting Topic *280* - Improvements to Reportable Segment Disclosures. This update requires expanded annual and interim disclosures for significant segment expenses that are regularly provided to the chief operating decision maker and included within each reported measure of segment profit or loss. This update will be effective for fiscal years beginning after *December 15, 2024,* and is to be applied retrospectively to all periods presented in the financial statements. Early adoption is permitted. The Company is evaluating the effect that ASU *2023-07* will have on its financial statements and disclosures and believes it will not have a material impact on the Company's consolidated financial statements.

On *March 21, 2024,* the FASB issued Accounting Standards Update (ASU) *2024-01,* Compensation—Stock Compensation (Topic *718*): Scope Application of Profits Interest and Similar Awards, which provides illustrative guidance to help entities determine whether profits interest and similar awards should be accounted for as share-based payment arrangements within the scope of ASC Topic *718, Compensation—Stock Compensation*. This update will be effective for fiscal years beginning after December 15, 2024. Early adoption is permitted and is treated either retrospectively or prospectively. The Company believes it will not have a material impact on the Company's consolidated financial statements.

## (3) REVENUE AND OTHER CONTRACTS WITH CUSTOMERS

Revenue recognized for each distinct performance obligation as control is transferred to the customer. Revenue attributable to hardware products bundled with Software-as-a-Service ("SaaS") offerings are recognized at the time control of the product transfers to the customer. The transaction price allocated to the SaaS offering is recognized ratably beginning when the customer is expected to activate their account and over a three-year period that the Company has estimated based on the expected replacement of the hardware.

*Transaction Price Allocated to the Remaining Performance Obligations*

The remaining performance obligations represent the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied as of the end of the reporting period. Unsatisfied and partially unsatisfied performance obligations consist of contract liabilities, in-transit orders with destination terms, and non-cancellable backlog. Non-cancellable backlog includes goods for which customer purchase orders have been accepted, that are scheduled or in the process of being scheduled for shipment, and that are not yet invoiced.

*Contract costs*

The Company recognizes the incremental costs of obtaining a contract with a customer if the Company expects the benefit of those costs to be longer than one year. The Company has determined that certain sales commissions meet the requirements to be capitalized, and the Company amortizes these costs on a consistent basis with the pattern of transfer of the goods and services in the contract. Total capitalized costs to obtain a contract were immaterial during the periods presented and are included in other current and long-term assets on our condensed consolidated balance sheets.

The Company applies a practical expedient to expense costs as incurred for costs to obtain a contract when the amortization period is one year or less. These costs include sales commissions on SaaS contracts with a contract period of one year or less as sales commissions on contract renewals are commensurate with those paid on the initial contract.

*Contract Balances*

The Company records accounts receivable when it has an unconditional right to the consideration. The Company did not have contract liabilities at September 30, 2024 and December 31, 2023.

*Disaggregation of Revenue*

The following table sets forth our revenues by distribution channel:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | **2024** | **2023** | **2024** | **2023** |
| Retailers | $ - | $ 6,274,558 | $ 638,904 | $ 23,122,589 |
| Distributors | - | - | - | 171,043 |
| Other | - | 421,629 | 989 | 1,349,096 |
| | $ - | $ 6,696,187 | $ 639,893 | $ 24,642,728 |

The following table sets forth our revenues by product:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | **2024** | **2023** | **2024** | **2023** |
| Cable modems & gateways | $ - | $ 6,448,977 | $ 638,804 | $ 23,910,809 |
| Other networking products | - | 243,528 | 1,089 | 568,304 |
| SaaS | - | 3,682 | - | 163,615 |
| | $ - | $ 6,696,187 | $ 639,893 | $ 24,642,728 |

## (4) BALANCE SHEET COMPONENTS

***Inventories***

Inventories, net consists of the following:

| | September 30, 2024 | December 31, 2023 |
|---|---|---|
| Materials | $ - | $ 210,318 |
| Work in process | - | 1,640,347 |
| Finished goods | - | 8,101,982 |
| Total | $ - | $ 9,952,647 |

The Company did not have consigned inventory held by our customers or in-transit inventory at September 30, 2024 and December 31, 2023. The Company reviews inventory for obsolete and slow-moving products each quarter and makes provisions based on its estimate of the probability that the material will not be consumed or that it will be sold below cost. The inventory reserves were $0 million and $1.7 million as of September 30, 2024 and December 31, 2023, respectively.

***Accrued expenses***

Accrued expenses consist of the following:

| | September 30, 2024 | December 31, 2023 |
|---|---|---|
| Payroll & related benefits | $ 304,500 | $ - |
| Professional fees | 48,555 | 229,950 |
| Board of director fees | 37,500 | - |
| Sales allowances | 26,905 | 697,884 |
| Sales and use tax | 150,009 | 150,009 |
| Franchise tax fees | 116,800 | - |
| Total accrued other expenses | $ 684,269 | $ 1,077,843 |

## (5) BANK CREDIT LINES AND GOVERNMENT LOANS

*Bank Credit Line*

On March 12, 2021, the Company terminated its Financing Agreement and entered into a loan and security agreement with Silicon Valley Bank (the “SVB Loan Agreement”). On November 1, 2021, the Company entered into the first amendment to the SVB Loan Agreement (the “First Amendment”). The SVB Loan Agreement, as amended, provides for a revolving facility up to a principal amount of $25.0 million. The borrowing base equals the sum of (a) 85.0 percent of eligible customer receivables, plus (b) the least of (i) 60 percent of the value of eligible inventory (valued at cost), (ii) 85% of the net orderly liquidation value of inventory, and (iii) $6.2 million in each, as determined by SVB from the Company’s most recent borrowing base statement; provided that SVB has the right to decrease the foregoing percentages in its good faith business judgment to mitigate the impact of events, conditions, contingencies, or risks which may adversely affect the collateral or its value.

The SVB Loan Agreement is secured by substantially all of the Company’s assets but excludes the Company’s intellectual property. Loans under the credit facility bear interest at a rate per annum equal to (i) at all times when a streamline period is in effect, the greater of (a) one-half of one percent (0.50%) above the Prime Rate or (b) three and three-quarters of one percent (3.75%) and (ii) at all times when a streamline period is not effect, the greater of (a) one percent (1.0%) above the Prime Rate and (b) four and one-quarter of one percent (4.25%).

On December 12, 2022, the Company entered into its second Amendment to the SVB Loan Agreement (the "Second Amendment"). The Second Amendment (i) reduced the aggregate amount available under the revolving credit line from $25 million to $10 million, (ii) extends maturity to January 15, 2024, and (iii) provides a waiver for an existing default under the SVB Loan Agreement by virtue of the Company having entered into a Bridge Loan and Security Agreement dated as of November 23, 2022 by and among Borrower and Slingshot Capital, LLC, under which Borrower incurred certain Indebtedness and granted a Lien to Slingshot Capital.

The Company incurred $143 thousand in origination costs in connection with entering into the SVB Loan Agreement. These origination costs were recorded as a debt discount and are being expensed over the remaining term of the facility. Amortization of debt issuance costs was $0 thousand and $8 thousand for the three months ended September 30, 2024 and 2023, respectively. Amortization of debt issuance costs was $0 thousand and $29 thousand for the nine months ended September 30, 2024 and 2023, respectively.

On October 18, 2023, the Company paid in full the outstanding balance and immediately terminated the SVB Loan Agreement. As of September 30, 2024 and December 31, 2023, the Company had $0 outstanding under the SVB Loan Agreement.

*Covenants*

The SVB Loan Agreement included a minimum interest expense of $20 thousand per month. The First Amendment required the Company to maintain certain levels of minimum adjusted EBITDA, which were tested on the last day of each calendar quarter and measured for the trailing 3-month period ending on the last day of each quarter. The Second Amendment removed the minimum EBITDA covenants.

In addition, pursuant to the SVB Loan Agreement, the Company cannot pay any dividends without the prior written consent of SVB.

*Bridge Loan*

On November 30, 2022 (the "Effective Date"), the Company and Slingshot Capital, LLC ("Slingshot Capital") entered into a Bridge Loan Agreement (the "Bridge Loan Agreement") pursuant to which Slingshot Capital agreed to make available a bridge loan in the principal amount up of up to $1,500,000. In conjunction with the Bridge Loan Agreement, the Company executed a bridge term note (the "Bridge Term Note") in favor of Slingshot Capital. The Company has drawn down $1,000,000 under the Bridge Loan Agreement. Subject to Slingshot Capital's sole discretion, the other $500,000 may be drawn by the Company.

Principal amounts borrowed under the Bridge Loan Agreement bear interest of 8.00% per annum for the period from the Effective Date until February 28, 2023. Unpaid principal after February 28, 2023 bear an interest of 14.00% per annum until paid in full. In the event of default, all outstanding principal and interest shall bear interest at an annual rate of 18%.

In connection with the Bridge Loan Agreement, the Company, Slingshot Capital, and Silicon Valley Bank (the "Senior Lender") executed a subordination agreement (the "Subordination Agreement") on November 30, 2022. The Loan Agreement is subordinated to the outstanding indebtedness and obligations under the Company's senior credit facility. Subject to the Senior Lender's written consent, the Company shall grant Slingshot Capital a second-priority security interest in all of the Company's collateral, which shall be subordinated to any and all security interests granted to the Senior Lender and at all times shall be limited to the same collateral granted to the Senior Lender under the senior credit facility.

Principal and interest are not due and payable until the maturity date, which is January 15, 2024, unless the Company's senior credit facility with the Senior Lender is paid in full in cash on an earlier date.

The Company reimbursed Slingshot Capital $20,000 for its reasonable and documented expenses and fees related to the negotiations, documentation, and execution of the Bridge Loan Agreement, Subordination Agreement, and Bridge Term Note.

