

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

FORM 10-K

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

For the fiscal year ended December 31, 2022

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
(State or other jurisdiction
of incorporation or organization)

04-2621506
(I.R.S. Employer
Identification No.)

848 Elm Street, Manchester, New Hampshire 03101
(Address of Principal Executive Office) (Zip Code)

(617) 423-1072
(Registrant's telephone number, including area code)

Securities Registered Pursuant to Section 12 (b) of the Act:

<u>Title of Each Class</u>	<u>Trading Symbol</u>	<u>Name of Exchange on which Registered</u>
Common Stock, \$0.01 par value	MINM	The Nasdaq Capital Market

Securities Registered Pursuant to Section 12 (g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. Yes No

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 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. (Check one):

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

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

Based on the closing price as of June 30, 2022, which was the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of the common stock held by nonaffiliates of the registrant was \$9.6 million.

The number of shares outstanding of the registrant's common stock, \$0.01 par value, as of March 29, 2023 was 47,188,378 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Certain parts of Item 1 of Part 1, certain parts of Part 5, and Items 10, 11, 12, 13 and 14 of Part III of this Form 10-K incorporate information by reference from the definitive proxy statement for our 2023 annual meeting of stockholders, which is to be filed within 120 days after the end of the fiscal year ended December 31, 2022. Except with respect to the information specifically incorporated by reference in this Form 10-K, the Proxy Statement is not deemed to be filed as part hereof.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K, including the information contained in “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, as well as information contained in “Risk Factors” in Item 1A and elsewhere in this Annual Report on Form 10-K, contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. We intend that these forward-looking statements be subject to the safe harbors created by those provisions. In some cases, you can identify forward-looking statements by terms such as “may,” “will,” “should,” “could,” “would,” “expects,” “plans,” “anticipates,” “believes,” “estimates,” “projects,” “predicts,” “potential” and similar expressions intended to identify forward-looking statements. These statements are only predictions and involve known and unknown risks, to continue as a going concern uncertainties, and other factors that may cause our actual results, levels of activity, performance, or achievements to be materially different from any future results, levels of activity, performance, or achievements expressed or implied by such forward-looking statements. All statements other than historical facts are “forward-looking statements” for purposes of these provisions, including, but not limited to, any projections of earnings, revenues or other financial terms, any statements of plans or objectives of management for future operations, any statements regarding COVID-19, any statements concerning proposed new products or licensing or collaborative arrangements, any statements regarding future economic or performance, any statement of assumptions underlying any of the foregoing. These statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Factors that could cause or contribute to differences in our future financial results include, but are not limited to, risks associated with:

- our ability to predict revenue and reduce costs related to our products or service offerings;
- our ability to effectively manage our sales channel inventory and product mix to reduce excess inventory and lost sales;
- our ability to forecast product sales volumes and accordingly manufacture and manage inventory;
- 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;
- our business, financial condition and results of operations have been, and could in the future be, materially adversely affected by the ongoing COVID-19 pandemic or future pandemics.
- our ability to raise substantial additional capital to finance our planned operations and to continue as a going concern.
- fluctuations in the level or quality of inventory;
- the sufficiency of our capital resources and the availability of debt and equity financing;
- potential costs and senior management distraction associated with patent-related legal proceedings;
- our reliance on a limited number of customers, traditional and online retailers and distributors for a large portion of our revenue;
- the effect of changes in cable service providers’ pricing policies when customers supply their own modem;
- product liability claims related to consumer-grade home security and monitoring products could harm our competitive position, results of operation and financial condition;
- the effect of competing technologies and the potential decline in the demand for our products;
- our reliance on sole-sourced manufacturers and component producers for a substantial percentage of our products;
- the continuing impact of uncertain global economic conditions on the demand for our products;
- the impact of geopolitical instability on our business;
- fluctuations in foreign currency exchange rates that may adversely affect our business;

- capacity constraints in our Mexican operations could impact sales and hurt customer relationships;
- our reliance on an outsourcing partner in Mexico;
- our ability to succeed in the competitive home networking market;
- the development of new competitive technologies, products and services to meet customer demand;
- our ability to succeed in markets outside the United States (U.S.);
- our product quality, including any undetected hardware or software defects;
- our ability to maintain and scale adequate and secure software platform infrastructure;
- our ability to predict return rates and manage product returns;
- our ability to produce sufficient quantities of quality products due to reliance on third party manufacturers;
- the impact of long lead times for our products and the components used in our products;
- the impact of competition on demand for our products and services;
- the impact of changes in environmental and other regulations on our ability to obtain necessary certifications for our products and services;
- changes in laws or governmental regulations and industry standards impacting our products;
- our reliance on the continued service of key employees;
- our ability to protect our intellectual property and to operate without infringing the intellectual property of others.

Although we believe that the assumptions underlying the forward-looking statements contained in this Annual 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 I, 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.

As used in the Annual Report on Form 10-K, the terms "we," "us," "our," "Minim" and the "Company" mean Minim, Inc. and its wholly owned subsidiaries, unless the context indicates otherwise.

PART I

ITEM 1 – BUSINESS

Overview

Minim was founded in 1977 as a networking company and now delivers intelligent software to protect and improve the WiFi connections we depend on to work, learn, and live. Headquartered in Manchester, New Hampshire, Minim holds the exclusive global license to design, manufacture, and sell consumer networking products under the Motorola brand. Our cable and WiFi products, with an intelligent operating system and bundled mobile app, can be found in leading retailers and e-commerce channels in the United States (“U.S.”). 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.

Our mission is to make WiFi safe and supportive for everyone. We believe that to do this, we must develop and distribute connectivity software that delivers frequent network security updates, helpful apps, extensive personalization options, and a delightful interface. As people increasingly depend on their WiFi for streaming, working, learning, telemedicine, education, and potentially the Metaverse, our primary objective is to leverage trends and build upon our position as a leading provider of intelligent networking products. We can accomplish this by innovating advanced products with the latest connectivity standards and expanding our footprint both nationally and globally via top retailers, e-commerce platforms, and app stores.

As Minim has been investing in WiFi software development, cable modem products, including both cable modems and cable modem/routers (“gateways”), were Minim’s highest revenue product category between 2015 through 2022. Cable modems provide a high-bandwidth connection to the Internet through a cable service provider’s managed broadband network. Minim began shipping cable modems in 2000 and acquired a geographically-restricted license to sell Motorola-branded cable networking products in 2016. From 2016 through 2021, the Company sold networking products under its previously-owned ZOOM trademark as well as the Motorola brand. Minim’s primary means of distribution to end-users in the U.S., our primary market, is through national retailers, e-commerce platforms, and distributors. In response to demand for faster connection speeds, security by design, and increased functionality, we have invested and continue to invest resources to advance our cable modem product line.

Strategy Overview

Our strategy is to address the increasing demands of broadband users with advanced technology and build upon our position as a leading home networking product supplier in many of the largest U.S. high-volume retailers. The key pillars to our strategy are as follows:

Distribute high-margin software – Our cloud-based software is currently a companion to home networking equipment and has the potential to be distributed on its own. We are focused on transforming our established hardware sales into a platform for software distribution and have an ambitious roadmap to make it so much more. We believe quality WiFi software is a profit driver, lending to higher Average Selling Prices (ASPs) and the ability to form a lasting relationship with an end user for product upsells. In addition, our APIs allow third-party hardware vendors and ISPs to leverage Minim in their own products.

Customer-driven design – With continued investment in warranties and omni-channel customer service, we see our direct and frequent connection to end users as a market advantage that informs our product roadmap. The Company continues to invest in research and development with the latest connectivity standards— such as DOCSIS 3.1, WiFi 6 and 6E, EasyMesh, and 5G— to design advanced products while optimizing costs to maintain a healthy, price segmented portfolio. In 2021, the Company brought firmware development in-house (“MinimOS”) to accelerate product time-to-market and improve Quality of Experience; as part of this, Minim is now part of the widely supported TIP Open WiFi community.

Expand sales reach – We maintain strong sales channel relationships by delivering value-driven products in a way that complements, not challenges, our resellers’ profitability. We believe this is a competitive edge that affords us wider access to the total addressable market through both retailers and ISPs. As we invest in marketing and new product introductions to existing channels, we consider new market entrances.

Strengthen supply chain resiliency – The Company continues to adjust its manufacturing operations and delivery mechanisms to reduce operational costs. We continue to build supply chain diversity to improve our operational resiliency to geopolitical, weather-related, and market-based risks to our product supply.

Products

General

We are the creator of innovative Internet access products that dependably connect people to the information they need and the people they love. Our hardware portfolio includes: cable modems, cable modem/routers, mobile broadband modems, wireless routers, Multimedia over Coax Alliance (MoCA) adapters, and mesh home networking devices. Our SaaS platform includes: mobile applications, a web application, API suites, and an open-source embedded agent for networking devices.

We have sold home networking products under the globally-recognized Motorola brand, as well as under our previously owned ZOOM trademark. Our hardware and SaaS products are purchased by consumers to support and protect their family’s connected devices; ISPs to reduce support costs and increase revenue with digitally transformed support and value-added services; and by businesses to affordably support and secure satellite and remote worker networks.

The 2020 License Agreement applies to a wide range of products, including consumer grade cellular modems and gateways, DSL modems and gateways, and MoCA adapters for networking and home security products and services. In 2020, we extended our home networking product assortment with the launch of Motorola Mesh Router Systems and have since grown our mesh product line to include five systems including the latest generation of WiFi 6E technology. In total our catalog of hardware products has expanded to over twenty four home networking devices. In that same year, we started to enable our hardware with our Minim OS software, branded under the name Moto-Sync and providing consumers a whole home network solution.

Home Networking Hardware

Our networking hardware products connect homes and small offices to the Internet, create wireless networks, and extend the wireless signal. These products are now primarily available through retail and e-commerce channels in the U.S.

- *Modems and Modem/Routers (“Gateways”)*, which are devices that convert cable service into Internet connectivity for ethernet-only connection (modems) or ethernet and wireless connections (modem/routers). Minim’s primary cable modem sales from 2016 through 2021 were of Motorola brand products. We have obtained CableLabs® certification for our currently marketed cable modems, and these cable modems have also received a number of cable service provider certifications. Required by most service providers for interoperability on their networks, all modem and modem/router products must pass this lengthy, expensive, and technically challenging certification process. Minim plans to extend its DOCSIS 3.1 product line, adding high-performance modem/routers including WiFi 6 and mesh-capable routers.
- *Routers and Mesh Systems*, which are devices that create WiFi networks. Mesh WiFi systems extend the signal throughout a wider area than a single router can typically cover. In 2020, Minim launched its first mesh WiFi system and plans to extend its mesh and router portfolio with WiFi 6 and WiFi 6E capabilities.
- *Other Local Area Network Products*, which are devices that create, extend, or enhance a Local Access Network. Minim currently offers MoCA adapters, which provides an Ethernet connection over coaxial cable between a MoCA-capable router and connected devices.

SaaS

The Minim SaaS platform offers three core software components:

- *Minim mobile application* for end users to personalize and monitor their home and office network with features such as speed testing, data usage tracking, security alerts, malware blocking, privacy settings, parental controls.
- *Minim web application* that enables technical support representatives in ISPs and businesses to offer efficient remote support with network insights.
- *Minim API suite and MinimOS* for third-party hardware vendors, ISPs, and other partners to integrate with the Minim platform, leverage Minim functionality, and manage their own account data. A foundational component of our SaaS is an open-source embedded agent for integration with any third-party router firmware.

Products for Markets outside North America

The vast majority of our sales were in North America from 2015 through 2022 because the business predominantly sold cable modem and modem/router products, and the U.S. is by far the largest market for cable modems sold through retailers. However, we expect to see growth outside North America as we expand our customer base and portfolio of retail routers, mesh systems, and other local area network products under our worldwide Motorola brand license.

Networking hardware products for countries outside the U.S. typically differ from a similar product for the U.S. because of varied regulatory and certification requirements, country-specific phone jacks and AC power adapters, and language needs. As a result, the introduction of new products into markets outside North America can incur significant costs and time to market. We have planned product line enhancements to enable new market expansion. Most importantly for sales outside the U.S., we are working toward selling Motorola brand home networking hardware and SaaS products in Canada and Mexico.

Sales Channels

General

We sell our products primarily through high-volume retailers and distributors (“B2C”), Internet service providers, individual businesses (“B2B”), service providers, value-added resellers, PC system integrators, and Original Equipment Manufacturers (“OEMs”). We support our major accounts in their efforts to discern strategic directions in the market, to maintain appropriate inventory levels, and to offer a balanced selection of attractive products.

Relatively few customers account for a substantial portion of the Company's revenues. In 2022, two customers accounted for 10% or greater individually, and 87% in the aggregate of the Company's total net sales. At December 31, 2022, two customers with an accounts receivable balance of 10% or greater individually accounted for a combined 75% of the Company's accounts receivable. In 2021, two customers accounted for 10% or greater individually, and 92% in the aggregate of the Company's total net sales. At December 31, 2021, four customers with an accounts receivable balance of 10% or greater individually accounted for a combined 86% of the Company's accounts receivable.

Distributors and Retailers outside North America

In markets outside North America we sell and ship our hardware products primarily to distributors. Our SaaS is globally sold via licenses to ISPs and Resellers globally. We believe that sales growth outside North America will continue to require substantial additional investments of resources for product design and testing, regulatory certifications, native-language instruction manuals and software, packaging, sales support, and technical support. We have made this investment in the past for many countries, and we expect to make this investment for some countries and products in the future. However, we anticipate that the majority of sales in the next two years will come from North America, partly because the U.S. is one of the few countries with a robust retail cable modem market due to Federal regulations in the U.S. As we expand our product portfolio beyond cable modems and through Reseller relationships, we envision the proportion of our sales from countries outside the U.S. will increase.

North American High-volume Retailers and Distributors

In North America, we reach the retail market primarily through high-volume retailers. Our North American retailers include Best Buy, Micro Center, Target, Wal-Mart, and e-tail and e-commerce platforms including Amazon.

We sell significant quantities of our products through distributors, who often sell to corporate accounts, retailers, service providers, value-added resellers, equipment manufacturers, and other customers. Our North American distributors include D&H Distributing and Summit Growth Partners.

Internet Service Providers & Businesses

Minim works with over 140 ISPs and businesses with its subscription-based WiFi management and security software. Our solution enables challenger ISPs to better compete in the market with a premium WiFi solution while lowering operational costs with support call and onsite visit avoidance. For our business customers, our solution reduces the costs, deployment time, and risks to supporting and securing remote employee and satellite office networks. We are empowering the IT staff of our business customers to secure and support employee home networks and other small workspaces. Our customer base is primarily located in the US; however, we have customers all over the world, including Canada, the UK, and South Africa. In October 2022, the Company announced that it will exit from its ISP related business to focus on its core strategy.

OEM and Router Manufacturers

Our open-source embedded software agent enables third-party hardware vendors to integrate Minim in their networking devices, potentially to create a recurring revenue stream with our software services. Our system integrator and OEM customers sell our products under their own name or incorporate our products as a component of their systems. We seek to be responsive to the needs of these customers by providing on-time delivery of high-quality, reliable, cost-effective products with strong engineering and sales support.

Sales, Marketing and Support

In North America, we sell our Motorola, and Minim® products through a direct sales force and commissioned independent sales representatives to retailers; through channel resellers; and through electronics distributors.

We believe that Motorola is a widely recognized brand name, and we build upon this brand equity in a variety of ways, including: Amazon advertising, Google AdWords advertising, social media marketing and advertising, retailer cooperative advertising, product packaging, trade shows, and public relations. We promote Minim® brand awareness through similar means, as well as engaging in industry associations, content marketing, outbound sales development, analyst briefings, and open-source project contributions.

We develop quality products that are user-friendly and are designed to require minimal support. We typically support our claims of quality with product warranties of one to two years, depending upon the product. To address the needs of end-users and resellers who require assistance, we have our own staff of technical support specialists. They provide telephone support six days per week in English and Spanish and aim to continuously expand languages, availability, and support channels. Our technical support specialists also maintain a significant Internet support facility that includes email, firmware and software downloads, and a digital knowledgebase. Worldwide technical support is primarily handled from our Manchester, New Hampshire headquarters.

Research and Development

Our research and development efforts are focused on developing new products, enhancing the capabilities of existing products, and reducing production costs. We have developed close collaborative relationships with certain of our Original Design Manufacturer (“ODM”) suppliers and component suppliers. We work with these partners and other sources to identify and respond to emerging technologies and market trends by developing products that address these trends. We also develop all the hardware and firmware for certain products in-house, including some cellular modems and some future cellular sensors.

The Company’s research and development costs for the years ended December 31, 2022 and 2021 were \$5.8 million and \$6.2 million, respectively. As of December 31, 2022, we had thirty-five employees engaged primarily in research and development. Our research and development team performs hardware design and layout, mechanical design, prototype construction and testing, component specification, firmware and software development, product testing, foreign and domestic regulatory certification efforts, end-user and internal documentation, and third-party software selection and testing.

Manufacturing & Suppliers

Our products are currently designed for high-volume automated assembly to help assure reduced costs, rapid market entry, short lead times, and reliability. High-volume assembly mostly occurs in Vietnam or China. Our contract manufacturers and original design manufacturers typically obtain some or all of the components required to assemble the products based upon a Minim approved vendor list and parts list. Our manufacturers typically insert parts onto the printed circuit board, with most parts automatically inserted by machine, solder the circuit board, and test the completed assemblies. The contract manufacturer sometimes performs final packaging. For the U.S. and many other markets, packaging is often performed at our facilities in North America, allowing us to tailor the packaging and its contents for our customers immediately before shipping. This facility also performs warehousing, shipping, quality control, finishing and some software updates from time to time. We also perform circuit design, circuit board layout, and strategic component sourcing at our Boston area office. Wherever the product is built, our quality systems are used to help assure that the product meets our specifications.

Our North American facility is currently located in Tijuana, Mexico. From time to time, we experience certain challenges associated with the Tijuana facility, specifically relating to bringing products across the border between the U.S. and Mexico. We believe that this facility assists us in cost-effectively providing rapid response to the needs of our U.S. customers.

Historically, we have used one primary manufacturer for a given design. We sometimes maintain back-up production tooling at a second manufacturer for our highest-volume products. Our manufacturers are normally adequate to meet reasonable and properly planned production needs; but a fire, natural calamity, strike, financial problem, the impacts from the COVID-19 pandemic or another significant event at an assembler’s facility could adversely affect our shipments and revenues. In 2022, two suppliers provided 93% of our purchased inventory. The loss of these key suppliers, or a material adverse change in a key supplier’s business or in our relationship with a key supplier, could materially and adversely harm our business.

Our products include a large number of parts, most of which are available from multiple sources with varying lead times. However, most of our products include a sole-sourced chipset as the most critical component of the product. The vast majority of our cable modem chipsets come exclusively from Broadcom. Serious problems at Broadcom, including long chipset lead-times, would significantly reduce Minim’s shipments. Similar to many companies that use computer chips in their business, we also experienced supply chain issues in sourcing chips due to chipset shortages during 2021 and 2022. There can be no assurance that we will not experience such issues in the future.

We have experienced delays in receiving shipments of essential integrated circuits in the past, and we may experience such delays in the future. Moreover, we cannot assure that a chipset supplier will, in the future, sell chipsets to us in quantities sufficient to meet our needs or that we will purchase the specified dollar amount of products necessary to receive concessions and incentives from a chipset supplier. An interruption in a chipset supplier’s ability to deliver chipsets, a failure of our suppliers to produce chipset enhancements or new chipsets on a timely basis and at competitive prices, a material increase in the price of the chipsets, our failure to purchase a specified dollar amount of products or any other adverse change in our relationship with modem component suppliers could have a material adverse effect on our results of operations.

We are also subject to price fluctuations in our cost of goods. Our costs may increase if component shortages develop, lead-times stretch out, fuel costs rise, or significant delays develop due to labor-related issues.

We are also subject to the Restriction of Hazardous Substances Directive (“RoHS”) and Consumer Electronics Control (“CEC”) rules, which affect component sourcing, product manufacturing, sales, and marketing.

Competition

The Internet access and networking industries are intensely competitive and characterized by aggressive pricing practices, continually changing customer demand patterns, rapid technological advances, and emerging industry standards. These characteristics result in frequent introductions of new products with added capabilities and features, and continuous improvements in the relative functionality and price of modems and other communications products. Our operating results and our ability to compete could be adversely affected if we are unable to:

- successfully and accurately anticipate customer demand;
- manage our product transitions, inventory levels, and manufacturing processes efficiently;
- distribute or introduce our products quickly in response to customer demand and technological advances;
- differentiate our products from those of our competitors; or
- otherwise compete successfully in the markets for our products.

Some of our primary competitors by product group include the following:

- **Cable modem and modem/router competitors:** Belkin/Linksys, Commscope/Arris, D-Link, Hon Hai Network Systems (formerly Ambit Microsystems), Netgear, Sagemcom, Technicolor, TP-Link and Ubee Interactive.
- **Router and mesh WiFi competitors:** Amazon/Eero, Amped, Apple, Asus, Belkin/Linksys, D-Link, Google, Netgear, Securifi, Tenda, TP- Link, Trendnet, and Ubiquiti.
- **WiFi Management and Security:** AirTies, Cujo AI, Plume Design, SAM Seamless Network.

Many of our competitors and potential competitors have more extensive financial, engineering, product development, manufacturing, and marketing resources than we do.

The principal competitive factors in our industry include the following:

- product performance, features, reliability and quality of service;
- price;
- brand image;
- product availability and lead times;
- size and stability of operations;
- breadth of product line;
- sales and distribution capability, including retailer and distributor relationships;
- technical support and service;
- product documentation and product warranties;
- relationships with providers of broadband access services; and
- certifications evidencing compliance with various requirements.

We believe we are able to provide a competitive mix of the above factors for our products, particularly when they are sold through retailers, computer product distributors, small to medium sized Internet service providers, and system integrators. We have been less successful in selling directly to large telecommunication providers and other large providers of broadband access services.

Successfully penetrating the broadband modem market presents a number of challenges, including:

- the current limited retail market for broadband modems, as most consumer broadband users get their modem from their service provider;
- the relatively small number of cable, telecommunications and Internet service providers that make up the majority of the market for broadband modems in the U.S., our largest market;
- the significant bargaining power and market dominance of these large service providers;
- the time-consuming, expensive and uncertain certification processes of the various cable, mobile broadband service providers; and
- the strong relationships with service providers enjoyed by some incumbent equipment providers, including ARRIS for cable modems and Huawei for DSL and mobile broadband modems.

Intellectual Property Rights

We rely primarily on a combination of copyrights, trademarks, trade secrets and patents to protect our proprietary rights. We have trademarks and copyrights for our firmware (software on a chip), printed circuit board artwork, instructions, packaging, and literature, and intelligent software. We also have three active patents that expire in 2031. There cannot be any assurance that any patent application will be granted or that any patent obtained will provide protection or be of commercial benefit to us, or that the validity of a patent will not be challenged. Moreover, our means of protecting our proprietary rights may not be adequate and our competitors may independently develop comparable or superior technologies.

We license certain technologies used in our products, typically rights to bundled software, on a non-exclusive basis. In addition, we purchase chipsets that incorporate sophisticated technology. We have received, and may receive in the future, infringement claims from third parties relating to our products and technologies. We investigate the validity of these claims and, if we believe the claims have merit, we respond through licensing or other appropriate actions. Certain of these past claims have related to technology included in modem chipsets. We forward these claims to the appropriate vendor. If we or our component manufacturers were unable to license necessary technology on a cost-effective basis, we could be prohibited from marketing products containing that technology, incur substantial costs in redesigning products incorporating that technology, or incur substantial costs defending any legal action taken against it. Where possible we attempt to receive patent indemnification from chipset suppliers and other appropriate suppliers, but the extent of this coverage varies, and enforcement of this indemnification may be difficult and costly.

Human Capital

Minim is committed to attracting and retaining the brightest and best talent. Therefore, investing, developing, and maintaining human capital is critical to our success. Our effectiveness in attracting, developing, engaging and retaining talented team members demonstrates our commitment to providing a welcoming and safe workplace, with equitable compensation, benefits and opportunities for our team members to continually grow and develop their careers within Minim.

As of December 31, 2022, Minim had 93 employees. Thirty-five employees were engaged in research and development and quality control. Twelve employees were involved in operations, which manages production, inventory, purchasing, warehousing, freight, invoicing, shipping, collections, and returns. Thirty employees were engaged in sales, marketing, and customer technical support. Eleven employees performed executive, accounting, administrative, and management information systems functions. Our dedicated personnel in Tijuana, Mexico are employees of our Mexican service provider and not included in our headcount. On December 31, 2022, Minim had five consultants, one in research and development, one in operations, and three in sales and marketing, who are not included in our headcount.

Our culture and core values. We believe that by nurturing a strong culture based on our core values we are able to attract, hire, and retain a highly engaged team. Our cultural pillars – respect, transparency, community, accountability, collaboration – reflect the way we lead and work with one another internally as well as externally with our customers, partners, suppliers and other stakeholders. We seek to embed our core values to act responsibly and with integrity, to instill a sense of individual role and purpose at Minim, and to communicate openly and honestly. Our culture of respect and collaboration is intended to create an inclusive working environment and inclusive engagement with our stakeholders; our culture to create encourages innovation from a diversity of experiences, backgrounds and characteristics; and our culture to communicate encourages open and honest discussion. Everything we do, we do with a deep regard for each other, our customers, and our shareholders. We show our respect for each customer’s decision to welcome Minim into their home by taking extra care to ensure our products make their connected homes safer and easier to use for life and work.

Our Board of Directors, through our Compensation Committee, provides oversight on employee matters. The Compensation Committee receives updates on activities, strategies and initiatives related to our employees.