On December 6, 2023, the Company and Slingshot Capital entered into a Debt Conversion Agreement ("Conversion Agreement") pursuant to which the Company agreed to issue 734,343 shares of the Company's common stock (based on $1.533 per share) (the "Shares") in exchange for the cancellation of a total principal amount of $1,000,000 ("Principal Amount") outstanding under the Bridge Loan Agreement and Bridge Term Note (collectively, the "Loan Agreements"), with Slingshot Capital, plus $125,778 in accrued and unpaid interest on such Principal Amount as of December 6, 2023. The price per share used in the exchanged was determined by the weighted average price per share and trade volume on September 13, 2023 and November 28, 2023.

Slingshot Capital is owned by the Company's former Chairperson of the Board and a former Board of Director, Jeremy Hitchcock and Elizabeth Hitchcock, respectively.

**(6) Leases**

The Company had entered into agreements to lease certain office space as well as its former warehouses and distribution centers under operating leases. In May 2020, the Company signed a two-year lease agreement for 3,218 square feet of office space at 275 Turnpike Executive Park in Canton, MA. On December 1, 2021, the Company executed an amendment to extend the lease from June 2022 to May 2024 with monthly payments of approximately $5 thousand. As of September 30, 2024, the Company's leased office space has terminated and was not renewed.

The Company recognizes lease expense for these leases on a straight-line basis over the lease term. Right-of-use ("ROU") assets and lease liabilities are recorded on the balance sheet for all leases, except leases with an initial term of 12 months or less.

The components of lease costs were as follows:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | **2024** | **2023** | **2024** | **2023** |
| Operating lease costs | $ - | $ 40,576 | $ 22,512 | $ 82,369 |
| Short-term lease costs | - | 8,900 | 14,050 | 26,700 |
| Total lease costs | $ - | $ 49,476 | $ 36,562 | $ 109,069 |

The weighted-average remaining lease term and discount rate were as follows:

| | Period Ended September 30, | |
|---|---|---|
| | **2024** | **2023** |
| Operating leases: | | |
| Weighted average remaining lease term (years) | 0.0 | 0.5 |
| Weighted average discount rate | 0.0% | 3.8% |

Supplemental cash flow information and non-cash activity related to our operating leases are as follows:

| | Nine Months Ended September 30, | |
|---|---|---|
| | **2024** | **2023** |
| **Operating cash flow information:** | | |
| Amounts included in measurement of lease liabilities | $ 22,512 | $ 123,399 |
| **Non-cash activities:** | | |
| ROU asset obtained in exchange for lease liability | $ - | $ - |

As of September 30, 2024, the Company does not have future lease payments after its office lease expired in May 2024.

## (7) COMMITMENTS AND CONTINGENCIES

*(a) Commitments*

The Company was a party to a license agreement with Motorola Mobility LLC pursuant to which the Company has an exclusive license to use certain trademarks owned by Motorola Trademark Holdings, LLC for the manufacture, sale and marketing of consumer cable modem products, consumer routers, WiFi range extenders, MoCa adapters, cellular sensors, home powerline network adapters, and access points worldwide through a wide range of authorized sales channels. The license agreement had a term ending December 31, 2025 prior to its cancellation in 2023.

In connection with the license agreement, the Company had committed to reserve a certain percentage of wholesale prices for use in advertising, merchandising and promotion of the related products. Additionally, the Company was required to make quarterly royalty payments equal to a certain percentage of the preceding quarter's net sales with minimum annual royalty payments. Following the Company's agreement with Motorola Mobility LLC on January 22, 2024, the Company's quarterly royalty payments, in addition to current and future obligations, were satisfied in exchange for certain assets of the Company.

Royalty expense under the License Agreement amounted to $0 million and $1.7 million for the three months ended September 30, 2024 and 2023, respectively, and $0 million and $5.1 million for the nine months ended September 30, 2024 and 2023, respectively. The royalty expense is reported in selling and marketing expense on the accompanying condensed consolidated statements of operations.

On January 22, 2024, the Company, entered into a Letter Agreement re Product Purchase (the "Letter Agreement") and a Debt Settlement Agreement (the "Settlement Agreement," and the Letter Agreement, the "Agreements") with Motorola Mobility, LLC ("Motorola"). Pursuant to the Letter Agreement, the Company (A) initially transferred a portion of its inventory to Motorola and (B) agreed to transfer the reminder of such inventory upon receipt of certain funding in order to satisfy liabilities owed to Motorola, while agreeing to continue to provide certain customer and technical support. Pursuant to the Settlement Agreement, the Company agreed (i) to pay Motorola a settlement amount of $1,167,071 and (ii) to transfer additional funds as collected from the Company's customers in an amount up to $263,752. The Company believes that the Agreements, together with arrangements it has finalized with other major vendors, will allow the Company to streamline its operations while reducing its current liabilities.

*(b) Vendor Obligation Releases*

In its efforts to manage its liquidity and cash-flow position, the Company negotiated and executed liability release agreements with certain vendors in Q4 2023 who comprised $5.0 million of outstanding accounts payable as of December 31, 2023. In aggregate, the executed release agreements resulted in a reduction of outstanding accounts payable obligations by $3.6 million from $5.0 million to $1.4 million. The executed release agreements became effective and are contingent upon payment of the $1.4 million negotiated amounts received during the period of Q1 2024. In addition, the Company agreed to pay certain vendors an additional $0.4 million contingent upon successful collection of customer receivables. After the collection of customer receivables, the contingent amount was amended to $0.3 million during the period ended September 30, 2024. In July 2024, the Company paid the contingent amount of $0.3 million to its vendors.

*(c) Contingencies*

The Company is party to various lawsuits and administrative proceedings arising in the ordinary course of business. The Company evaluates such lawsuits and proceedings on a case-by-case basis, and its policy is to vigorously contest any such claims which it believes are without merit.

The Company reviews the status of its legal proceedings and records a provision for a liability when it is considered probable that both a liability has been incurred and the amount of the loss can be reasonably estimated. This review is updated periodically as additional information becomes available. If both criteria are not met, the Company reassesses whether there is at least a reasonable possibility that a loss, or additional losses, may be incurred. If there is a reasonable possibility that a loss may be incurred, the Company discloses the estimate of the amount of the loss or range of losses - that the amount is not material, or that an estimate of the loss cannot be made. At September 30, 2024, the Company is not currently a party to any legal proceedings that, if determined adversely to the Company, in management's opinion, are currently expected to individually or in the aggregate have a material adverse effect on the Company's business, operating results or financial condition taken as a whole. The Company expenses its legal fees as incurred.

In the ordinary course of its business, the Company is subject to lawsuits, arbitrations, claims, and other legal proceedings in connection with their business. Some of the legal actions include claims for substantial or unspecified compensatory and/or punitive damages. A substantial adverse judgment or other unfavorable resolution of these matters could have a material adverse effect on the Company's financial condition, results of operations, and cash flows. Management believes that the Company has adequate legal defenses with respect to the legal proceedings to which it is a defendant or respondent, and that the outcome of these pending proceedings is not likely to have a material adverse effect on the financial condition, results of operations, or cash flows of the Company. However, the Company is unable to predict the outcome of these matters.

**(8) SIGNIFICANT CUSTOMER AND DEPENDENCY ON KEY SUPPLIERS**

Relatively few companies account for a substantial portion of the Company's revenues. In the three months ended September 30, 2024, the Company did not have sales or outstanding accounts receivable balance that accounted for 10% of greater individually of the Company's total net sales and accounts receivable, respectively. In the three months ended September 30, 2023, two companies, including a marketplace facilitator, accounted for 10% or greater individually and 80% in the aggregate of the Company's total net sales. At September 30, 2023, two companies with an accounts receivable balance of 10% or greater individually accounted for a combined 87% of the Company's accounts receivable.

The Company's customers generally do not enter into long-term agreements obligating them to purchase products. The Company may not continue to receive significant revenues from any of these or from other large customers. A reduction or delay in orders from any of the Company's significant customers, or a delay or default in payment by any significant customer could materially harm the Company's business and prospects. Because of the Company's significant customer concentration, its net sales and operating income could fluctuate significantly due to changes in political or economic conditions, or the loss, reduction of business, or less favorable terms for any of the Company's significant customers. The Company participates in the PC peripherals industry, which is characterized by aggressive pricing practices, continually changing customer demand patterns and rapid technological developments. The Company's operating results could be adversely affected should the Company be unable to successfully anticipate customer demand accurately; manage its product transitions, inventory levels and manufacturing process efficiently; distribute its products quickly in response to customer demand; differentiate its products from those of its competitors or compete successfully in the markets for its new products.

The Company depends on many third-party suppliers for key components contained in its product offerings. For some of these components, the Company may only use a single source supplier, in part due to the lack of alternative sources of supply. During the three months ended September 30, 2024, the Company did not have any concentration of suppliers. During the three months ended September 30, 2023, the Company had one supplier that provided 100% of the Company's purchased inventory.

**(9) INCOME TAXES**

During the three and nine months ended September 30, 2024, we recorded no income tax benefits for the net operating losses incurred or for the research and development tax credits generated due to the uncertainty of realizing a benefit from those items.

We have evaluated the positive and negative evidence bearing upon the Company's ability to realize its deferred tax assets, which primarily consist of net operating loss carryforwards and research and development tax credits. We considered the history of cumulative net losses, estimated future taxable income and prudent and feasible tax planning strategies and we have concluded that it is more likely than not that we will not realize the benefits of our deferred tax assets. As a result, as of September 30, 2024 and December 31, 2023, we recorded a full valuation allowance against our net deferred tax assets.