We are committed to diversity and inclusion as a core focus of our human capital strategy. We embrace differences, diversity and varying perspectives amongst our employee base, and are proud to be an equal opportunity employer. We do not discriminate based on race, religious creed, color, national origin, ancestry, physical disability, mental disability, medical condition, genetic information, marital status, sex, gender, gender identity, gender expression, age, military or veteran status, sexual orientation or any other protected characteristic established by federal, state or local laws. A diverse workforce, as well as an inclusive culture and work environment, are fundamentally important and strategic to us, beginning with our Board of Directors and extending to all levels of the organization.

Corporate Information

We are incorporated in Delaware under the name Minim, Inc. Minim, Inc. was originally incorporated in New York in 1977 and changed its state of incorporation to Delaware in 1993. Cadence Connectivity, Inc., a wholly owned subsidiary of Minim, Inc., is a corporation organized in Delaware. MTRLC LLC, a wholly owned subsidiary of Minim, Inc., is a limited liability company organized in Delaware that focuses on the sale of our Motorola brand products. Our common stock is traded on the Nasdaq Capital Market (“Nasdaq”) under the symbol MINM. Our principal executive offices are located at 848 Elm Street, Manchester, NH 03101, and our telephone number is (617) 423-1072. Our main website is www.Minim.com. Information contained on our website does not constitute part of this report. Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to such reports are available, free of charge, on our website home page as soon as reasonably practicable after we electronically file such materials with, or furnish them to, the Securities and Exchange Commission (“SEC”). Copies of the materials filed by the Company with the SEC are also available on the SEC’s website at www.sec.gov. A copy of our Code of Conduct and Ethics is posted on our website at ir.Minim.com. Any changes to or waiver from, this Code of Conduct and Ethics will be posted on that website.

ITEM 1A. – RISK FACTORS

Risks Related to Our Business

There is substantial doubt about our ability to continue as a going concern, which may affect our ability to obtain future financing and may require us to curtail or cease our operations.

Our consolidated financial statements as of December 31, 2022 were prepared under the assumption that we will continue as a going concern. At December 31, 2022, we had cash and cash equivalents of \$530 thousand. We estimate that our existing cash resources will not be sufficient to fund our operations into the first quarter of 2024. 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. Our independent registered public accounting firm expressed substantial doubt as to our ability to continue as a going concern in its report dated March 31, 2023 included elsewhere in this Form 10-K.

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 audited financial statements, and it is likely that investors will lose all or part of their investment. When we seek additional financing to fund our business activities as a result of the substantial doubt about our ability to continue as a going concern, investors or other financing sources may be unwilling to provide additional funding to us on commercially reasonable terms or at all.

COVID-19 pandemic has had and may likely continue to adversely affect our business.

The COVID-19 global pandemic and related mitigation measures taken by many countries have materially adversely affected and could in the future materially adversely impact our business. During the course of the pandemic, we have experienced disruptions to the supply chain and transportation network, including lockdowns, port closures and congestion, reduced availability of air and ground transport labor and vehicles, increased border controls or closures, schedule changes, shipping delays and shortages in freight capacity, and similar disruptions could occur in the future. These disruptions have led to significant limitations on the availability of key transportation resources and has negatively impacted our ability to ship volume predictably and on a lower cost basis, particularly when we experienced significant increases in the cost of ocean freight and air freight due to the pandemic. A large concentration of electrical and mechanical components that go into our products are manufactured in China and when factory lockdowns occurred in China, it has materially and adversely affected our manufacturing partners and component suppliers in that area and negatively impacts our profitability as we seek to transport an increased number of products from manufacturing locations in Asia to North America as quickly as possible. As the COVID-19 pandemic continues to evolve, together with shifting measures taken by countries in response, it is difficult to predict how the supply chain and transportation network will be impacted. If worker illnesses, government shutdowns or other workforce interruptions occur and cause disruptions to our supply chain and transportation network, our business could be materially adversely impacted.

The COVID-19 pandemic has increased demand uncertainty, which has led to unexpected results of operations. During the COVID-19 pandemic, we experienced a significant increase in demand for our cable modems and gateway products due to consumers responding to work-from-home and shelter-in-place measures. As vaccines become widely available and consumers return to work or school and the impact of the COVID-19 pandemic lessens, this increase in demand began to subside. If this demand subsides at a rapid pace, our net sales, profitability and other financial results could be adversely affected. This increase in demand has also put strain on our manufacturing partners, suppliers and logistics partners to produce and deliver a sufficient number of products to meet this demand. In particular, the limited and delayed availability of certain key components for our products, such as specialized chipsets, significantly constrains our ability to meet the increased consumer demand and over the course of the past year, we have seen lead times for some of these key components increase dramatically up to 52 weeks. This in turn puts pressure on our ability to accurately forecast and increases the likelihood that the accuracy of such forecasts will be lower, which could materially adversely affect our financial results. If we were to experience weakened demand in products, our net sales, profitability and other financial results would be materially adversely impacted.

The COVID-19 pandemic has caused us to modify our business practices, including employee travel, employee work locations, cancellation of physical participation in meetings, events and conferences, and social distancing measures. We may take further actions as may be required by government authorities or that we determine are in the best interests of our employees, customers, partners, vendors, and suppliers. Work-from-home and other measures introduce additional operational risks, including cybersecurity risks and have affected the way we conduct our product development, testing, customer support, and other activities, which could have an adverse effect on our operations. Furthermore, we rely on third-party laboratories to test and certify our products. If these service providers close or reduce staffing, it could delay our product development efforts. There is no certainty that such measures will be sufficient to mitigate the risks posed by the virus, and illness and workforce disruptions could lead to unavailability of key personnel and harm our ability to perform critical functions. In addition, work-from-home and related business practice modifications present challenges to maintaining our corporate culture, including employee engagement and productivity, both during the immediate pandemic crisis and as we make additional adjustments in the eventual transition from it.

The degree to which COVID-19 impacts our results will depend on future developments, which are highly uncertain and cannot be predicted, including how quickly and to what extent normal economic and operating conditions can resume. We are similarly unable to predict the degree to which the pandemic impacts our customers, suppliers, vendors, and other partners, and their financial conditions, but a material effect on these parties could also adversely affect us. The impact of COVID-19 can also exacerbate other risks discussed below, which could in turn have a material adverse effect on us. Developments related to COVID-19 have been rapidly changing, and additional impacts and risks may arise that we are not aware of or able to appropriately respond to currently. Should the COVID-19 situation or global economic slowdown not improve or worsen, or if our attempts to mitigate its impact on our operations and costs are not successful, our business, results of operations, financial condition and prospects may be adversely affected.

If disruptions in our transportation network occur or our shipping costs substantially increase, we may be unable to sell or timely deliver our products, and our gross margins could decrease.

We are highly dependent upon the transportation systems we use to ship our products, including vessel, air, and ground freight. Our attempts to closely match our inventory levels to our product demand intensify the need for our transportation systems to function effectively and without delay. The outbreak of the COVID-19 pandemic led to limitations on the availability of key transportation resources and an increase in the cost and duration of air and ocean freight. These developments negatively impact our profitability as we seek to transport products from manufacturing locations in Asia to the U.S. market. The transportation network is subject to disruption or congestion from a variety of causes, including labor disputes and port strikes, acts of war or terrorism, natural disasters, pandemics, and congestion from higher shipping volumes. Transport delays in our product could materially and adversely affect our business and financial results, including revenue and profitability shortfalls. Although transportation availability and durations improved and costs of transportation began to decrease in the second half of 2022, there is a significant degree of uncertainty. While transportation costs decreased and transportation availability and duration have improved recently, if the transportation network has significant cost increases or availability limitations again, it would severely disrupt our business and harm our operating results, including our profitability.

We obtain several key components from limited or sole sources, and if these sources fail to satisfy our supply requirements or we are unable to properly manage our supply requirements with our third-party manufacturers, we may lose sales and experience increased component costs.

Any shortage or delay in the supply of key product components, or any sudden, unforeseen price increase for such components, would harm our ability to meet product deliveries as scheduled or as budgeted. Many of the semiconductors used in our products are obtained from sole source suppliers on a purchase order basis. Semiconductor suppliers have experienced and continue to experience component shortages themselves, which in turn adversely impact our ability to procure semiconductors from them in sufficient quantities and in a timely manner. Our third-party manufacturers generally purchase these components on our behalf on a purchase order basis, and we do not have any guaranteed supply arrangements with our suppliers. If demand for a specific component increases, we may not be able to obtain an adequate number of that component in a timely manner, and prices to obtain such components may increase. In addition, if worldwide demand for the components increases significantly, the availability of these components could be limited and prices for such components may increase. Also, many standardized components used broadly in electronic devices are manufactured in significant quantities in concentrated geographic regions, particularly in China. As a result, protracted crises such as a global pandemic could lead to eventual shortages of necessary components sourced from impacted regions. Additionally, government intervention to reduce the consumption of electricity in China could have a disruptive impact on component production and supply availability. It could be difficult, costly, and time consuming to obtain alternative sources for these components, or to change product designs to make use of alternative components. In addition, difficulties in transitioning from an existing supplier to a new supplier could create delays in component availability that would have a significant impact on our ability to fulfill our orders for our products.

If we are unable to obtain sufficient supply of components, or if we experience an interruption in the supply of components, our product shipments could be reduced or delayed or our cost of obtaining these components may increase. Component shortages and delays affect our ability to meet scheduled product deliveries, damage our brand and reputation in the market, and cause us to lose sales and market share. At times, we may elect to purchase components in the direct market, which may be more expensive and may result in reduced margins.

If we do not effectively manage our sales channel inventory and product mix, we may incur costs associated with excess inventory, or lose sales from having too few products.

We determine production levels based on our forecasts of demand for our products. Actual demand for our products depends on many factors, which makes it difficult to forecast. We have experienced differences between our actual demand and our forecasted demand in the past and expect differences to arise in the future. If we improperly forecast demand for our products, we could end up with too many products and be unable to sell the excess inventory in a timely manner, if at all, or alternatively, we could end up with too few products and not able to satisfy demand. This problem is exacerbated because we attempt to closely match inventory levels with product demand leaving limited margin for error. If these events occur, we could incur increased expenses associated with writing off excessive or obsolete inventory, lose sales, incur penalties for later delivery, or have to ship products by air freight, a higher cost transportation mode, to meet immediate demand, and suffering a corresponding decline in gross margins.

If we fail to continue to introduce or acquire new products and services that achieve broad market acceptance on a timely basis, we will not be able to compete effectively and we will be unable to increase or maintain net sales and gross margins.

We operate in a highly competitive, quickly changing environment, and our future success depends on our ability to develop and introduce new products and services that achieve broad market acceptance. Our future success will depend in large part upon our ability to identify demand trends in the consumer, business and service provider markets, and to quickly develop or acquire, and manufacture and sell products and services that satisfy these demands in a cost-effective manner. In order to differentiate our products from our competitors' products, we must continue to increase our focus and capital investment in research and development, including software development for our products and complementary services and applications. If these products do not continue to maintain or achieve widespread market acceptance, our future growth may be slowed, and our financial results could be harmed. Also, as the mix of our business increasingly includes new products and services that require additional investment, this shift may adversely impact our margins, at least in the near-term. Successfully predicting demand trends is difficult, and it is very difficult to predict the effect that introducing a new product will have on existing product sales. We will also need to respond effectively to new product announcements by our competitors by quickly introducing competitive products.

We have experienced delays and quality issues in releasing new products in the past, which resulted in lower quarterly net sales than expected. In addition, we have experienced, and may in the future experience, product introductions that fall short of our projected rates of market adoption. Internet reviews of our products are increasingly becoming a significant factor in the success of our new product launches. If we are unable to quickly respond to negative reviews, including end user reviews posted on various prominent online retailers, our ability to sell these products will be harmed. Any future delays in product development and introduction, or product introductions that do not meet broad market acceptance, or unsuccessful launches of new product lines could result in:

- loss of or delay in revenue and loss of market share;
- negative publicity and damage to our reputation and brand;
- a decline in the average selling price of our products;
- adverse reactions in our sales channels, such as reduced shelf space, reduced product visibility, or loss of sales channels; and
- increased levels of product returns.

Throughout the past few years, we have significantly increased the rate of our new product introductions. If we cannot sustain that pace of product introductions, either through rapid innovation of new products, we may not be able to maintain or increase the market share of our products. In addition, if we are unable to successfully introduce new products with higher gross margins, or if we are unable to improve the margins on our previously introduced and rapidly growing product lines, our net sales and overall gross margin would likely decline.

We depend substantially on our sales channels, and our failure to maintain and expand our sales channels would result in lower sales and reduced net sales.

To maintain and grow our market share, net sales and brand, we must maintain and expand our sales channels. Our sales channels consist of traditional retailers, online retailers, and wholesale distributors. We generally have no minimum purchase commitments or long-term contracts with any of these third parties.