As of September 30, 2024 and December 31, 2023, the Company had federal net operating loss carry forwards of approximately $79.4 million and $76.9 million, respectively, which are available to offset future taxable income. They are due to expire in varying amounts from 2025 to 2042. Federal net operating losses occurring after December 31, 2018, of approximated $38.5 million may be carried forward indefinitely. As of September 30, 2024 and December 31, 2023, the Company had state net operating loss carry forwards of approximately $48.0 million and $44.9 million, respectively, which are available to offset future taxable income. They are due to expire in varying amounts from 2033 through 2041. We recorded minimum state income taxes and taxes related to our operations in Mexico. For the three months ended September 30, 2024 and 2023, income tax expense was $0 thousand and $24 thousand, respectively. For the nine months ended September 30, 2024 and 2023, income tax expense (benefit) was $(11) thousand and $24 thousand, respectively.

**(10) RELATED PARTY TRANSACTIONS**

The Company leased office space located at 848 Elm Street, Manchester, NH. The landlord is an affiliate entity owned by Mr. Hitchcock. The two-year facility lease agreement was effective from August 1, 2019, to July 31, 2021 and was extended to July 31, 2022. On July 18, 2022, the lease agreement was amended to a month-to-month lease arrangement and may be terminated by either party with a 60-day notice. The Company terminated the lease during the period ended September 30, 2024. The facility lease agreement provided for 2,656 square feet. For the three-months period ended September 30, 2024 and 2023, the rent expense was $0 thousand and $9 thousand, respectively. For the nine-months period ended September 30, 2024 and 2023, the rent expense was $27 thousand and $27 thousand, respectively.

On November 30, 2022, the Company and Slingshot Capital, LLC ("Slingshot Capital") entered into a Bridge Loan Agreement (the "Bridge Loan Agreement") pursuant to which Slingshot Capital agreed to make available a bridge loan in the principal amount up of up to $1,500,000. The Company has drawn down $1,000,000 under the Bridge Loan Agreement. Subject to Slingshot Capital's sole discretion, the other $500,000 may be drawn by the Company.

On December 6, 2023, the Company and Slingshot Capital entered into a Debt Conversion Agreement ("Conversion Agreement") pursuant to which the Company agreed to issue 734,343 shares of the Company's common stock (based on $1.533 per share) (the "Shares") in exchange for the cancellation of a total principal amount of $1,000,000 ("Principal Amount") outstanding under the Bridge Loan Agreement and Bridge Term Note (collectively, the "Loan Agreements"), with Slingshot Capital, plus $125,778 in accrued and unpaid interest on such Principal Amount as of December 6, 2023. The price per share used in the exchanged was determined by the weighted average price per share and trade volume on September 13, 2023 and November 28, 2023.

Slingshot Capital is owned by the Company's former Chairperson of the Board and a former Board Member, Jeremy Hitchcock and Elizabeth Hitchcock, respectively.

### (11) EARNINGS (LOSS) PER SHARE

Net loss per share for the three and nine months ended September 30, 2024 and 2023, respectively, are as follows:

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | September 30, 2024 | September 30, 2023 | September 30, 2024 | September 30, 2023 |
| Numerator: | | | | |
| Net loss | $ (625,067) | $ (6,820,287) | $ (4,371,934) | $ (16,488,425) |
| Denominator: | | | | |
| Weighted average common shares - basic | 2,866,594 | 1,890,933 | 2,815,907 | 1,886,465 |
| Effect of dilutive common share equivalents | - | - | - | - |
| Weighted average common shares - dilutive | 2,866,594 | 1,890,933 | 2,815,907 | 1,886,465 |
| Basic and diluted | $ (0.22) | $ (3.61) | $ (1.55) | $ (8.74) |

Diluted loss per common share for the three and nine months ended September 30, 2024 and 2023 excludes the effects of 5,230,769 and 2,080 common share equivalents, respectively, since such inclusion would be anti-dilutive. The common share equivalents consist of shares of common stock issuable upon exercise of outstanding preferred stock, warrants, restricted stock units, and stock options.

### (12) EQUITY

*Preferred Stock and Warrants*

On January 23, 2024, the Company entered into a Securities Purchase Agreement (the “Purchase Agreement”) with David Lazar (“Lazar”), a member of our Board of Directors, whereby, at the closing of the transactions contemplated by the Purchase Agreement (the “Closing”), the Company sold and Lazar (or to any transferee of Lazar’s which acquires the Securities Purchase Rights, as defined below, hereinafter a “Lazar Transferee”) purchased two million 2,000,000 shares of the Company’s preferred stock, $0.001 par value per share (the “Preferred Stock”), at a price per share of $1.40, for an aggregate purchase price of $2,800,000, subject to the conditions described below, pursuant to the exemptions afforded by the Securities Act of 1933, as amended, and Regulation S thereunder. Under the Purchase Agreement, the Company agreed to designate 2,000,000 of the Preferred Stock as Series A Preferred Stock (the “Series A Preferred Stock”) for the sale to Lazar (or a Lazar Transferee). Each share of Series A Preferred Stock shall be convertible, at the option of the holder, into 1.4 shares of common stock of the Company, $0.01 par value per share (the “Common Stock”), and vote on an “as-if-converted” basis and shall have full ratchet protection in any subsequent offerings. Pursuant to the Purchase Agreement, the Company shall also issue Lazar (or a Lazar Transferee) warrants to purchase up to an additional 2,800,000 shares of Common Stock, with an exercise price equal to $1.00 per share, subject to adjustment therein (the “Warrants”, and together with the Series A Preferred Stock, the “Purchased Securities”).

The Company evaluated the Series A Preferred Stock and Warrants for liability or equity classification in accordance with the provisions of ASC 480, *Distinguishing Liabilities from Equity*, and determined that equity treatment was appropriate because neither the Series A Preferred Stock nor the Warrants met the definition of liability instruments.

The Warrants are classified as component of permanent equity because they are freestanding financial instruments that are legally detachable and separately exercisable from the shares of common stock with which they were issued, are immediately exercisable, do not embody an obligation for the Company to repurchase its shares, and permit the holder to receive a fixed number of shares of common stock upon exercise. In addition, the Warrants do not provide any guarantee of value or return. The Company valued the Warrants at issuance using the Black-Scholes option pricing model and determined the fair value of the Warrants to purchase 2,800,000 shares of the Company’s common stock at $4.7 million. The key inputs to the valuation model included a weighted average volatility of 162.0% and an expected term of 3.0 years.

The proceeds from the issuance of the Series A Preferred Stock to the Company were allocated based on the relative fair value of the Warrants as compared to the fair value of the Series A Preferred Stock. The fair value of the Warrants incorporates assumptions regarding our common stock price, dividend yield, stock price volatility, as well as assumptions regarding the risk-free interest rate. Using this model, the Warrants was valued at $1.4 million at January 23, 2024 and was included in additional paid in capital on our condensed consolidated balance sheet.

The fair value of the Series A Preferred Stock was determined based on assumptions that incorporated our common stock price and dividend rate. The Company valued the Series A Preferred Stock at $4.5 million. Based on the fair value model to allocate the Series A Preferred Stock proceeds, the Series A Preferred Stock was valued at $1.4 million at January 23, 2024 and was included in Series A Preferred Stock on our condensed consolidated balance sheet.

On February 26, 2024, the Company held a special meeting of stockholders, who voted and approved (i) the issuance of shares of our common stock, par value $0.01 per share ("Common Stock") upon conversion of Series A Preferred Stock or exercise of the Warrants to be issued at Closing of the Purchase Agreement, which conversions or exercise would result in a "change of control" of the Company under the applicable rules of Nasdaq and (ii) an amendment to the Company's Amended and Restated Certificate of Incorporation to effect the increase in authorized shares of Preferred Stock to 10,000,000.

*Common Stock*

In January 2024 and September 2024, the Company issued 156,880 and 612,892, respectively, shares of common stock to board members in exchange for services performed and recorded $378,081 in stock-based compensation expense and $465,482 in reduction to accrued expenses, respectively. The Company issued 20,000 and 135,000 shares of common stock to vendors in exchange for services performed in 2024. The Company recorded $48,200 and $5,400 in stock-based compensation expense in January 2024 and September 2024.

**(13) SUBSEQUENT EVENTS**

*Securities Purchase Agreement*

On November 18, 2024, the Company entered into a Securities Purchase Agreement (the "Purchase Agreement") with Cao Yu, an individual ("Cao"), Hu Bin, an individual, and Youxin Consulting Limited, a Hong Kong company (the "Investors"), whereby, at the closing of the transactions contemplated by the Purchase Agreement (the "Closing"), subject to satisfaction of certain closing conditions, including our stockholders voting in favor of the transaction at a Special Meeting, the Company will sell and the Investors will purchase 1,984,733 shares of the Company's newly formed Series B preferred stock, $0.001 par value per share (the "Preferred Stock"), at a price per share of $1.31, for an aggregate purchase price of $2,600,000, subject to the conditions described below, pursuant to the exemptions afforded by the Securities Act of 1933, as amended, and Regulation S thereunder.