Traditional retailers have limited shelf space and promotional budgets, and competition is intense for these resources. If the networking sector does not experience sufficient growth, retailers may choose to allocate more shelf space to other consumer product sectors. A competitor with more extensive product lines and stronger brand identity may have greater bargaining power with these retailers. Any reduction in available shelf space or increased competition for such shelf space would require us to increase our marketing expenditures simply to maintain current levels of retail shelf space, which would harm our operating margin. Our traditional retail customers have faced increased and significant competition from online retailers. Further, the COVID-19 pandemic has accelerated the shift to a greater percentage of purchases taking place online versus traditional retail customers. If we cannot effectively manage our business amongst our online customers and traditional retail and online retail customers, our business would be harmed. The recent trend in the consolidation of online retailer channels has resulted in intensified competition for preferred product placement, such as product placement on an online retailer's Internet home page. We compete with established companies that have longer operating histories and longstanding relationships with traditional retailers that we would find highly desirable as sales channel partners.

We must also continuously monitor and evaluate emerging sales channels. If we fail to establish a presence in an important developing sales channel, our business could be harmed.

We depend on large, recurring purchases from certain significant customers, and a loss, cancellation or delay in purchases by these customers could negatively affect our revenue.

The loss of recurring orders from any of our more significant customers could cause our revenue and profitability to suffer. Our ability to attract new customers will depend on a variety of factors, including the cost-effectiveness, reliability, scalability, breadth and depth of our products. In addition, a change in the mix of our customers, or a change in the mix of direct and indirect sales, could adversely affect our net sales and gross margins.

Although our financial performance may depend on large, recurring orders from certain customers and resellers, we do not generally have binding commitments from them. For example:

- our reseller agreements generally do not require substantial minimum purchases;
- our customers can stop purchasing and our resellers can stop marketing our products at any time; and
- our reseller agreements generally are not exclusive.

Further, our revenue may be impacted by significant one-time purchases which are not contemplated to be repeatable. While such purchases are reflected in our financial statements, we do not rely on and do not forecast for continued significant one-time purchases. As a result, lack of repeatable one-time purchases will adversely affect our revenue.

Because our expenses are based on our sales forecasts, a substantial reduction or delay in sales of our products to, or unexpected returns from, customers and resellers, or the loss of any significant customer or reseller, could harm or otherwise have a negative impact to our operating results. Although our largest customers may vary from period to period, we anticipate that our operating results for any given period will continue to depend on large orders from a small number of customers.

Our license agreements with Motorola have risks, including risks associated with our ability to successfully generate Motorola sales that are large enough to make our Motorola business profitable after we pay the minimum annual royalty payments required by the license agreements. Our failure to successfully increase Motorola sales could have a material effect on our liquidity and financial results.

A substantial amount of our net sales are generated by sales of products sold under our agreements to exclusively license the Motorola brand trademark for use with such products, which expires December 31, 2025. In connection with this opportunity, Minim has an aggressive plan to continue to introduce new Motorola brand products. Our product development plan has and will continue to increase our costs and may result in cost overruns and delays. If our sales of Motorola brand products do not meet our forecasts, this may result in excess inventory and a shortage of cash. In addition, each of the license agreements includes significant minimum quarterly royalty payments due by Minim. If we are unable to sell a sufficient number of Motorola brand products to offset these minimum royalty payments, our net income and cash position will be reduced, and we may continue to experience losses. There are provisions in both license agreements that could cause expiration at an earlier date. If our license agreements with Motorola were to be terminated for any reason, our net sales would be materially adversely affected.

We may require additional funding, which may be difficult to obtain on favorable terms, if at all.

Over the next 12 months we may require additional funding if, for instance, we buy inventory and develop products in anticipation of significant Motorola sales, if our sales are lower than forecast, or if we continue to experience losses. On March 12, 2021, and subsequently amended on November 2, 2021 and December 12, 2022, we entered into a new loan and security agreement with Silicon Valley Bank (“SVB Loan Agreement”), which provides for a revolving facility up to a principal amount of \$10.0 million. The availability of borrowings under the SVB Loan Agreement is subject to certain conditions and requirements. Under the terms of the SVB Loan Agreement, Silicon Valley Bank has the right to decrease the borrowing base 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. It is not certain whether all or part of this line of credit will be available to us in the future; and other sources of financing may not be available to us on a timely basis if at all, or on terms acceptable to us. If we fail to obtain acceptable additional financing when needed, we will not have sufficient resources to fund our normal operations; and this could have a material adverse effect on our business. The term of the SVB Loan Agreement and Bridge Loan Agreement both expire on January 15, 2024, and we will have to refinance the SVB Loan Agreement and Bridge Loan Agreement prior to the expiration date.

We have our bank accounts and revolving facility with Silicon Valley Bank, which is currently in receivership by the Federal Deposit Insurance Corporation (“FDIC”).

On March 10, 2023, Silicon Valley Bank (“SVB”) was closed by the California Department of Financial Protection and Innovation, which appointed the FDIC as receiver. On March 13, 2023, the FDIC announced that it had transferred all deposits – both insured and uninsured – and substantially all assets of the former SVB to a newly created, full-service FDIC-operated “bridge bank” called Silicon Valley Bridge Bank, N.A. We hold our bank accounts and revolving facility up to \$10.0 million with SVB. On March 13, 2023, our bank accounts and revolving facility were made available. Our SVB Loan Agreement requires us to maintain our banking with SVB. If events involving limited liquidity, defaults, non-performance or other adverse developments that affect financial institutions or the financial services industry generally, as have in the past, such as with SVB, and may in the future, then such events may lead to market-wide liquidity problems. If Silicon Valley Bridge Bank enter receivership or become insolvent in the future in response to financial conditions affecting the banking system and financial markets, our ability to access our cash and cash equivalents may be threatened and could have a material adverse effect on our business and financial condition.

Our management has concluded that our disclosure controls and procedures and internal control over financial reporting are ineffective due to the existence of a material weakness in our internal control over financial reporting. If we are unable to establish and maintain effective disclosure controls and internal control over financial reporting, our ability to produce accurate financial statements on a timely basis could be impaired, and the market price of our securities may be negatively affected.

A material weakness (as defined in Rule 12b-2 under the Exchange Act) is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of a company’s annual or interim financial statements will not be prevented or detected on a timely basis. We carried out an evaluation, under the supervision and with the participation of management, of the effectiveness of the design and operation of our disclosure controls and procedures and internal control over financial reporting as of December 31, 2022. Based upon this evaluation, management has identified a deficiency related to adequate independent reviews and maintenance of effective controls related to the timely preparation and independent reviews of account analyses, account summaries and account reconciliations. These internal control failures resulted in material adjustments to properly state expense, inventory, deferred revenue, accrued expenses, accounts receivables and revenues as of and for the year ending December 31, 2022. These internal control failures resulted in material adjustments required to properly state the respective balances as of December 31, 2022.

Our business strategy includes significant growth plans, and our financial condition and results of operations could be negatively affected if we fail to grow or fail to manage our growth effectively.

We intend to pursue an organic growth strategy for our business; however, we regularly evaluate potential acquisitions and expansion opportunities. If appropriate opportunities present themselves, we expect to engage in selected acquisitions and other business growth initiatives or undertakings. There can be no assurance that we will successfully identify appropriate opportunities, that we will be able to negotiate or finance such activities or that such activities, if undertaken, will be successful. There are risks associated with our growth strategy. To the extent that we grow through acquisitions, we cannot ensure that we will be able to adequately or profitably manage this growth. Our existing operations, personnel, systems and internal control may not be adequate to support our growth and expansion and may require us to make additional unanticipated investments in our infrastructure. Acquiring other companies or other assets, as well as other expansion activities, involves various risks including the risks of incorrectly assessing the value of acquired assets, encountering greater than expected costs of integrating, the risk of loss of customers and/or employees of the acquired business, executing cost savings measures, not achieving revenue enhancements and otherwise not realizing the transaction’s anticipated benefits. Our ability to address these matters successfully cannot be assured. In addition, our strategic efforts may divert resources or management’s attention from ongoing business operations, may require investment in integration and in development and enhancement of additional operational and reporting processes and controls.

Our growth initiatives may also require us to recruit and retain experienced personnel to assist in such initiatives. Accordingly, the failure to identify and retain such personnel would place significant limitations on our ability to successfully execute our growth strategy.

If we do not successfully execute our acquisition growth plan, it could adversely affect our business, financial condition, results of operations, reputation and growth prospects. In addition, if we were to conclude that the value of an acquired business had decreased and that the related goodwill had been impaired, that conclusion would result in an impairment of goodwill charge, which would adversely affect our results of operations. While we believe we will have the executive management resources and internal systems in place to successfully manage our future growth, there can be no assurance growth opportunities will be available or that we will successfully manage our growth.

We may be unsuccessful in integrating the operations of the business we have acquired or expect to acquire in the future.

From time to time, we may acquire businesses, assets, or securities of companies that we believe will provide a strategic fit with our business. We integrate acquired businesses with our existing operations; our overall internal control over financial reporting processes; and our financial, operations, and information systems. If the financial performance of our business, as supplemented by the assets and businesses acquired, does not meet our expectations, it may make it more difficult for us to service our debt obligations and our results of operations may fail to meet market expectations. We may not effectively assimilate the business or product offerings of acquired companies into our business or within the anticipated costs or timeframes, retain key customers and suppliers or key employees of acquired businesses, or successfully implement our business plan for the combined business. In addition, our final determinations and appraisals of the estimated fair value of assets acquired and liabilities assumed in our acquisitions may vary materially from earlier estimates and we may fail to realize fully anticipated cost savings, growth opportunities or other potential synergies. We cannot assure that the fair value of acquired businesses or investments will remain constant.

Our reliance on a small number of customers for a large portion of our revenues could materially harm our business and prospects.

Relatively few customers account for a substantial portion of the Company’s revenues. In 2022, two customers accounted for 10% or greater individually, and 87% in the aggregate of the Company’s total net sales. At December 31, 2022, two customers with an accounts receivable balance of 10% or greater individually accounted for a combined 75% of the Company’s accounts receivable. In 2021, two customers accounted for 10% or greater individually, and 92% in the aggregate of the Company’s total net sales. At December 31, 2021, four customers with an accounts receivable balance of 10% or greater individually accounted for a combined 86% of the Company’s accounts receivable.

Our customers generally do not enter into long-term agreements obligating them to purchase our products. Because of our significant customer concentration, our net sales and operating income could fluctuate significantly due to changes in political or economic conditions or the loss of, reduction of business with, or less favorable terms for

any of our significant customers. The loss of one or more of our largest customers, the failure of such customers to pay amounts due to us, or a material reduction in the amount of purchases made by such customers could have a material adverse effect on our business, financial position, results of operations and cash flows.

The market for Internet access products and services has many competing technologies, and the demand for certain of our products and services is declining.

If we are unable to grow demand for our broadband and dial-up modems or other products, we may be unable to sustain or grow our business. The market for high-speed communications products and services has a number of competing technologies. For instance, Internet access can be achieved by using a standard telephone line with an appropriate modem and dial-up or DSL service; using a cable TV line with a cable modem and cable modem service; or using a mobile broadband modem and mobile broadband service. We currently sell products that include all these technologies. The introduction of new products by competitors, market acceptance of competing products based on new or alternative technologies, or the emergence of new industry standards have in the past rendered and could continue to render our products less competitive or even obsolete.

Our reliance on sole suppliers or limited sources of supply could materially harm our business.

We obtain certain key parts, components, and equipment from sole or limited sources of supply. In 2022, the Company had two suppliers that provided 93% of the Company's purchased inventory. In 2021, the Company had one supplier that provided 97% of the Company's purchased inventory. Also, as examples, the vast majority of our broadband modems use Broadcom chipsets and the vast majority of our dial-up modems use Conexant chipsets. The loss of the products or services of any of our significant suppliers or a material change in their business or their relationship with us could harm our business and operating results. Similar to many companies that use computer chips in their business experienced supply chain issues in sourcing chips due to a chip shortage, we also experienced issues in 2022 and 2021 resulting from component delays or unavailability of chips. There can be no assurance, however, that we will not experience such issues in the future. We have experienced delays in receiving shipments of essential integrated circuits during other past periods, and we may experience such delays in the future. Moreover, we cannot assure you that a chipset supplier will, in the future, sell chipsets to us in quantities sufficient to meet our needs or that we will purchase the specified dollar amount of products necessary to receive concessions and incentives from a chipset supplier. An interruption in a chipset supplier's ability to deliver chipsets, a failure of our suppliers to produce chipset enhancements or new chipsets on a timely basis and at competitive prices, a material increase in the price of the chipsets, our failure to purchase a specified dollar amount of products or any other adverse change in our relationship with modem component suppliers could have a material adverse effect on our results of operations. In the past we have experienced long lead-times and significant delays in receiving shipments of modem chipsets from our sole source suppliers. We may experience similar delays in the future. In addition, some products may have other components that are available from only one source. If we are unable to obtain a sufficient supply of components from our current sources, we would experience difficulties in obtaining alternative sources or in altering product designs to use alternative components. Resulting delays or reductions in product shipments could damage relationships with our customers, and our customers could decide to purchase products from our competitors. Inability to meet our customers' demand or a decision by one or more of our customers to purchase products from our competitors could harm our operating results.

We believe that our future success will depend in large part on our ability to more successfully penetrate the broadband modem markets, which have been challenging markets, with significant barriers to entry.

We believe that our future success depends in large part on our ability to penetrate the broadband modem markets including cable and mobile broadband. These markets have significant barriers to entry. Although some cable, and mobile broadband modems are sold at retail, the high-volume purchasers of these modems are concentrated in a relatively few large cable, telephone and mobile broadband service providers which offer broadband modem services to their customers. These customers, particularly cable and mobile broadband services providers, also have extensive and varied certification processes for modems to be approved for use on their network. Obtaining these certifications is expensive and time consuming, and the certification processes continue to evolve. Successfully penetrating the broadband modem market therefore presents a number of challenges including: the current limited retail market for broadband modems; the relatively small number of cable, telecommunications and Internet service provider customers that make up the bulk of the market for broadband modems in certain countries, including the U.S.; the significant bargaining power of these large volume purchasers; the time consuming, expensive, uncertain and varied certification process of the various cable service providers; the savings, if any, offered to customers who use their own modem instead of one supplied by the service provider; and the strong relationships with cable service providers enjoyed by incumbent cable equipment providers like Arris.

If we fail to meet changing customer requirements and emerging industry standards, there would be an adverse impact on our ability to sell our products and services.

The market for Internet access products and services is characterized by aggressive pricing practices, continually changing customer demand patterns, rapid technological advances, emerging industry standards and short product life cycles. Some of our product and service developments and enhancements have taken longer than planned and have delayed the availability of our products and services, which adversely affected our sales and profitability in the past. Any significant delays in the future may adversely impact our ability to sell our products and services, and our results of operations and financial condition may be adversely affected. Our future success will depend in large part upon our ability to: identify and respond to emerging technological trends and industry standards in the market; develop and maintain competitive products that meet changing customer demands; enhance our products by adding innovative features that differentiate our products from those of our competitors; bring products to market on a timely basis; introduce products that have competitive prices; manage our product transitions, inventory levels and manufacturing processes efficiently; respond effectively to new technological changes or new product announcements by others; meet changing industry standards; distribute our products quickly in response to customer demand; and compete successfully in the markets for our new products. These factors could also have an adverse effective on our operating results.

Our product cycles tend to be short and we may incur significant non-recoverable expenses or devote significant resources to sales that do not occur when anticipated. Therefore, the resources we devote to product development, sales and marketing may not generate material net sales for us. In addition, short product cycles have resulted in and may in the future result in excess and obsolete inventory, which has had and may in the future have an adverse effect on our results of operations. In an effort to develop innovative products and technology, we have incurred and may in the future incur substantial development, sales, marketing, and inventory costs. If we are unable to recover these costs, our financial condition and results could be adversely affected. In addition, if we sell our products at reduced prices in anticipation of cost reductions and we still have higher cost products in inventory, our business would be harmed, and our results of operations and financial condition would be adversely affected.

Our operations are subject to a number of risks that could harm our business.

Currently, our business is significantly dependent on our operations outside the U.S., particularly the production of substantially all of our products. For the fiscal year ending December 31, 2022, sales outside North America were only 0.8% of our net sales. However, almost all of our manufacturing operations are now located outside of the U.S.. The inherent risks of international operations could harm our business, results of operation, and liquidity. For instance, our operations in Mexico are subject to the challenges and risks associated with international operations, including those related to integration of operations across different cultures and languages, and economic, legal, political and regulatory risks. In addition, fluctuations in the currency exchange rates have had, and may continue to have, an adverse effect on our financial results. The types of risks faced in connection with international operations include, among others: regulatory and communications requirements and policy changes; currency exchange rate fluctuation, including changes in value of the Vietnamese dong, Chinese renminbi, and Mexican peso relative to the U.S. dollar; cultural differences; reduced control over staff and other difficulties in staffing and managing foreign operations; reduced protection for intellectual property rights in some countries; political and economic changes and disruptions; governmental currency controls; shipping costs; strikes and work slowdowns at ports or other locations in the supply path; and import, export, and tariff regulations. Almost all of our products are built in Vietnam, mainland China or Taiwan, so these products are subject to numerous risks including currency risk and economic, legal, political and regulatory risks. Additionally, the U.S. government has instituted or proposed other changes in trade policies that include the negotiation or termination of trade agreements economic sanctions on individuals, corporations or countries, and other government regulations affecting trade between the U.S. and other countries where we conduct our business. It may be time-consuming and expensive for us to alter our business operations in order to adapt to or comply with any such changes. If the U.S. were to withdraw from or materially modify international trade agreements to which it is a party, or if tariffs were imposed or raised on the products sourced from outside the U.S. that we buy, our costs for such products could increase significantly, which in turn could have a material adverse effect on our business, financial condition and results of operations.

If we fail to effectively manage our inventory levels, there could be a material and adverse effect on our liquidity and our business.

Due to rapid technological change and changing markets, we are required to manage our inventory levels carefully to both meet customer expectations regarding delivery times and to limit our excess inventory exposure. In the event we fail to effectively manage our inventory, our liquidity may be adversely affected and we may face increased risk of inventory obsolescence, a decline in market value of the inventory, or losses from theft, fire, or other casualty.

We may be unable to produce sufficient quantities of our products because we depend on third-party manufacturers. If these third-party manufacturers fail to produce quality products in a timely manner, our ability to fulfill our customer orders would be adversely impacted.

We use contract manufacturers and original design manufacturers for electronics manufacturing of most of our products. We use these third-party manufacturers to help ensure low costs, rapid market entry and reliability. Any manufacturing disruption could impair our ability to fulfill orders, and a failure to fulfill orders would adversely affect our sales. Although we currently use four electronics manufacturers for the bulk of our purchases, in some cases a given product is only provided by one of these companies. The loss of the services of any of our significant third-party manufacturers or a material adverse change in the business of or our relationships with any of these manufacturers could harm our business. Since third parties manufacture our products and we expect this to continue in the future, our success will depend, in part, on the ability of third parties to manufacture our products cost effectively and in sufficient quantities to meet our customer demand.

We are subject to the following risks because of our reliance on third-party manufacturers: reduced management and control of component purchases; reduced control over delivery schedules, quality assurance, manufacturing yields, and labor practices; lack of adequate capacity during periods of excess demand; limited warranties on products supplied to us; potential increases in prices; interruption of supplies from assemblers as a result of a fire, natural calamity, global health pandemic, strike or other significant event; and misappropriation of our intellectual property.

Our cable modem sales may be significantly reduced due to long lead-times.

During 2022, approximately 95.7% of net sales were cable and other broadband modems. These products have experienced long lead-times due to certain component production lead-times of up to 52 weeks and due to manufacturer-related delays, and these long lead times may significantly reduce our potential sales.

We face significant competition, which could result in decreased demand for our products or services leading to reduced margins or loss of market share and revenue.

We compete in a highly competitive market that is rapidly evolving. A number of companies have developed, or are expected to develop, products that compete or will compete with our products. Furthermore, many of our current and potential competitors have significantly greater resources than we do. Many of our existing and potential competitors have longer operating histories, greater name recognition and substantially greater financial, technical, sales, marketing and other resources. These competitors may, among other things, undertake more extensive marketing campaigns, adopt more aggressive pricing policies, obtain more favorable pricing from suppliers and manufacturers, and exert more influence on sales channels than we can. Certain of our significant competitors also serve as key sales and marketing channels for our products, potentially giving these competitors a marketplace advantage based on their knowledge of our business activities and/or their ability to negatively influence our sales opportunities. Intense competition, rapid technological change and evolving industry standards could result in less favorable selling terms to our customers, decrease demand for our products or make our products obsolete. Our operating results and our ability to compete could be adversely affected if we are unable to: successfully and accurately anticipate customer demand; manage our product transitions, inventory levels and manufacturing processes efficiently; distribute or introduce our products quickly in response to customer demand and technological advances; differentiate our products from those of our competitors; or otherwise compete successfully in the markets for our products. If any of our competitors are successful in competing against us, our sales could decline, our margins could be negatively impacted and we could lose market share, any of which could seriously harm our business and results of operations.

Our future success will depend on the continued services of our key product development personnel.

The loss of any of our key product development personnel, the inability to attract or retain qualified personnel in the future, or delays in hiring skilled personnel could harm our business. Competition for skilled personnel is significant. We may be unable to attract and retain all the personnel necessary for the development of our business. In addition, the loss of any member of the senior management team, a key engineer or salesperson, or other key contributors, could harm our relations with our customers, our ability to respond to technological change, and our business.

Risks Related to International Operations

Fluctuations in the foreign currency exchange rates in relation to the U.S. dollar could have a material adverse effect on our operating results.

Changes in currency exchange rates that increase the relative value of the U.S. dollar may make it more difficult for us to compete with foreign manufacturers on price, may reduce our foreign currency denominated sales when expressed in dollars, or may otherwise have a material adverse effect on our sales and operating results. A significant increase in our foreign currency denominated sales would increase our risk associated with foreign currency fluctuations. A weakness in the U.S. dollar relative to the Mexican peso and various Asian currencies, especially the Vietnamese dong and the Chinese renminbi, could increase our product costs. Fluctuations in the currency exchange rates have, and may continue to, adversely affect our operating results.

Capacity constraints in our Mexican operations could reduce our sales and revenues and hurt customer relationships.

We rely on our Mexican operations to finish and ship most of the products we sell. We have experienced and may continue to experience constraints on our capacity as we address challenges related to operating our new facility, such as hiring and training workers, creating the facility's infrastructure, developing new supplier relationships, complying with customs and border regulations, and resolving shipping and logistical issues. Our net sales may be reduced, and our customer relationships may be impaired if we continue to experience constraints on our capacity. We are working to minimize capacity constraints in a cost-effective manner, but there can be no assurance that we will be able to adequately minimize capacity constraints.

Our reliance on a business processing outsourcing partner to conduct our operations in Mexico could materially harm our business and prospects.

In connection with our North American manufacturing operations in Mexico, we rely on a business processing outsourcing partner to hire, subject to our oversight, the team for our Mexican operations, provide the selected facility described above, and coordinate many of the ongoing logistics relating to our operations in Mexico. Our outsourcing partner's related functions include acquiring the necessary Mexican permits, providing the appropriate Mexican operating entity, assisting in customs clearances, and providing other general assistance and administrative services in connection with the ongoing operation of the Mexican facility. Our outsourcing partner's performance of these obligations efficiently and effectively is critical to the success of our operations in Mexico. Failure of our outsourcing partner to perform its obligations efficiently and effectively could result in delays, unanticipated costs or interruptions in production, delays in deliveries to our customers or other harm to our business, results of operation, and liquidity. Moreover, if our outsourcing arrangement is not successful, we cannot assure our ability to find an alternative production facility or outsourcing partner to assist in our operations in Mexico or our ability to operate successfully in Mexico without outsourcing or similar assistance.

Tariffs significantly harm our cash flow and profitability, and they may continue in the future.

Prior to July 2020, almost all of our products were produced in China and were subject to a tariff on our cost of goods at the time of entry into the U.S. Beginning in July 2020, majority of our products were produced in Vietnam while a small portion of our products continued to be produced in China. The China related tariff is 25%. These tariffs have a significant impact on our cost of inventory and profitability and may require surety bonds, which we currently have a letter of credit requiring restricted cash related to a tariff-related surety bond. These tariffs may not be reduced and may even be increased. Although we have significantly reduced tariff costs with the transition to Vietnam production, it is not possible to predict the impact of tariffs in the future, which could have a material adverse impact on our net income and cash position and we may continue to experience losses.

Risks Related to Our Products, Technology and Intellectual Property

We may be subject to product returns resulting from defects or from overstocking of our products. Product returns could result in the failure to attain market acceptance of our products, which would harm our business.

If our products contain undetected defects, errors, or failures, we could face delays in the development of our products, numerous product returns, and other losses to us or to our customers or end users. Any of these occurrences could also result in the loss of or delay in market acceptance of our products, either of which would reduce our sales and harm our business. We are also exposed to the risk of product returns from our customers as a result of contractual stock rotation privileges and our practice of assisting some of our customers in balancing their inventories. Overstocking has led in the past and may lead in the future to higher than normal customer returns.

Security breaches and data loss may expose us to liability, harm our reputation and adversely affect our business.

As part of our business operations, we collect, store, process, use and disclose sensitive data relating to our business, including in connection with the provision of our cloud services and in our information systems and data centers (including third-party data centers). We also engage third-party providers to assist in the development of our products and for services that may include the collection, handling, processing and storage of personal data on our behalf. In addition, we host our customers' subscriber data in third-party data centers in the course of providing our products and cloud-based platform solutions and services to our customers. While we and our third-party providers apply multiple layers of security to control access to data and use encryption and authentication technologies to secure data from unauthorized access, use, alteration and disclosure, these security measures may be compromised. Malicious hackers may attempt to gain access to our network or data centers; steal proprietary information related to our business, products, employees and customers; or interrupt our systems and services or those of our customers or others. In particular, there has been a spike in cybersecurity attacks during the COVID-19 pandemic and work-from-home environment.