The Purchase Agreement contains customary representations, warranties and agreements of the Company and the Investors, limitations and conditions regarding sales of the Purchased Securities or underlying Common Stock, indemnification rights and other obligations of the parties. Furthermore, the Purchase Agreement contains certain conditions to closing, including: (i) a resolution appointing three (3) individuals identified in writing by the Investors to fill the vacancies on the Board of Directors caused by the resignations of all of the members of the Board of Directors as of the Closing Date, (ii) satisfactory evidence that all reasonably required waivers and/or settlement agreements with the Company's creditors, vendors and employees have been received, (iii) the Certificate of Designation of the rights and privileges of the Series B Preferred Stock, (iv) satisfactory evidence that all third-party and governmental consents have been received or sent and not revoked, (v) satisfactory evidence that all holders of equity of the Company with redemption rights or rights to participate in the issuance of Series B Preferred Stock and the shares of Common Stock issuable upon conversion of such shares, if any, have been waived, (vi) satisfactory evidence that all persons with the right to receive severance, retention bonuses, "stay" bonuses, change in control bonuses, transaction bonuses or other similar payments or arrangements have waived any and all rights to receive such bonuses, (vii) satisfactory evidence that identified all related party transactions have been terminated, (viii) satisfactory evidence that all employment agreements have been terminated, (ix) satisfactory evidence that a satisfactory written opinion of the Company's counsel that all of the Series B Preferred Stock and the securities to be purchased pursuant to the Securities Purchase Agreement, dated on even date of the Purchase Agreement, by and among David Elliot Lazar and the Investors are, and the shares of Common Stock underlying the Series B Preferred Stock will be, duly authorized, validly issued, fully paid and nonassessable, have been issued in compliance with all federal and state securities laws, and none of such shares was or would be issued in violation of any preemptive rights or similar rights to subscribe for or purchase securities, (x) the Company's shares be listed on the Nasdaq Capital Market, the Nasdaq Global Market, the Nasdaq Global Select Market, or any successors to any of the foregoing by no later than December 31, 2024, and (xi) the approval from the stockholders of the Company of the transactions contemplated by the Purchase Agreement.

The Company has evaluated subsequent events from September 30, 2024, through the date of this filing and has determined that there are no such events, other than those noted above, requiring recognition or disclosure in the financial statements.

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

*The following Management's Discussion and Analysis of Financial Condition and Results of Operations, as well as information contained in "Risk Factors" in Part II, Item 1A and elsewhere in this Quarterly Report on Form 10-Q, contain "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. We intend that these forward-looking statements be subject to the safe harbor created by those provisions. Forward-looking statements are generally written in the future tense and/or are preceded by words such as "will," "may," "should," "forecast," "could," "expect," "suggest," "believe," "anticipate," "intend," "plan," "future," "potential," "target," "seek," "continue," "if" or other similar words. Forward-looking statements include statements regarding our strategies as well as (1) our ability to predict revenue and reduce costs related to our products or service offerings, (2) our ability to effectively manage our sales channel inventory and product mix to reduce excess inventory and lost sales, (3) our ability to forecast product sales volumes and accordingly manufacture and manage inventory, (4) our ability to generate sales of Motorola brand products sufficient to make that portion of our business profitable, and retain the Motorola brand license for the Motorola brand product we produce, (5) fluctuations in the level or quality of inventory, (6) the sufficiency of our capital resources and the availability of debt and equity financing, (7) the continuing impact of uncertain global economic conditions on the demand for our products, (8) our ability to maintain and scale adequate and secure software platform infrastructure, (9) the impact of competition on demand for our products and services and (10) our competitive position.*

*The following discussion should be read in conjunction with the attached Unaudited Condensed Consolidated Financial Statements and notes thereto, and with our audited consolidated financial statements and notes thereto for the fiscal year ended December 31, 2023, found in our Annual Report on Form 10-K filed with the Securities and Exchange Commission ("SEC") on April 12, 2024. Although we believe that the assumptions underlying the forward-looking statements contained in this Quarterly Report are reasonable, any of the assumptions could be inaccurate, and therefore there can be no assurance that such statements will be accurate. The risks, uncertainties and assumptions referred to above, that could cause our results to differ materially from the results expressed or implied by such forward-looking statements include, but are not limited to, those discussed under the heading "Risk Factors" in Part II, Item 1A hereto and the risks, uncertainties and assumptions discussed from time to time in our other public filings and public announcements. All forward-looking statements included in this document are based on information available to us as of the date hereof. In light of the significant uncertainties inherent in the forward-looking statements included herein, the inclusion of such information should not be regarded as a representation by us or any other person that the results or conditions described in such statements or our objectives and plans will be achieved. Furthermore, past performance in operations and share price is not necessarily indicative of future performance. We disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise that may arise after the date of this Quarterly Report on Form 10-Q.*

### Overview

We historically delivered comprehensive WiFi as a Service platform to make everyone's connected home safe and supportive for life and work.

Generally, our gross margin for a given product depends on a number of factors, including the type of customer to whom we were selling. The gross margin for products sold to retailers tended to be higher than for some of our other customers; but the sales, support, returns, and overhead costs associated with products sold to retailers also tended to be higher.

Our cash and cash equivalents balance on September 30, 2024 was $0.2 million compared to $0.7 million on December 31, 2023. On September 30, 2024, we had no outstanding borrowings and working capital of negative $0.8 million.

The Company's ability to maintain adequate levels of liquidity depends in part on our ability to sell inventory on hand and collect related receivables. The Company is evaluating options related to its liquidity. The Company will continue to monitor its costs in relation to its sales and adjust its cost structure accordingly.

The Company continues to experience losses, which in part is due to declining revenues. In the three and nine months ended September 30, 2024 and 2023, we generated net sales of $0 million and $6.7 million, respectively, and $0.6 million and $24.6 million, respectively.

Our most recent Annual Report on Form 10-K for the year ended December 31, 2023, as filed with the SEC on April 12, 2024, provides additional information about our business and operations.

**Recent Accounting Standards**

See Note 2 Summary of Significant Accounting Policies, in Notes to Unaudited Consolidated Financial Statements in Item 1 of Part 1 of this Report on 10-Q, for a full description of recent accounting standards, including the expected dates of adoption and estimated effects on the financial condition and results of operations, which are hereby incorporated by reference.

**Critical Accounting Policies and Estimates**

Our consolidated financial statements are prepared in accordance with U.S. GAAP. These accounting principles require us to make certain estimates and judgments that can affect the reported amounts of assets and liabilities as of the date of the financial statements, as well as the reported amounts of revenue and expenses during the periods presented. Management bases its estimates, assumptions and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances. To the extent there are material differences between these estimates and actual results, our financial statements may be affected. Our management evaluates its estimates, assumptions and judgments on an ongoing basis.

Our critical accounting policies and estimates, which are revenue recognition, product returns, inventory valuation and costs of goods sold, warrants, valuation of deferred tax assets are described under “Critical Accounting Policies and Estimates” in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in our Annual Report on Form 10-K for the year ended December 31, 2023. For the nine months ended September 30, 2024, there have been no significant changes in our critical accounting policies and estimates.

**Results of Operations**

The following table sets forth certain financial data derived from our condensed consolidated statements of operations for the three months ended September 30, 2024 and 2023, presented in absolute dollars and as a percentage of net sales, with dollars and percentage change period over period:

| | Three Months Ended | | | | Nine Months Ended | | | |
|---|---|---|---|---|---|---|---|---|
| | September 30, 2024 | September 30, 2023 | $ Change | % Change | September 30, 2024 | September 30, 2023 | $ Change | % Change |
| | (In thousands, except percentage data) | | | | | | | |
| Net sales | $ - | $ 6,696 | $ (6,696) | (100)% | $ 640 | $ 24,643 | $ (24,003) | (97.4)% |
| Cost of goods sold | - | 9,694 | 9,694) | (100) | 433 | 24,546 | (24,113) | (98.2) |
| Gross profit | - | (2,998) | (2,998) | (100) | 207 | 97 | 110 | 113.4 |
| Operating expenses: | | | | | | | | |
| Selling and marketing | - | 2,074 | (2,074) | (100) | 66 | 9,386 | (9,320) | (99.3) |
| General and administrative | 625 | 963 | (338) | (35.1) | 2,210 | 3,460 | (1,250) | (36.1) |
| Research and development | - | 687 | (687) | (100) | 113 | 3,358 | (3,245) | (96.6) |
| Vendor liability forgiveness, net of asset transfers | - | - | - | - | 2,201 | - | 2,201 | 100 |
| Total operating expenses | 625 | 3,724 | (3,099) | (83.2) | 4,590 | 16,204 | (11,614) | (71.7) |
| Operating loss | (625) | (6,722) | 6,097 | (90.7) | (4,383) | (16,107) | 11,724 | 72.8 |
| Total other expense | - | (99) | 99 | (100) | - | (356) | 356 | 100 |
| Loss before income taxes | (625) | (6,821) | 6,196 | (90.8) | (4,383) | (16,463) | 12,080 | 73.4 |
| Income tax expense (benefit) | - | (1) | 1 | (100) | (11) | 24 | (35) | 145.8 |
| Net loss | $ (625) | $ (6,820) | $ 6,195 | (90.8)% | $ (4,372) | $ (16,487) | $ 12,115 | (73.5)% |

*Comparison of the three and nine months ended September 30, 2024 to the three and nine months ended September 30, 2023*

The following table sets forth our revenues by product and the changes in revenues for the three and nine months ended September 30, 2024, as compared to the three and nine months ended September 30, 2023:

| | Three Months Ended | | | | Nine Months Ended | | | |
|---|---|---|---|---|---|---|---|---|
| | September 30, 2024 | September 30, 2023 | $ Change | % Change | September 30, 2024 | September 30, 2023 | $ Change | % Change |
| | (In thousands, except percentage data) | | | | | | | |
| Cable modems & gateways | $ - | $ 6,449 | $ (6,449) | (100.0)% | $ 639 | $ 23,911 | $ (23,272) | (97.3)% |
| Other network products | - | 244 | (244) | (100.0) | 1 | 568 | (567) | (99.8) |
| SaaS | - | 3 | (3) | (100.0) | - | 164 | (164) | (100.0) |
| Total | $ - | $ 6,696 | $ (6,696) | (100.0)% | $ 640 | $ 24,643 | $ (24,003) | (97.4)% |

The majority of the Company's revenues by geographic area are earned in North America for the three and nine months ended September 30, 2023.