Some of our software products contain "open source" software under terms of open source licenses, which include, but are not limited to, General Public License Version 2 and MIT Licenses.

The use of open source software has risks related to open source license compliance and software quality control. The Company mitigates these risks by employing processes such as open source license review prior to technology selection and upgrade version testing prior to deployment. However, it must be noted that the risks described above cannot be eliminated.

We may experience costs and senior management distractions due to patent-related matters.

Many of our products incorporate patented technology. We attempt to license appropriate patents either directly or through our integrated circuit suppliers. However, we are subject to costs and senior management distractions due to patent-related litigation.

Patent litigation matters are complex and time consuming and expose Minim to potentially material obligations. It is impossible to assess the potential cost and senior management distraction associated with patent litigation matters that are currently outstanding or may occur in the future.

We may have difficulty protecting our intellectual property.

Our ability to compete is heavily affected by our ability to protect our intellectual property. We rely primarily on trade secret laws, confidentiality procedures, patents, copyrights, trademarks, and licensing arrangements to protect our intellectual property. The steps we take to protect our technology may be inadequate. Existing trade secret, trademark and copyright laws offer only limited protection. Our patents could be invalidated or circumvented. We have more intellectual property assets in some countries than we do in others. In addition, the laws of some foreign countries in which our products are or may be developed, manufactured or sold may not protect our products or intellectual property rights to the same extent as do the laws of the U.S. This may make the possibility of piracy of our technology and products more likely.

We could infringe the intellectual property rights of others.

Particular aspects of our technology could be found to infringe on the intellectual property rights or patents of others. Other companies may hold or obtain patents on inventions or may otherwise claim proprietary rights to technology necessary to our business. We cannot predict the extent to which we may be required to seek licenses. We cannot assure you that the terms of any licenses we may be required to seek will be reasonable. We are often indemnified by our suppliers relative to certain intellectual property rights. However, these indemnifications do not cover all possible suits, and there can be no assurance that a relevant indemnification will be honored by the indemnifying party or that the indemnifying party has the financial resources to meet its indemnification obligation.

Financial, Regulatory and Tax Compliance Risks

We could be subject to additional sales tax or other tax liabilities.

States have varying policies regarding when a company has a taxable presence in the state. There are many factors to consider when determining if state nexus exists, including inventory consignment to ordering and fulfillment, physical presence, economic presence, and personnel. We have policies and procedures in place to collect and pay sales tax for Amazon and other ecommerce sales in states where we believe we have nexus and are required to charge sales tax. However, it is possible that we could be negatively impacted by a change in state laws and policies, court decisions, Federal law, or our decisions about where sales tax is owed. In addition, we may incur income tax liability in some states where we have nexus.

Environmental regulations may increase our manufacturing costs and harm our business.

In the past, environmental regulations have increased our manufacturing costs and caused us to modify products. New state, U.S., or other regulations may in the future impact our product costs or restrict our ability to ship certain products into certain regions.

Changes in current or future laws or governmental regulations and industry standards that negatively impact our products, services and technologies could harm our business.

The jurisdiction of the Federal Communications Commission (“FCC”), extends to the entire U.S. communications industry including our customers and their products and services that incorporate our products. Our products are also required to meet the regulatory requirements of other countries throughout the world where our products and services are sold. Obtaining government certifications is time-consuming and costly. In the past, we have encountered delays in the introduction of our products, such as our cable modems, as a result of the need to obtain government certifications. We may face further delays if we are unable to comply with governmental regulations. Delays caused by the time it takes to comply with regulatory requirements may result in cancellations or postponements of product orders or purchases by our customers, which would harm our business.

In addition to reliability and quality standards, the market acceptance of certain products and services is dependent upon the adoption of industry standards so that products from multiple manufacturers are able to communicate with each other. Standards are continuously being modified and replaced. As standards evolve, we may be required to modify our existing products or develop and support new versions of our products. The failure of our products to comply, or delays in compliance, with various existing and evolving industry standards could delay or interrupt volume production of our products, which could harm our business.

Our ability to use our net operating losses (“NOLs”) may be negatively affected if there is an “ownership change” as defined under Section 382 of the Internal Revenue Code.

At December 31, 2022, we had approximately \$60.6 million in federal NOLs. These deferred tax assets are currently fully reserved. Under Internal Revenue Code Section 382 rules, if a change of ownership is triggered, our ability to use our NOLs can be negatively affected if there is an “ownership change” as defined under Internal Revenue Code Section 382. An ownership change at any time is determined by considering each stockholder with 5% or more ownership, summing the highest percentage change for each of those stockholders over the prior three years, and determining that the sum exceeds 50%. Since ownership changes are measured over three-year periods, it is possible that additional changes of ownership may occur in the future that may limit our utilization of NOL carryforwards.

Risks Related to the Securities Market and Our Common Stock

The market price of our common stock may be volatile and trading volume may be low.

The market price of our common stock could fluctuate significantly for many reasons, including, without limitation: as a result of the risk factors listed herein; actual or anticipated fluctuations in our operating results; regulatory changes that could impact our business; and general economic and industry conditions. Shares of our common stock are quoted on the Nasdaq. The lack of an active market may impair the ability of holders of our common stock to sell their shares of common stock at the time they wish to sell them or at a price that they consider reasonable. The lack of an active market may also reduce the fair market value of the shares of our common stock.

We may not be able to meet the continued listing requirements for the Nasdaq Stock Market.

Our common stock is currently listed on the Nasdaq, which requires a minimum bid trading price of \$1.00. On April 28, 2022, we received a letter (the “Notification Letter”) from the Listing Qualifications Department of The Nasdaq Stock Market LLC (“Nasdaq”) notifying the Company that the minimum closing bid price per share for its ordinary shares was below \$1.00 for a period of 30 consecutive business days and that we did not meet the minimum bid price requirement set forth in Nasdaq Listing Rule 5550(a)(2). Pursuant to Nasdaq Listing Rule 5810(c)(3)(A), we had a compliance period of 180 calendar days, or until October 24, 2022, to regain compliance with Nasdaq’s minimum bid price requirement. During this period, we had not regained compliance by October 24, 2022. On October 25, 2022, we requested and received an additional 180 calendar day extension, which expires April 24, 2023. On March 28, 2023, the Company’s shareholders approved of the Board to move forward with a reverse stock split, which is intended to cure the deficiency during the second compliance period, in a ratio we believe will be sufficient to cause our stock price to exceed \$1.00 per share. On March 30, 2023, the Board approved of a 25 for 1 reverse stock split ratio. We cannot predict with certainty what effect a reverse stock split will have on the market price of our common stock, particularly over the longer term. Some investors may view a reverse stock split negatively, which could result in a decrease in the market capitalization of our company. If the market price post-reverse stock split does not trade ten consecutive business days over \$1.00, our common stock will be delisted from Nasdaq. Any delisting of our common stock by Nasdaq could adversely affect our ability to attract new investors, decrease the liquidity of the outstanding shares of common stock, reduce the price at which such shares trade and increase the transaction costs inherent in trading such shares with overall negative effects for our shareholders. In addition, delisting of the common stock could deter broker-dealers from making a market in or otherwise seeking or generating interest in our common stock, and might deter certain institutions and persons from investing in our stock at all.

We do not expect to pay any dividends in the foreseeable future.

We do not expect to declare dividends in the foreseeable future. We currently intend to retain cash to support our operations and to finance the growth and development of our business. There can be no assurance that we will have, at any time, sufficient surplus under Delaware law to be able to pay any dividends. In addition, pursuant to our SVB Loan Agreement, we cannot pay any dividends without the prior written consent of Silicon Valley Bank. If we do not pay dividends, the price of our common stock must appreciate for you to receive a gain on your investment in the Company.

Our Chairman and his affiliated entities own a significant percentage of our shares, which will limit your ability to influence corporate matters.

Our Chairman, and his affiliated entities owned approximately 37.8% percent of our outstanding shares of Common Stock as of March 29, 2023. Accordingly, he and his affiliated entities could have an influence over the outcome of any corporate transaction or other matter submitted to our stockholders for approval, including the election of directors, mergers, consolidations and the sale of all or substantially all of our assets and also could prevent or cause a change in control. The interests of the Chairman of the Board and his affiliated entities may differ from the interests of our other stockholders. Third parties may be discouraged from making a tender offer or bid to acquire us because of this concentration of ownership.

ITEM 1B. – UNRESOLVED STAFF COMMENTS

None.

ITEM 2 – PROPERTIES

In November 2021, we entered into two operating lease agreements extending the leases on our 24,000 square foot production and warehousing facilities in Tijuana, Mexico through November 2023. The Company performs most of the final assembly, testing, packaging, warehousing and distribution at these facilities.

We lease 3,218 square feet of office space located in Canton, Massachusetts under an operating lease agreement. In December 2021, the Company executed an amendment to extend the lease to May 2024.

We also lease our principal executive offices in Manchester, New Hampshire, from a related party (refer to Note 12 in the Notes to the Consolidated Financial Statements), which totals approximately 2,656 square feet. The lease is month-to-month with a 60-day termination notification.

We believe that these facilities are suitable and sufficient to meet our current and anticipated needs in the near term and that additional space can be obtained on commercially reasonable terms as needed.

ITEM 3 – LEGAL PROCEEDINGS

From time to time, the Company and its subsidiaries are subject to lawsuits, arbitrations, claims, and other legal proceedings arising in the ordinary course of business. Such legal actions may include claims for substantial or unspecified compensatory and/or punitive damages. Absolute assurance cannot be given that such actions will be resolved without costly litigation in a manner that is not adverse to our financial position, results of operations or cash flows. We are not currently a party to any material pending legal proceedings.

ITEM 4 – MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5 – MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is currently traded on the Nasdaq under the symbol “MINM”. The closing price of our common stock on Nasdaq was \$0.11 per share on March 29, 2023. As of March 29, 2023, there were 47,188,378 shares of our common stock outstanding and 128 holders of record of our common stock.

Dividend Policy

We have never declared or paid cash dividends on our capital stock and do not plan to pay any cash dividends in the foreseeable future. Our current policy is to retain all of our earnings to finance future growth. In addition, pursuant to the SVB Loan Agreement, which was executed on March 12, 2021, as amended on December 12, 2022, we cannot pay any dividends without SVB’s prior written consent.

Repurchases by the Company

During the fiscal year ended December 31, 2022, we did not repurchase any shares of our common stock.

Equity Compensation Plan Information

Information required by this part is hereby incorporated by reference from our definitive proxy statement for our 2023 annual meeting of stockholders which will be filed with the SEC within 120 days after the close of our fiscal year.

ITEM 6 – SELECTED FINANCIAL DATA - [Reserved]

ITEM 7 – MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial condition and results of operations should be read in conjunction with the financial statements and related notes included in this Annual Report on Form 10-K. This discussion may contain forward-looking statements based upon current expectations that involve risks and uncertainties including those discussed under Part I, Item 1A, “Risk Factors.” These risks and uncertainties may cause actual results to differ materially from those discussed in the forward-looking statements.

Overview

We deliver a comprehensive WiFi as a Service platform to make everyone’s connected home safe and supportive for life and work. We believe the home router must go the way of the mobile phone. Today’s routers are simple, single-purpose devices that rarely receive firmware updates and have underdeveloped management applications, making them the #1 target in residential cybersecurity attacks. It can be so much more. The router must offer frequent security updates, helpful apps, extensive personalization options and a delightful interface. That is what Minim delivers— not just the router or just an app, but WiFi as a Service. Technically, it’s composed of an intelligent router managed by a smart operating system that leverages cloud computing and AI to analyze and optimize the smart home, combined with intuitive applications to engage with it.

We continually seek to improve our product designs and manufacturing approach to elevate product performance and reduce our costs. We pursue a strategy of outsourcing rather than internally developing our hardware product chipsets, which are application-specific integrated circuits that form the technology base for our modems. By outsourcing the chipset technology, we are able to concentrate our research and development resources on modem system design, leverage the extensive research and development capabilities of our chipset suppliers, and reduce our development time and associated costs and risks. As a result of this approach, we are able to quickly develop new products while maintaining a relatively low level of research and development expense as a percentage of net sales. We also outsource aspects of our manufacturing to contract manufacturers as a means of reducing our costs of production, and to provide us with greater flexibility in our production capacity.

Generally, our gross margin for a given product depends on a number of factors, including the type of customer to whom we are selling. The gross margin for products sold to retailers tends 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 tend to be higher. Minim’s sales to certain countries are currently handled by a single master distributor for each country that handles the support and marketing costs within the country. Gross margin for sales to these master distributors tends to be low, since lower pricing to these distributors helps them to cover the support and marketing costs for their country.

Our cash and cash equivalents balance on December 31, 2022 was \$530 thousand compared to \$12.6 million on December 31, 2021. On December 31, 2022, we had \$4.8 million of outstanding borrowings on our asset-based credit line with availability of \$38 thousand and \$1.0 million outstanding on the Bridge Loan. Our working capital was \$15.7 million as of December 31, 2022.

The major changes in cash and cash equivalents during fiscal 2022 was a decrease of approximately \$2.2 million in accounts receivables, a decrease of \$6.7 million in inventory, a decrease of \$9.6 million in accounts payable, and a decrease of \$839 thousand in accrued expenses. In fiscal 2022, the Company also had a net loss of \$15.5 million, which contributed to a decrease in cash and cash equivalents.

The Company's ability to maintain adequate levels of liquidity depends in part on our ability to sell inventory on hand, increasing SaaS sales, and collecting related receivables. The Company will be required to refinance its debt in 2023 given the SVB Loan Agreement expires in January 2024. In the first quarter of 2023, the Company has implemented cost reduction plans to align its cost structure to its sales and increase its liquidity. The Company will continue to monitor its cost in relation to its sales and adjust its cost structure accordingly.

In the years ended December 31, 2022 and 2021, we generated net sales of \$50.6 million and \$55.4 million, respectively.

COVID-19 Pandemic

The COVID-19 pandemic continued to impact our supply chain operations due to restrictions, reduced capacity, and limited availability from suppliers on whom we rely for sourcing components and materials and from third-party partners on whom we rely for manufacturing, warehousing, and logistics services. In 2022, we experienced increases in costs of materials, components for our products, and freight costs. Beginning in the third quarter of 2022, we began seeing reduction in transportation costs and transport availability. We will not realize the gross margin benefits from the transportation cost reductions until mid-2023 as we continue to work through inventory obtained when freight costs were elevated. If disruptions in our supply chain operations or any increases to costs associated with supply chain operations brought on by COVID-19 occur again, we could experience a negative impact on our revenue and operating margin performance.

Although demand for our products has increased relative to pre-pandemic levels as consumers and businesses seek flexible networking solutions for their day-to-day needs, customers' purchasing decisions over the long-term may be impacted by the pandemic and its impact on the economy, which could in turn impact our revenue and results of operations.

Recent Accounting Standards

Please refer to Note 2 of the Notes to the Consolidated Financial Statements, which is incorporated herein by reference.

Critical Accounting Policies and Estimates

Following is a discussion of what we view as our more significant accounting policies and estimates. As described below, management judgments and estimates must be made and used in connection with the preparation of our consolidated financial statements. We have identified areas where material differences could result in the amount and timing of our net sales, costs, and expenses for any period if we had made different judgments or used different estimates.

Revenue Recognition. We primarily sell hardware products to computer peripherals retailers, computer product distributors, OEMs, and direct to consumers and other channel partners via the Internet. The hardware products include cable modems and gateways, mobile broadband modems, wireless routers, MoCA adapters and mesh home networking devices. We also sell the Minim subscription service that enables and secures a better connected home using the Minim AI-driven smart home WiFi management and security platform.

The SaaS is offered over a defined contract period, generally one year. These services are available as an on-demand application over the defined term. The agreements include service offerings, which deliver applications and technologies via cloud-based deployment models that we develop functionality for, provide unspecified updates and enhancements for, and host, manage, provide upgrades and support for the customers' access by entering into solution agreements for a stated period. The monthly fees charged to the customers are based on the number of subscribers utilizing the services each month, and the revenue recognized generally corresponds to the monthly billing amounts as the services are delivered. Customers do not have the contractual right or ability to take possession of the hosted software.

We consider each product and each service contract to be a distinct performance obligation. Revenue is recognized when a performance obligation is satisfied, which occurs when control of the promised products or services is transferred to the customer in an amount that reflects the consideration we expect to receive in exchange for those products or services. Revenue from product sales is recognized at a point in time when management has determined that control has transferred to the customer, which is generally when legal title has transferred to the customer. Revenue from SaaS contracts is recognized as the output of the service is transferred to the customer over time, typically evenly over the contract term. Revenue is recognized net of allowances for returns and any taxes collected from customers, which are subsequently remitted to governmental authorities.

Our contracts with customers often include promises to transfer multiple products and services to a customer. Determining whether products and services are considered distinct performance obligations that should be accounted for separately versus together may require significant judgment. Judgment is also required to determine the stand-alone selling price ("SSP") for each distinct performance obligation. We use an observable price to estimate SSP for items that are sold separately. In instances where SSP is not directly observable, such as when we do not sell the product or service separately, we determine the SSP using information that may include market conditions and other observable inputs.

Product Returns. Products are returned by retail stores and distributors for inventory balancing and warranty repair or replacements. Analyses of actual returned product are compared to analyses of the product return estimates. We have concluded that the current process of estimating the return reserve represents a fair measure with which to adjust revenue. Returned goods are variable and under ASC Topic 606, Revenue from Contracts with Customers, are estimated and recognized as a reduction of revenue as performance obligations are satisfied (e.g., upon shipment of goods). Under ASC Topic 606, the Company monitors pending authorized returns of goods and, if deemed appropriate, record the right of return asset accordingly.

Inventory Valuation and Cost of Goods Sold. Inventory is valued at the lower of cost, determined by the first-in, first-out method, or its net realizable value. We review inventories for obsolete and slow-moving products and make provisions based on our estimate of the probability that the material will not be consumed or that it will be sold below cost. Additionally, material product certification costs on new products are capitalized and amortized over the expected period of value of the respective products.

Valuation of Deferred Tax Assets. We estimate our income tax expense and deferred income tax position. This process involves the estimation of our actual current tax exposure together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included in our balance sheet. We then assess the likelihood that our deferred tax assets will be recovered from future taxable income. To the extent we believe that recovery is not likely, we establish a valuation allowance. Changes in the valuation allowance are reflected in the statement of operations.

Significant management judgment is required in determining our provision for income taxes and any valuation allowances. We have recorded a 100% valuation allowance against our deferred income tax assets. It is management's estimate that, after considering all available objective evidence, historical and prospective, with greater weight given to historical evidence, it is more likely than not that these assets will not be realized. If we establish a record of continuing profitability, at some point we will be required to reduce the valuation allowance and recognize an equal income tax benefit which will increase net income in that period.

Results of Operations

The following table sets forth certain financial data derived from our consolidated statements of operations for the years ended December 31, 2022 and 2021 presented in absolute dollars and as a percentage of net sales, with dollars and percentage change year over year.

	Years ended December 31,				Change	
	2022		2021		\$	%
Net sales	\$ 50,622,143	100%	\$55,422,526	100.0%	\$ (4,800,383)	(8.7)
Cost of goods sold	38,695,605	76.4	36,504,874	65.9	(2,190,731)	(6.0)
Gross profit	11,926,538	23.6	18,917,652	34.1	(6,991,114)	(37.0)
Operating expenses:						
Selling and marketing	15,022,638	29.7	13,747,959	24.8	1,274,679	9.3
General and administrative	6,124,034	12.1	4,889,702	8.8	1,234,332	25.2
Research and development	5,824,906	11.5	6,164,362	11.1	(339,456)	(5.5)
Sale of Trademark, net	–	–	(3,955,626)	(7.1)	3,955,626	100
Total operating expenses	26,971,578	53.3	20,846,397	37.6	6,125,181	29.4
Operating loss	(15,045,040)	(29.7)	(1,928,745)	(3.5)	(13,116,295)	(680.0)
Total other income (expense)	(391,856)	(0.8)	(206,149)	(0.4)	(185,707)	90.1
Loss before income taxes	(15,436,896)	(30.5)	(2,134,894)	(3.9)	(13,302,002)	(623.1)
Income tax provision	112,348	0.2	63,773	0.1	48,575	76.2
Net loss	\$(15,549,244)	(30.7)%	\$ (2,198,667)	(4.0.)%	\$ (13,350,577)	(607.2)%

Comparison of Fiscal Years 2022 and 2021

The following table sets forth our revenues by product and the changes in revenues for fiscal year ended December 31, 2022, as compared to fiscal year ended December 31, 2021:

	Years ended December 31,			
	2022	2021	Change \$	Change %
Cable Modems & gateways	\$ 48,433,757	\$ 53,751,499	\$ (5,317,742)	(9.9)%
Other networking products	1,276,849	1,145,670	131,179	11.5
Software as a Service	911,537	525,357	386,180	73.5
Total	\$ 50,622,143	\$ 55,422,526	\$ (4,800,383)	(8.7)%

Net Sales

Our total net sales decreased year-over-year by \$4.8 million or 8.7%. The decline in net sales is directly attributable to decreased sales of Motorola branded cable modems and gateways, including intelligent networking products that include the Minim SaaS offering. In both 2022 and 2021, we primarily generated our sales by selling cable modems and gateways. Sales related to SaaS offerings were \$912 thousand and \$525 thousand in the years ended December 31, 2022 and 2021, respectively. The increase in other networking products of \$131 thousand in 2022 compared to 2021 is primarily due to a reduction in MoCA products and a refocus on new products introductions.

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 sales decline of Motorola branded cable modems and gateways, an inventory reserve on a single product, and increased freight and component costs. We outsource our manufacturing, warehousing, and distribution logistics. We believe this outsourcing strategy allows us to better manage our product costs and gross margin. 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, cost of goods sold, and gross margin, for the periods indicated:

	Years ended December 31,			
	2022	2021	\$ Change	% Change
Net sales	\$ 50,622,143	\$ 55,422,526	\$ (4,800,383)	(8.7)%
Cost of goods sold	\$ 38,695,605	\$ 36,504,874	\$ 2,190,731	(6.0)%
Gross margin	23.6%	34.1%		

Gross profit and gross margin decreased in fiscal 2022 compared to the prior fiscal year, primarily due to the decline in net sales and an inventory reserve on a single product of approximately \$1.9 million.

We expect fiscal 2023 gross margins to increase. In 2023, we do not anticipate significant inventory reserves. In 2022, we experienced meaningful increases in costs of freight, materials, and components for our products. Although freight and certain component costs have reduced beginning in the third quarter of 2022, we will not realize improvements to margins until mid-2023 as we continue to work through inventory obtained when freight and component costs were elevated. We may continue to experience disruptions from the pandemic, with manufacturing partners being affected by factory uptime and scarcity of materials and components. These disruptions could increase the length of time taken between order to production and transportation of inventory. If such disruptions become widespread, they could significantly affect our ability to fulfill the demand for our products. Forecasting gross margin percentages is difficult, and there are several risks related to our ability to maintain or improve our current gross margin levels. Our cost of goods sold as a percentage of net sales can vary significantly based upon factors such as: uncertainties surrounding revenue volumes, including future pricing and/or potential discounts as a result of the economy, competition, the timing of sales, and related production level variances; import customs duties and imposed tariffs; changes in technology; changes in product mix; expenses associated with writing off excessive or obsolete inventory; fluctuations in freight costs; manufacturing and purchase price variances; and changes in prices on commodity components.

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, 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:

	Years ended December 31,			
	2022	2021	\$ Change	% Change
Selling and marketing	\$ 15,022,638	\$ 13,747,959	\$ 1,274,679	9.3%

Sales and marketing expenses increased in fiscal 2022, as compared to the prior year, primarily due to an increase in marketing program campaigns of \$1.0 million and Motorola royalty fees of \$0.3 million.

We expect our selling and marketing expenses as a percentage of net sales in fiscal 2023 to decrease compared to fiscal 2022 levels. Expenses may fluctuate depending on sales levels achieved as certain expenses, such as commissions, are determined based upon the net sales achieved. Forecasting 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:

	Years ended December 31,			
	2022	2021	\$ Change	% Change
General and administrative	\$ 6,124,034	\$ 4,889,702	\$ 1,234,332	25.2%

General and administrative expenses increased \$1.2 million primarily due to an increase of \$1.2 million in personnel costs, including \$0.2 million in severance costs and \$0.3 million in stock compensation expense, and \$0.6 million in software licenses, partially offset by a decrease of \$0.5 million in professional services fees.

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:

	Years ended December 31,			
	2022	2021	\$ Change	% Change
Research and development	\$ 5,824,906	\$ 6,164,362	\$ (339,456)	(5.5)%

The decrease of \$339 thousand was primarily due to certification costs of \$0.4 million, offset by \$0.1 million in software licenses.

We believe that innovation and technological leadership is critical to our future success, and we are committed to continuing a significant level of research and development to develop new technologies, products and services. We continue to invest in research and development to expand our hardware product offerings focused on premium WiFi 6E, WiFi 6, and software solutions. We expect research and development expenses as a percentage of net sales in fiscal 2023 to be in line with or slightly below fiscal 2022 levels. 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.

Trademark sale. On August 12, 2021, the Company entered into an agreement with Zoom Video Communications, Inc. to sell all of the Company's right, title and interest in the ZOOM® trademark for cash consideration in the amount of \$4.0 million, net of legal costs incurred of \$44 thousand. The Company did not have a carrying basis in the trademark that was subject to the agreement and recorded income of approximately \$4.0 million, which is recorded in income from continuing operations pursuant to ASC 360-10, Impairment or Disposal of Long-Lived Assets.