### Net Sales

Our total net sales decreased year-over-year by $6.7 million or 100% in the three months ended September 30, 2024 and by $24.0 million or 97.4% in the nine months ended September 30, 2024. The decrease in net sales is directly attributable to decreased sales of Motorola branded cable modems and gateways. In 2023, we primarily generated our sales by selling cable modems and gateways. Sales related to SaaS offerings were $0 thousand and $3 thousand in the three months ended September 30, 2024 and 2023, respectively, and $0 thousand and $164 thousand in the nine months ended September 30, 2024 and 2023, respectively. The decrease in other category of $244 thousand in the three months ended September 30, 2024 compared to the three months ended in September 30, 2023 and the decrease of $567 thousand in the nine months ended September 30, 2024 as compared to the nine months ended September 30, 2023 is primarily due to a reduction in DSL and MoCA products. Generally, our lower sales outside North America reflect the fact that cable modems are sold successfully through retailers in the U.S. but not in most countries outside the U.S., due primarily to variations in government regulations.

### Cost of Goods Sold and Gross Margin

Cost of goods sold consists primarily of the following: the cost of finished products from our third-party manufacturers; overhead costs, including purchasing, product planning, inventory control, warehousing and distribution logistics; third-party software licensing fees; inbound freight; import duties/tariffs; warranty costs associated with returned goods; write-downs for excess and obsolete inventory; amortization of certain acquired intangibles and software development costs; and costs attributable to the provision of service offerings.

The decrease in gross profit was attributable to less sales, largely resulting from the Motorola license termination. Our gross margin can be affected by a number of factors, including fluctuation in foreign exchange rates, sales returns, changes in average selling prices, end-user customer rebates and other channel sales incentives, changes in our cost of goods sold due to fluctuations and increases in prices paid for components, overhead costs, inbound freight and duty/tariffs, conversion costs, and charges for excess or obsolete inventory.

The following table presents net sales and gross margin, for the periods indicated:

| | Three Months Ended | | | | Nine Months Ended | | | |
|---|---|---|---|---|---|---|---|---|
| | September 30, 2024 | September 30, 2023 | $ Change | % Change | September 30, 2024 | September 30, 2023 | $ Change | % Change |
| | (In thousands, except percentage data) | | | | | | | |
| Net sales | $ - | $ 6,696 | $ (6,696) | (100.0)% | $ 640 | $ 24,643 | $ (24,003) | (97.4)% |
| Gross margin | -% | (44.8)% | | | 32.4% | 0.4% | | |

Gross profit decreased in the three months ended September 30, 2024, compared to the three months ended in the prior fiscal year period, primarily due to insufficient sales levels necessary to cover fixed costs and certain variable costs. Gross profit decreased in the nine months ended September 30, 2024, compared to the nine months ended in the prior fiscal year period, primarily due decreased sales of Motorola branded cable modems and gateways.

For the remainder of fiscal 2024, we expect gross margin to decrease in sales of Motorola branded cable modems and gateways. Our cost of goods sold, as a percentage of net sales, can vary significantly based upon factors such as: uncertainties surrounding revenue volumes, including the timing of sales.

**Selling and Marketing**

Selling and marketing expenses consist primarily of advertising, trade shows, corporate communications and other marketing expenses, product marketing expenses, outbound freight costs, amortization of certain intangibles, personnel expenses for sales and marketing staff, technical support expenses, and facility allocations. The following table presents sales and marketing expenses, for the periods indicated:

| | Three Months Ended | | | | Nine Months Ended | | | |
|---|---|---|---|---|---|---|---|---|
| | September 30, 2024 | September 30, 2023 | $ Change | % Change | September 30, 2024 | September 30, 2023 | $ Change | % Change |
| | (In thousands, except percentage data) | | | | | | | |
| Selling and marketing | $ - | $ 2,074 | $ (2,074) | (100.0)% | $ 66 | $ 9,386 | $ (9,320) | (99.3)% |

Selling and marketing expenses decreased in the three months ended September 30, 2024, as compared to the three months ended September 30, 2023, primarily due to reductions in personnel expenses by $0.3 million, Motorola royalty fees of $1.7 million, and other sales support costs of $0.1 million. Selling and marketing expenses decreased in the nine months ended September 30, 2024, as compared to the nine months ended September 30, 2023, primarily due to reductions in personnel expenses by $1.4 million, marketing campaigns by $2.2 million, Motorola royalty fees of $5.1 million, and other sales support costs of $0.6 million.

For the remainder of the fiscal year 2024, we expect our selling and marketing expenses to decrease compared to the first three quarters of 2024. Expenses may fluctuate depending on sales levels achieved as certain expenses, and are determined based upon the net sales achieved. Forecasting both selling and marketing expenses is highly dependent on expected net sales levels and could vary significantly depending on actual net sales achieved in any given quarter. Marketing expenses may also fluctuate depending upon the timing, extent and nature of marketing programs.

**General and Administrative**

General and administrative expenses consist of salaries and related expenses for executives, finance and accounting, human resources, information technology, professional fees, including legal costs associated with defending claims against us, allowance for doubtful accounts, facility allocations, and other general corporate expenses. The following table presents general and administrative expenses, for the periods indicated:

| | Three Months Ended | | | | Nine Months Ended | | | |
|---|---|---|---|---|---|---|---|---|
| | September 30, 2024 | September 30, 2023 | $ Change | % Change | September 30, 2024 | September 30, 2023 | $ Change | % Change |
| | (In thousands, except percentage data) | | | | | | | |
| General and administrative | $ 625 | $ 963 | $ (338) | (35.1)% | $ 2,210 | $ 3,460 | $ (1,250) | (36.1)% |

General and administrative expenses decreased $0.3 million in the three months ended September 30, 2024 as compared to the three months ended September 30, 2023 primarily due to a decrease in professional fees of $0.3 million and software subscriptions of $0.1 million. General and administrative expenses decreased $1.2 million in the nine months ended September 30, 2024 as compared to the nine months ended September 30, 2023 primarily due to a decrease in personnel expenses of $0.8 million and professional fees of $0.4 million.

Future general and administrative expense increases or decreases in absolute dollars are difficult to predict due to the lack of visibility of certain costs, including legal costs associated with defending claims against us, and other factors.

**Research and Development**

Research and development expenses consist primarily of personnel expenses, payments to suppliers for design services, safety and regulatory testing, product certification expenditures to qualify our products for sale into specific markets, prototypes, IT, and other consulting fees. Research and development expenses are recognized as they are incurred. Our research and development organization is focused on enhancing our ability to introduce innovative and easy-to-use products and services. The following table presents research and development expenses, for the periods indicated:

| | Three Months Ended | | | | Nine Months Ended | | | |
|---|---|---|---|---|---|---|---|---|
| | September 30, 2024 | September 30, 2023 | $ Change | % Change | September 30, 2024 | September 30, 2023 | $ Change | % Change |
| | (In thousands, except percentage data) | | | | | | | |
| Research and development | $ - | $ 687 | $ (687) | (100.0)% | $ 113 | $ 3,358 | $ (3,245) | (96.6)% |

The decrease of $0.7 million in the three months ended September 30, 2024 as compared to the three months ended September 30, 2023 was primarily due to decreases in personnel expenses of $0.5 million, professional fees of $0.1 million, and other support costs of $0.1 million. The decrease of $3.2 million in the nine months ended September 30, 2024 as compared to the nine months ended September 30, 2023 was primarily due to decreases in personnel expenses of $2.3 million, contract labor of $0.2 million, professional fees of $0.2 million, and certification and other costs of $0.5 million.

For the remainder of the fiscal year 2024, we expect research and development expenses to decrease compared to the first three quarters of 2024. Research and development expenses may fluctuate depending on the timing and number of development activities and could vary significantly as a percentage of net sales, depending on actual net sales achieved in any given year.

**Liquidity and Capital Resources**

Our principal sources of liquidity are cash and cash equivalents. As of September 30, 2024, we had cash and cash equivalents of $0.2 million as compared to $0.7 million on December 31, 2023. On September 30, 2024, we had no borrowings outstanding and working capital of negative $0.8 million. We have funded our operations and financing activities primarily through sale of preferred stock.

Our historical cash outflows have primarily been associated with: (1) cash used for operating activities such as the purchase and growth of inventory, expansion of our sales and marketing and research and development infrastructure and other working capital needs; (2) expenditures related to increasing our manufacturing capacity and improving our manufacturing efficiency; (3) capital expenditures related to the acquisition of equipment; (4) cash used to repay our debt obligations and related interest expense; and (5) cash used for acquisitions. Fluctuations in our working capital due to timing differences of our cash receipts and cash disbursements also impact our cash inflows and outflows.

Our consolidated financial statements, as of September 30, 2024, were prepared under the assumption that we will continue as a going concern. The going concern assumption contemplates the realization of assets and satisfaction of liabilities in the normal course of business. However, substantial doubt exists about our ability to continue as a going concern, and we will require additional liquidity to continue operations beyond the next 12 months.

Our consolidated financial statements as of September 30, 2024, do not include any adjustments to the carrying amounts and classification of assets, liabilities, and reported expenses that may be necessary if we were unable to continue as a going concern. If we are unable to continue as a going concern, we may have to liquidate our assets and may receive less than the value at which those assets are carried on our financial statements, and it is likely that investors will lose all or part of their investment.

**Cash Flows**

The following table presents our cash flows for the periods presented:

| | Nine Ended September 30, 2024 | Nine Ended September 30, 2023 |
|---|---|---|
| Cash provided by (used in) operating activities | $ (3,783) | $ 3,710 |
| Cash used in investing activities | - | (382) |
| Cash provided by (used in) financing activities | 3,265 | (3,892) |
| Net increase (decrease) in cash and cash equivalents | $ (518) | $ (564) |

***Cash Flows from Operating Activities.*** Cash used from operating activities of $3.8 million during the nine months ended September 30, 2024 reflected our net loss of $4.4 million, adjusted for non-cash expenses, consisting primarily of $432 thousand of stock-based compensation expense, $290 thousand in depreciation and amortization expense, and $2.2 million in vendor forgiveness, net of asset transfers. Uses of cash included a decrease in accounts payable of $3.1 million and accrued expenses of $394 thousand. Sources of cash included primarily a decrease of accounts receivable of $731 thousand and inventories of $404 thousand.

Cash provided by operating activities of $3.7 million during the nine months ended September 30, 2023 reflected our net loss of $16.5 million, adjusted for non-cash expenses, consisting primarily of $0.3 million of stock-based compensation expense and $0.4 million in depreciation and amortization expense. Uses of cash included a decrease in accounts receivable of $0.1 million and accrued expenses of $3.0 million. Sources of cash included primarily a decrease of inventories of $14.9 million, increase in accounts payable of $7.4 million, increase in prepaid expenses of $0.2 million, and increase in deferred revenue of $0.2 million.

***Cash Flows from Investing Activities.*** During the nine months ended September 30, 2024, the Company had no cash flows generated or used by investing activities.

During the nine months ended September 30, 2023, $162 thousand was used to purchase equipment and $220 thousand was used for certification costs.

***Cash Flows from Financing Activities.*** Cash provided from financing activities during the nine months ended September 30, 2024 consisted of proceeds from issuance of preferred stock of $2.8 million and issuance of common stock of $0.5 million.

Cash used in financing activities during the nine months ended September 30, 2023 consisted of repayment of $3.9 million on the borrowings under our SVB line-of-credit.

***Future Liquidity Needs***

Our primary short-term needs for capital, which are subject to change, include expenditures related to:

- the acquisition of equipment and other fixed assets for use in our current and future manufacturing and research and development facilities;
- upgrades to our information technology infrastructure to enhance our capabilities and improve overall productivity;
- support of our commercialization efforts related to our current and future products, including expansion of our direct sales force and field support resources;
- the continued advancement of research and development activities.

Our capital expenditures are largely discretionary and within our control. We expect that our product sales and the resulting operating loss, as well as the status of each of our product development programs, will significantly impact our cash management decisions.

At September 30, 2024, we believe our current cash and cash equivalents may not be sufficient to fund working capital requirements, capital expenditures and operations during the next twelve months. Our ability to continue as a going concern will depend on our ability to obtain additional equity or debt financing, attain further operating efficiencies, reduce or contain expenditures and increase revenues. Based on these factors, management determined that there is substantial doubt regarding our ability to continue as a going concern. The Company will continue to monitor its costs in relation to its sales and adjust accordingly.

Our future liquidity and capital requirements will be influenced by numerous factors, including the extent and duration of any future operating losses, the level and timing of future sales and expenditures, the results and scope of ongoing research and product development programs, working capital required to support our sales growth, funds required to service our debt, the receipt of and time required to obtain regulatory clearances and approvals, our sales and marketing programs, our need for infrastructure to support our sales growth, the continuing acceptance of our products in the marketplace, competing technologies and changes in the market and regulatory environment.

Our ability to fund our longer-term cash needs is subject to various risks, many of which are beyond our control—See "Risk Factors—We may require significant additional capital to pursue our growth strategy, and our failure to raise capital when needed could prevent us from executing our growth strategy." Should we require additional funding, such as additional capital investments, we may need to raise the required additional funds through bank borrowings or public or private sales of debt or equity securities. We cannot guarantee that such funding will be available in needed quantities or on terms favorable to us, if at all.

At September 30, 2024, we have Federal and state net operating loss carry forwards of approximately $79.4 million and $48.0 million, respectively, available to reduce future taxable income. A valuation allowance has been established for the full amount of deferred income tax assets as management has concluded that it is more-likely than-not that the benefits from such assets will not realize the benefits of our deferred tax assets. As a result, as of September 30, 2024 and December 31, 2023, we recorded a full valuation allowance against our net deferred tax assets.

**Commitments and Contractual Obligations**

During the nine months ended September 30, 2024, except as otherwise disclosed in this Form 10-Q, there were no material changes to our capital commitments and contractual obligations from those disclosed in our Form 10-K for the year ended December 31, 2023.

**Off-Balance Sheet Arrangements**

We did not have any material off-balance sheet arrangements as of September 30, 2024. See Note 7 to the accompanying consolidated financial statements for additional disclosure.

## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and are not required to provide the information under this Item.

## ITEM 4. CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports pursuant to the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer of the Company, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, as ours are designed to do, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

In connection with the preparation of this Quarterly Report on the Form 10-Q, we carried out an evaluation, under the supervision and with the participation of our management including our Chief Executive Officer and Chief Financial Officer of the Company, of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act as of September 30, 2024. Based upon that evaluation and other than as disclosed herein, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

There were no changes in our internal control over financial reporting during the three months ended September 30, 2024 that have affected, or are reasonably likely to affect, our internal control over financial reporting.

## PART II - OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

From time to time, we may be a party to litigation or subject to claims incident to the ordinary course of business. Although the results of litigation and claims cannot be predicted with certainty, we do not believe we are party to any claim or litigation; the outcome of which, if determined adversely to us, would individually or in the aggregate be reasonably expected to have a material adverse effect on our business. Regardless of the outcome, litigation can have an adverse impact on us due to defense and settlement costs, diversion of management resources and other factors.

*Suspension of Trading on Nasdaq:*

As previously reported, on July 22, 2024, we received a letter (the “Letter”) from the Nasdaq Office of General Counsel, stating that the Company’s appeal to the Nasdaq Hearings Panel (“Panel”) of the Nasdaq Listings Qualification staff’s (the “Staff”) delist determination dated June 26, 2024, for the Company’s failure to maintain compliance with the equity requirement in Listing Rule 5550(b)(1) had been abandoned. However, the Company has not abandoned its request for a hearing. Due to a clerical error, the Company was unaware of the passage of the time required to provide a written submission prior to the oral hearing in front of the Panel, until July 23, 2024.

On July 23, 2024, we immediately filed a submission in support of an appeal to the Nasdaq Listing and Hearing Review Council regarding the hearing abandonment determination and the future delisting of the Company’s securities from Nasdaq, and on July 24, 2024 we remitted an additional $15,000 for this appeal to the Listing Council the following day.

We strongly believe that such appeal should be granted, and that the delisting action referenced in the Staff’s determination letter, dated June 26, 2024, should continue to remain stayed, pending a final written decision by the Panel, due to the Company’s particular circumstances. Following such appeal, and in anticipation of being granted an oral hearing in front of the Panel, the Company has put in place a plan (the “Plan”) to regain compliance with the terms of the minimum stockholders’ equity requirement of at least $2,500,000 for continued inclusion on The Nasdaq Capital Market pursuant to Nasdaq Listing Rule 5550(b)(1) and has delivered such Plan to the Panel. Nevertheless on July 24, 2024, the Company’s securities trading was suspended on The Nasdaq Stock Market LLC (“Nasdaq”) effective with the open of business on July 24, 2024, at which point the Company’s common stock was eligible to trade on the OTC Market’s Pink Current Information. Our securities trading has merely been suspended on Nasdaq at this time, not delisted. It will not be delisted unless and until Nasdaq files a Form 25 Notification of Delisting with the U.S. Securities and Exchange Commission after all internal procedural periods have run.

The NASDAQ Office of General Counsel did not respond to our notice of intent to appeal to the Nasdaq Listing and Hearing Review Council regarding the hearing abandonment determination and the future delisting of the Company’s securities from Nasdaq until August 1, 2024, the date originally scheduled for the Panel hearing, when we received a message which stated that the NASDAQ is unable to consider an appeal to the Nasdaq Listing and Hearing Review Council in this matter. The NASDAQ’s position is that pursuant to Nasdaq Rule 5820, companies may appeal Panel Decisions to the Listing Council. However, in our matter, there was no Hearing and there is no Panel Decision to appeal. The NASDAQ further indicated that the information regarding our right to appeal to the Listing Council which was included in the letter confirming abandonment of the appeal appears to have been included in error, and that it would issue a refund for the appeal fee, thus informing us that this matter was not appealable to the Listing Council.

Following some discussions and correspondence with the Nasdaq Office of General Counsel, on August 12, 2024 we delivered a letter to the Nasdaq stating that the Company is of the view that the NASDAQ has acted arbitrarily and capriciously in making its determinations concerning our continued listing, has acted inconsistent with prior precedent, as well as inconsistent with Nasdaq’s own Listing Rules, including, inter alia, Rule 5840(f) governing the delivery of documents which requires that the NASDAQ in these circumstances utilize all methods of communications; Rules 5814(a)(4) and (5) governing the scheduling of a hearing and the timing for submission of Written Submissions and Written Updates; Rule 5820 as presently in effect which provides the Listing Council broad discretion to review this matter, a review for which the Company had duly applied and paid for; as well as a number of additional Rules. We requested the Nasdaq Office of the General Counsel allow us to present its case to the Nasdaq Hearings Panel, as soon thereafter as possible, or alternatively to be allowed to appeal to the Nasdaq Listing and Hearing Review Council the determination of “deemed” abandonment of the Hearing Request. We also requested that the suspension in the trading of our shares be lifted pending final resolution of the above matters and a final decision to delist having been made following the Company’s exhaustion of all available administrative relief.

On August 13, 2024 we were notified by the Vice President and Deputy General Counsel of the Nasdaq that its position remains unchanged. On the same day, Company counsel responded to the Nasdaq that we intend to immediately seek injunctive and equitable relief against the NASDAQ at a court of competent authority, and that we would expect the Nasdaq will not take any further steps to affect the status quo.

We believe the delisting decision, and specifically the "deemed abandonment" of our appeal to the Panel constituted, *inter alia*: (i) a breach of contract by Nasdaq, (ii) an abuse of NASDAQ's discretionary authority, (iii) breach of NASDAQ's listing rules as approved by the SEC, and (iv) material procedural unfairness. NASDAQ's staff subjectively determined that we were deemed to have abandoned our appeal to the Panel without any basis whatsoever in NASDAQ's listing rules as approved by the SEC for making such a determination. NASDAQ's decision, and the subsequent suspension of the trading in our shares, caused, and continues to cause, irreparable harm to our operations, our reputation and our shareholders. It has also severely negatively impacted our ability to execute on already announced and signed contracts.

In light of the above, we filed for, and on August 20, 2024, were granted a temporary restraining order ("TRO") by the Supreme Court of the State of New York, Kings County (the "State Court"). The application for the TRO was filed by the Company in order to prohibit The Nasdaq Stock Market ("Nasdaq") from delisting the Company's common stock from Nasdaq. The TRO was effective until September 5, 2024. On August 20, 2024, following the State Court's grant of the TRO, Nasdaq removed the case to federal court. On September 4, 2024, the U.S. District Court for the Eastern District of New York remanded the case to the State Court. On September 5, 2024, the parties entered into a stipulation which was ordered by the State Court on September 6, 2024, to extend the TRO until September 30, 2024, at which point oral arguments were to be heard by the State Court.

That TRO continued until, on October 18, 2024, the Court denied the request by the Company for a preliminary injunction enjoining the Nasdaq from taking further action to delist the Company. We subsequently, on October 22, 2024 discontinued our case against the Nasdaq, without prejudice. On October 23, 2024, the Nasdaq issued a press release announcing that it will delist our common stock and file a Form 25 with the Securities and Exchange Commission ("SEC"). On October 24, 2024, the Nasdaq filed a Form 25 with the SEC, announcing its determination to remove from listing the securities of the Company, effective at the opening of the trading session on November 4, 2024, stating, *inter alia*, that Nasdaq filed the Form 25 pursuant to Nasdaq Rule 5830 because all available review and appeal procedures and periods available to us under Nasdaq Rules have expired.

On October 25, 2024, we filed with the SEC an Application for Review, pursuant to 15 U.S.C.S. § 78s(d), the October 24, 2024 decision of Nasdaq to delist the Company's securities and to deny us the right to a hearing on such delisting, by incorrectly deeming our appeal abandoned, and then denying us the right to appeal Nasdaq's decision deeming our right to a hearing as abandoned requests. In conjunction with the submission of this appeal, we also submitted to the SEC a motion for an emergency stay of the delisting, pursuant to the SEC's Rule of Practice 401. On November 1, 2024, the SEC granted us an administrative stay of the delisting pending further order of the SEC, to give the SEC an opportunity to consider the Company's motion for a stay. The SEC noted in its order that the administrative stay should not be construed in any way as a ruling on the merits of our motion for a preliminary stay.

We continue to vigorously dispute the certifications included by Nasdaq in its Form 25 regarding Minim's delisting, as we believe we were not allowed any review and appeal procedures available under the Nasdaq Rules.

## ITEM 1A. RISK FACTORS

Other than as set forth below, there have been no material changes to the risk factors set forth in our 2023 Annual Report on Form 10-K for the year ended December 31, 2023, filed with the SEC on April 12, 2024, which includes a detailed discussion of our risk factors in Part I, “Item 1A. Risk Factors”, which discussion is hereby incorporated by reference into this Part II, Item 1A. Our Risk Factors could materially affect our business, financial position, or future results of operations. The risks described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023, and the additional ones described below, are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial position, or future results of operations.

***We cannot assure you that we will be able to continue to close the Purchase Agreement with the Investors for $2,600,000 which we entered into on November 13, 2024 and regain our listing on the Nasdaq Capital Market. If we are unable to regain our listing on the Nasdaq Capital Market, we will not be able to close the Purchase Agreement and we could be subject to final delisting or other adverse action, which could negatively impact the trading of our common stock.***

As disclosed previously and in Item 1 above in Part II of this Current Report on Form 10-Q, on June 26, 2024, the Company received a letter from the listing staff of The Nasdaq Stock Market LLC (“Nasdaq”) that the Company was no longer in compliance with the minimum stockholders’ equity requirement for continued listing on Nasdaq pursuant to Nasdaq Listing Rule 5550(b)(1) (the “Stockholders’ Equity Rule”). The Stockholders’ Equity Rule requires companies listed on the Nasdaq Capital Market to maintain stockholders’ equity of at least $2,500,000 or to meet alternatives of market value of listed securities or net income from continuing operations, which the Company does not currently meet. In response to the letter, we submitted a request to submit our appeal and plan to regain compliance with the Stockholders’ Equity Rule to the Nasdaq Hearings Panel (the “Panel”). On July 22, 2024, we received a letter (the “Letter”) from the Nasdaq Office of General Counsel, stating that the Company’s appeal to the Nasdaq Hearings Panel (“Panel”) of the Nasdaq Listings Qualification staff’s (the “Staff”) delist determination dated June 26, 2024, for the Company’s failure to maintain compliance with the equity requirement in Listing Rule 5550(b)(1) had been abandoned. However, the Company has not abandoned its request for a hearing. Due to a clerical error, the Company was unaware of the passage of the time required to provide a written submission prior to the oral hearing in front of the Panel, until July 23, 2024. On July 23rd, we immediately filed a submission in support of an appeal to the Nasdaq Listing and Hearing Review Council regarding the hearing abandonment determination and the future delisting of the Company’s securities from Nasdaq, and on July 24, 2024 we remitted an additional $15,000 for this appeal to the Listing Council the following day.

We strongly believe that such appeal should be granted, and that the delisting action referenced in the Staff’s determination letter, dated June 26, 2024, should continue to remain stayed, pending a final written decision by the Panel, due to the Company’s particular circumstances. Following such appeal, and in anticipation of being granted an oral hearing in front of the Panel, the Company put in place a plan (the “Plan”) to regain compliance with the terms of the minimum stockholders’ equity requirement of at least $2,500,000 for continued inclusion on The Nasdaq Capital Market pursuant to Nasdaq Listing Rule 5550(b)(1) and delivered such Plan to the Panel. Nevertheless on July 24, 2024, the Company’s securities trading was suspended on The Nasdaq Stock Market LLC (“Nasdaq”) effective with the open of business on July 24, 2024, at which point the Company’s common stock was eligible to trade on the OTC Market’s Pink Current Information. Our securities trading has merely been suspended on Nasdaq at this time, not delisted. It will not be delisted unless and until Nasdaq files a Form 25 Notification of Delisting with the U.S. Securities and Exchange Commission after all internal procedural periods have run.

The NASDAQ Office of General Counsel did not respond to our notice of intent to appeal to the Nasdaq Listing and Hearing Review Council regarding the hearing abandonment determination and the future delisting of the Company’s securities from Nasdaq until August 1, 2024, the date originally scheduled for the Panel hearing, when we received a message which stated that the NASDAQ is unable to consider an appeal to the Nasdaq Listing and Hearing Review Council in this matter. The NASDAQ’s position is that pursuant to Nasdaq Rule 5820, companies may appeal Panel Decisions to the Listing Council. However, in our matter, there was no Hearing and there is no Panel Decision to appeal. The NASDAQ further indicated that the information regarding our right to appeal to the Listing Council which was included in the letter confirming abandonment of the appeal appears to have been included in error, and that it would issue a refund for the appeal fee, thus informing us that this matter was not appealable to the Listing Council.

Following some discussions and correspondence with the Nasdaq Office of General Counsel, on August 12, 2024 we delivered a letter to the Nasdaq stating that the Company is of the view that the NASDAQ has acted arbitrarily and capriciously in making its determinations concerning our continued listing, has acted inconsistent with prior precedent, as well as inconsistent with Nasdaq's own Listing Rules, including, inter alia, Rule 5840(f) governing the delivery of documents which requires that the NASDAQ in these circumstances utilize all methods of communications; Rules 5814(a)(4) and (5) governing the scheduling of a hearing and the timing for submission of Written Submissions and Written Updates; Rule 5820 as presently in effect which provides the Listing Council broad discretion to review this matter, a review for which the Company had duly applied and paid for; as well as a number of additional Rules. We requested the Nasdaq Office of the General Counsel allow us to present its case to the Nasdaq Hearings Panel, as soon thereafter as possible, or alternatively to be allowed to appeal to the Nasdaq Listing and Hearing Review Council the determination of "deemed" abandonment of the Hearing Request. We also requested that the suspension in the trading of our shares be lifted pending final resolution of the above matters and a final decision to delist having been made following the Company's exhaustion of all available administrative relief.

On August 13, 2024 we were notified by the Vice President and Deputy General Counsel of the Nasdaq that its position remains unchanged. On the same day, Company counsel responded to the Nasdaq that we intend to immediately seek injunctive and equitable relief against the NASDAQ at a court of competent authority, and that we would expect the Nasdaq will not take any further steps to affect the status quo.

We believe the delisting decision, and specifically the "deemed abandonment" of our appeal to the Panel constituted, *inter alia*: (i) a breach of contract by Nasdaq, (ii) an abuse of NASDAQ's discretionary authority, (iii) breach of NASDAQ's listing rules as approved by the SEC, and (iv) material procedural unfairness. NASDAQ's staff subjectively determined that we were deemed to have abandoned our appeal to the Panel without any basis whatsoever in NASDAQ's listing rules as approved by the SEC for making such a determination. NASDAQ's decision, and the subsequent suspension of the trading in our shares, caused, and continues to cause, irreparable harm to our operations, our reputation and our shareholders. It has also severely negatively impacted our ability to execute on already announced and signed contracts.

In light of the above, we filed for, and on August 20, 2024, were granted a temporary restraining order ("TRO") by the Supreme Court of the State of New York, Kings County (the "State Court"). The application for the TRO was filed by the Company in order to prohibit The Nasdaq Stock Market ("Nasdaq") from delisting the Company's common stock from Nasdaq. The TRO was effective until September 5, 2024. On August 20, 2024, following the State Court's grant of the TRO, Nasdaq removed the case to federal court. On September 4, 2024, the U.S. District Court for the Eastern District of New York remanded the case to the State Court. On September 5, 2024, the parties entered into a stipulation which was ordered by the State Court on September 6, 2024, to extend the TRO until September 30, 2024, at which point oral arguments were to be heard by the State Court.

That TRO continued until, on October 18, 2024, the Court denied the request by the Company for a preliminary injunction enjoining the Nasdaq from taking further action to delist the Company. We subsequently, on October 22, 2024 discontinued our case against the Nasdaq, without prejudice. On October 23, 2024, the Nasdaq issued a press release announcing that it will delist our common stock and file a Form 25 with the Securities and Exchange Commission ("SEC"). On October 24, 2024, the Nasdaq filed a Form 25 with the SEC, announcing its determination to remove from listing the securities of the Company, effective at the opening of the trading session on November 4, 2024, stating, *inter alia*, that Nasdaq filed the Form 25 pursuant to Nasdaq Rule 5830 because all available review and appeal procedures and periods available to us under Nasdaq Rules have expired.

On October 25, 2024, we filed with the SEC an Application for Review, pursuant to 15 U.S.C.S. § 78s(d), the October 24, 2024 decision of Nasdaq to delist the Company's securities and to deny us the right to a hearing on such delisting, by incorrectly deeming our appeal abandoned, and then denying us the right to appeal Nasdaq's decision deeming our right to a hearing as abandoned requests. In conjunction with the submission of this appeal, we also submitted to the SEC a motion for an emergency stay of the delisting, pursuant to the SEC's Rule of Practice 401. On November 1, 2024, the SEC granted us an administrative stay of the delisting pending further order of the SEC, to give the SEC an opportunity to consider the Company's motion for a stay. The SEC noted in its order that the administrative stay should not be construed in any way as a ruling on the merits of our motion for a preliminary stay.

As disclosed on our Form 8-K filed with the Commission on November 18, 2024, we entered into a Securities Purchase Agreement (the "Purchase Agreement") with Cao Yu, an individual ("Cao"), Hu Bin, an individual, and Youxin Consulting Limited, a Hong Kong company (the "Investors"), whereby, at the closing of the transactions contemplated by the Purchase Agreement (the "Closing"), subject to satisfaction of certain closing conditions, including our stockholders voting in favor of the transaction at a Special Meeting, we will sell and the Investors will purchase 1,984,733 shares of the Company's newly formed Series preferred stock, $0.001 par value per share (the "Preferred Stock"), at a price per share of $1.31, for an aggregate purchase price of $2,600,000, subject to the conditions described below, pursuant to the exemptions afforded by the Securities Act of 1933, as amended, and Regulation S thereunder.

The Purchase Agreement contains customary representations, warranties and agreements of the Company and the Investors, limitations and conditions regarding sales of the Purchased Securities or underlying Common Stock, indemnification rights and other obligations of the parties. Furthermore, the Purchase Agreement contains certain conditions to closing, including: (i) a resolution appointing three (3) individuals identified in writing by the Investors to fill the vacancies on the Board of Directors caused by the resignations of all of the members of the Board of Directors as of the Closing Date, (ii) satisfactory evidence that all reasonably required waivers and/or settlement agreements with the Company's creditors, vendors and employees have been received, (iii) the Certificate of Designation of the rights and privileges of the Series B Preferred Stock, (iv) satisfactory evidence that all third-party and governmental consents have been received or sent and not revoked, (v) satisfactory evidence that all holders of equity of the Company with redemption rights or rights to participate in the issuance of Series B Preferred Stock and the shares of Common Stock issuable upon conversion of such shares, if any, have been waived, (vi) satisfactory evidence that all persons with the right to receive severance, retention bonuses, "stay" bonuses, change in control bonuses, transaction bonuses or other similar payments or arrangements have waived any and all rights to receive such bonuses, (vii) satisfactory evidence that identified all related party transactions have been terminated, (viii) satisfactory evidence that all employment agreements have been terminated, (ix) satisfactory evidence that a satisfactory written opinion of the Company's counsel that all of the Series B Preferred Stock and the securities to be purchased pursuant to the Securities Purchase Agreement, dated on even date of the Purchase Agreement, by and among David Elliot Lazar and the Investors are, and the shares of Common Stock underlying the Series B Preferred Stock will be, duly authorized, validly issued, fully paid and nonassessable, have been issued in compliance with all federal and state securities laws, and none of such shares was or would be issued in violation of any preemptive rights or similar rights to subscribe for or purchase securities, (x) the Company's shares be listed on the Nasdaq Capital Market, the Nasdaq Global Market, the Nasdaq Global Select Market, or any successors to any of the foregoing by no later than December 31, 2024, and (xi) the approval from the stockholders of the Company of the transactions contemplated by the Purchase Agreement.

We continue to vigorously dispute the certifications included by Nasdaq in its Form 25 regarding Minim's delisting, as we believe we were not allowed any review and appeal procedures available under the Nasdaq Rules. We also believe that upon closing of the Purchase Agreement we would be in compliance with the Stockholders' Equity Rule. However, the closing of the investment pursuant to the Purchase Agreement is subject to, *inter alia*, the Company confirming its continued listing on the Nasdaq by no later than December 31, 2024.

While we intend to comply with the Nasdaq rules, there can be no assurance that the Company will be able to regain or remain in compliance with the Stockholders' Equity Rule or other applicable Nasdaq listing requirements on an ongoing and long-term basis, nor that the Nasdaq staff will permit us to present the Purchase Agreement to either the Hearing Panel or the Nasdaq Listing and Hearing Review Council, nor that such bodies will grant the Company additional time to achieve compliance by confirming our continued listing on the Nasdaq subject to closing of the Purchase Agreement, nor that we will be successful with our appeal to the SEC.

If we are unable to satisfy these Nasdaq requirements or standards, and we are not able to close the transactions contemplated by the Purchase Agreement, or otherwise successfully petition the SEC to allow us to present to the applicable Nasdaq reviewing body a plan for regaining compliance with the Stockholders' Equity Rule or other applicable Nasdaq listing requirements, we could be subject to final delisting from the Nasdaq, which could have a negative effect on the price of our common stock and would impair your ability to sell or purchase our common stock when you wish to do so.

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

None other than as disclosed on our Form 8-K filed with the Commission on November 18, 2024.

## ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

## ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

## ITEM 5. OTHER INFORMATION

*Sale of holdings by David Lazar:*

As disclosed on Form 13D/A filed on November 15, 2024 by Mr. David Lazar, our CEO and Chairman of the Board of Directors ("Lazar"), on November 13, 2024, Mr. David Lazar, our CEO and Chairman of the Board of Directors entered into a Securities Purchase Agreement (the "Lazar Purchase Agreement") with the purchasers named therein (the "Lazar Purchasers"), pursuant to which Lazar agreed to sell to the Lazar Purchasers all of his right and interest in either (i) 1,570,027 shares of Series A Preferred Stock ("Closing 1") or (ii) 2,000,000 shares of Series A Preferred Stock ("Closing 2"), which is dependent on whether certain conditions are satisfied. If Closing 1 is completed, the aggregate purchase price to be paid by the Lazar Purchasers under the Lazar Purchase Agreement will be $4,000,000. If Closing 2 is completed, the aggregate purchase price to be paid by the Lazar Purchasers under the Lazar Purchase Agreement will be $500,000. Within five business days following November 13, 2024, the Lazar Purchasers are required to wire $200,000 to Lazar as an advance of the applicable purchase price.

The Lazar Purchase Agreement is subject to the satisfaction of certain closing conditions, including the approval by the our board of directors and stockholders of certain actions, continued listing of our Common Stock on the Nasdaq Capital Market, the Nasdaq Global Market, the Nasdaq Global Select Market, or any successors to any of the foregoing, and Closing of the Purchase Agreement entered into by the Company as disclosed in Item 2 of this Report on Form 10-Q which is incorporated by reference into this Item 5, and contains customary representations, warranties and agreements of Lazar and the Purchasers, indemnification rights and other obligations of the parties.

## ITEM 6. EXHIBITS

| Exhibit No. | Exhibit Description |
| --- | --- |
| 10.1 | Securities Purchase Agreement, effective as of November 13, 2024, by and among the Company and the Investors (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on November 18, 2024). |
| 31.1 | CEO Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1 | CEO Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.† |
| 101.INS | XBRL Instance Document |
| 101.SCH | XBRL Taxonomy Extension Schema Document |
| 101.CAL | XBRL Taxonomy Calculation Linkbase Document |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB | XBRL Taxonomy Label Linkbase Document |
| 101.PRE | XBRL Taxonomy Presentation Linkbase Document |
| 104 | Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101). |

* In accordance with Rule 12b-32 under the Securities Exchange Act of 1934, as amended, reference is made to the documents previously filed with the Securities and Exchange Commission, which documents are hereby incorporated by reference.

** Compensation Plan or Arrangement.

† In accordance with Item 601(b)(32)(ii) of Regulation S-K, the certifications furnished in Exhibit 32.1 and Exhibit 32.2 hereto are deemed to accompany this Form 10-Q and will not be deemed "filed" for purposes of Section 18 of the Exchange Act. Such certifications will not be deemed to be incorporated by reference into any filings under the Securities Act or the Exchange Act, except to the extent that the registrant specifically incorporates it by reference.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

**MINIM, INC.**
(Registrant)

Date: November 19, 2024

By: */s/ David Lazar*
David Lazar
Chief Executive Officer and Chief Financial Officer of the Company
(on behalf of Registrant and as Principal Financial Officer)