Other Income (Expense)

	Years ended December 31,			
	2022	2021	\$ Change	% Change
Other income (expense)	\$ (391,856)	\$ (206,149)	\$ (185,707)	(90.1)%

Other income (expense), net was an expense of \$392 thousand in fiscal 2022 and expense of \$206 thousand in fiscal 2021, primarily due to increased borrowing interest rates related to the SVB Loan Agreement.

Income Tax Expense (Benefit). We recorded minimum state income tax for a few states and tax related to our operations in Mexico, which was \$112 thousand and \$64 thousand in fiscal 2022 and fiscal 2021, respectively.

	Years ended December 31,			
	2022	2021	\$ Change	% Change
Income taxes	\$ 112,348	\$ 63,773	\$ 48,575	76.2%

Liquidity and Capital Resources

Our principal sources of liquidity are cash and cash equivalents, sales of inventory, borrowing under our line-of credit and a bridge loan at December 31, 2022. As of December 31, 2022, we had cash and cash equivalents of \$530 thousand and \$500 thousand in restricted cash as compared to \$12.6 million in cash and cash equivalents and \$500 thousand in restricted cash on December 31, 2021. On December 31, 2022, we had \$4.8 million of borrowings outstanding and \$38 thousand available on our \$10.0 million SVB line-of-credit and working capital of \$15.7 million. We have funded our operations and investing activities primarily through borrowings on our line of credit, the sale of assets and the sale of our common 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 and other working capital needs; (2) capital expenditures related to the acquisition of equipment; and (4) cash used to repay our debt obligations and related interest expense. 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 December 31, 2022 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 December 31, 2022, 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:

	Years ended December 31,	
	2022	2021
Cash used in operating activities	\$ (12,170,073)	\$ (14,272,267)
Cash used in investing activities	(695,017)	(681,828)
Cash provided by financing activities	824,755	26,452,783
Net (decrease) increase in cash and cash equivalents	\$ (12,040,335)	\$ 11,498,688

Cash Flows from Operating Activities.

Cash used in operating activities of \$12.2 million for 2022 reflected our net loss of \$15.5 million, adjusted for non-cash expenses, consisting primarily of \$0.8 million of depreciation and amortization, \$1.2 million of stock-based compensation expense, and a \$0.1 million write-off of goodwill and intangible assets. Uses of cash included a reduction in accounts payable of \$9.6 million and a decrease in accrued expenses \$0.8 million. Sources of cash included a decrease of accounts receivable of \$2.2 million, a decrease in inventory of \$6.7 million, and increase in deferred revenue of \$671 thousand.

Cash used in operating activities of \$14.3 million for 2021 reflected our net loss of \$2.2 million, adjusted for non-cash expenses, consisting primarily of \$1.0 million of depreciation and amortization and \$1.0 million of stock-based compensation expense. Uses of cash include an increase in inventories (\$18.0 million) and a decrease in accrued expenses (\$2.3 million). Sources of cash included a decrease of accounts receivable of \$4.3 million and increases in accounts payable of \$862 thousand and deferred revenue of \$662 thousand.

Cash Flows from Investing Activities.

In 2022, \$277 thousand was used to purchase equipment and \$418 thousand was used for certification costs.

In 2021, \$593 thousand was used to purchase equipment and \$89 thousand was used for certification costs.

Cash Flows from Financing Activities. Cash provided by financing activities in 2022 consisted of proceeds from a bridge loan of \$1 million, proceeds from stock option exercises of \$0.2 million. Uses of cash in 2022 included \$0.4 million in borrowing reductions under our SVB line-of-credit.

Cash provided by financing activities in 2021 consisted of a source of cash of \$22.7 million from a public offering, \$5.2 million from borrowings under our SVB line-of-credit, and \$1.2 million in proceeds from the exercises of common stock options. Uses of cash include the repayment of the Rosenthal & Rosenthal, Inc. line-of-credit of \$2.4 million.

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.

In addition, we will need to refinance the SVB Loan Agreement and the Bridge Loan by January 2024, which is when the respective agreements terminate.

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 December 31, 2022, 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. In the first quarter of 2023, the Company has implemented cost reduction plans to align its cost structure to its sales and increase its liquidity. The Company will continue to monitor its costs in relation to its sales and adjust its cost structure 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 assure that such funding will be available in needed quantities or on terms favorable to us, if at all.

At December 31, 2022, we have Federal and state net operating loss carry forwards of approximately \$60.6 million and \$29.8 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 be realized.

Contractual Obligations

For a description of our operating leases, refer to Note 8 and for a description of our bank credit line and bridge loan agreement, license agreement and purchase commitments, refer to Note 9 in the Notes to the Consolidated Financial Statements in Part II, Item 8 of this Annual Report on Form 10-K.

Off-Balance Sheet Arrangements

In 2006, the Company entered into a maquiladora agreement with North American Production Sharing, Inc. (“NAPS”). This agreement provides that NAPS provide certain personnel and other services for a production facility in Mexico on our behalf. Although the maquiladora agreement expired on September 25, 2019, the agreement automatically renews annually unless otherwise cancelled per provisions in the agreement. Any related assets, liabilities, or expenses are reported in the accompanying financial statements. Additionally, the Company is obligated to pay future minimum required royalty payments associated with certain licensing agreements which are not included in our consolidated balance sheet.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not required.

ITEM 8 – CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

MINIM, INC.
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SCHEDULES

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Stockholders and the Board of Directors
Minim, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Minim, Inc. and subsidiaries (the Company) as of December 31, 2022 and 2021, the related consolidated statements of operations, stockholders' equity, and cash flows, for the years then ended, and the related notes (collectively, the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Substantial Doubt About the Company's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has suffered recurring losses and negative cash flows from operations and will need additional funding within the next twelve months. This raises substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters also are described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Revenue Recognition

As described in Note 2 to the financial statements, the Company recognizes revenue when a customer obtains control of promised goods and services. The amount of revenue recognized reflects the consideration which the Company expects to be entitled to receive in exchange for these goods and services. The Company offers customers the ability to purchase their hardware products along with Software-as-a-Service ("SaaS") offerings as a bundled arrangement. The Company must determine which promises are distinct performance obligations and allocate the revenue to the performance obligations that are considered distinct based upon their relative Stand-alone Selling Price (SSP). Revenue allocated to hardware is recognized at a point in time upon delivery and revenue allocated to the SaaS is recognized over time over the estimated life of the customer, provided all other revenue recognition criteria are met.

We identified the identification of distinct performance obligations and the allocation of arrangement consideration as a critical audit matter because of the significant judgments made by the Company in determining revenue recognition. Auditing management's judgments regarding the identification of performance obligations and the allocation of arrangement consideration involved a high degree of auditor judgment and increased effort.

Our audit procedures related to the identification of distinct performance obligations and the allocation of arrangement consideration included the following, among others:

- We evaluated management's significant accounting policies related to these customer agreements for reasonableness.
- We obtained and read a sample of revenue contracts and evaluated the completeness of the performance obligations identified by management, and performed an evaluation of whether these performance obligations were distinct and capable of being distinct.
- We tested the reasonableness of the allocation of the transaction price to each performance obligation by comparing management's allocation to the historical pricing for each performance obligations when they are sold separately.
- For each sample of revenue contracts with multiple performance obligations, we also tested the allocation of the transaction price to each performance obligation based upon the SSP.

/s/ RSM US LLP

We have served as the Company's auditor since 2021.
Boston, Massachusetts
March 31, 2023

MINIM, INC.
CONSOLIDATED BALANCE SHEETS
As of December 31, 2022 and 2021

	2022	2021
ASSETS		
<i>Current assets</i>		
Cash and cash equivalents	\$ 530,110	\$ 12,570,445
Restricted cash	500,000	500,000
Accounts receivable, net of allowance for doubtful accounts of \$138,331 and \$236,819 as of December 31, 2022 and, 2021, respectively	2,758,406	4,880,663
Inventories, net	25,415,206	33,891,287
Prepaid expenses and other current assets	360,735	587,885
Total current assets	29,564,457	52,430,280
Equipment, net	636,973	762,818
Operating lease right-of-use assets	173,480	241,626
Goodwill	—	58,872
Intangible assets, net	73,301	262,698
Other assets	511,795	544,738
Total assets	\$ 30,960,006	\$ 54,301,032
LIABILITIES AND STOCKHOLDERS' EQUITY		
<i>Current liabilities</i>		
Bank credit line	\$ 4,758,663	\$ 5,065,074
Accounts payable	2,837,191	12,458,246
Current maturities of bridge loan agreement	1,000,000	—
Current maturities of long-term debt	—	34,237
Current maturities of operating lease liabilities	150,968	143,486
Accrued expenses	4,440,724	5,279,917
Deferred revenue, current	633,542	291,296
Total current liabilities	13,821,088	23,272,256
Operating lease liabilities, less current maturities	22,512	98,811
Deferred revenue, noncurrent	771,738	443,452
Total Liabilities	14,615,338	23,814,519
Commitments and Contingencies (Note 8)		
<i>Stockholders' equity</i>		
Preferred Stock, Authorized: 2,000,000 shares at \$0.01 par value; 0 shares issued and outstanding	—	—
Common Stock: Authorized: 60,000,000 shares at December 31, 2022 and 2021, at \$0.01 par value; issued and outstanding: 46,949,240 shares and 45,885,043 shares at December 31, 2022 and 2021, respectively	469,492	458,850
Additional paid-in capital	90,710,030	89,313,273
Accumulated deficit	(74,834,854)	(59,285,610)
Total stockholders' equity	16,344,668	30,486,513
Total liabilities and stockholders' equity	\$ 30,960,006	\$ 54,301,032

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

MINIM, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Net sales	\$ 50,622,143	\$ 55,422,526
Cost of goods sold	38,695,605	36,504,874
Gross profit	<u>11,926,538</u>	<u>18,917,652</u>
Operating expenses:		
Selling and marketing	15,022,638	13,747,959
General and administrative	6,124,034	4,889,702
Research and development	5,824,906	6,164,362
Sale of Trademark, net	—	(3,955,626)
Total operating expenses	<u>26,971,578</u>	<u>20,846,397</u>
Operating loss	<u>(15,045,040)</u>	<u>(1,928,745)</u>
Other income (expense):		
Interest income	457	44,169
Interest expense	(394,615)	(270,407)
Gain on forgiveness of debt (Note 7)	—	20,000
Other, net	2,302	89
Total other income (expense)	<u>(391,856)</u>	<u>(206,149)</u>
Loss before income taxes	(15,436,896)	(2,134,894)
Income tax provision	<u>112,348</u>	<u>63,773</u>
Net loss	<u>\$ (15,549,244)</u>	<u>\$ (2,198,667)</u>
Basic and diluted net loss per share	<u>\$ (0.34)</u>	<u>\$ (0.06)</u>
Weighted average common and common equivalent shares:		
Basic and diluted	<u>46,399,137</u>	<u>39,761,121</u>

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

MINIM, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
Years Ended December 31, 2022 and 2021

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total
	Shares	Amount			
Balance at December 31, 2020	35,074,922	\$ 350,749	\$ 64,526,664	\$ (57,086,943)	\$ 7,790,470
Net loss	—	—	—	(2,198,667)	(2,198,667)
Stock option exercises	810,121	8,101	1,159,623	—	1,167,724
Public offering equity, net of issuance costs	10,000,000	100,000	22,630,049	—	22,730,049
Stock-based compensation	—	—	996,937	—	996,937
Balance at December 31, 2021	<u>45,885,043</u>	<u>458,850</u>	<u>89,313,273</u>	<u>(59,285,610)</u>	<u>30,486,513</u>
Net loss	—	—	—	(15,549,244)	(15,549,244)
Stock option exercises	430,915	4,308	232,496	—	236,804
Common stock issued for vested restricted units	633,282	6,334	(6,334)	—	—
Stock-Based Compensation	—	—	1,170,595	—	1,170,595
Balance at December 31, 2022	<u>46,949,240</u>	<u>\$ 469,492</u>	<u>\$ 90,710,030</u>	<u>\$ (74,834,854)</u>	<u>\$ 16,344,668</u>

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

MINIM, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows used in operating activities:		
Net loss	\$ (15,549,244)	\$ (2,198,667)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	837,228	957,490
Amortization of right-of-use assets	172,060	145,143
Amortization of debt issuance costs	71,401	41,586
Amortization of sales contract costs	75,514	32,343
Stock-based compensation	1,170,595	996,937
Goodwill impairment charge	58,872	—
Intangible asset impairment charge	67,415	—
Provision for (recovery of) accounts receivable allowances	(98,489)	63,217
Provision for inventory reserves	1,785,566	643,671
Non-cash loan forgiveness	—	(20,000)
Changes in operating assets and liabilities:		
Accounts receivable	2,220,746	4,259,454
Inventories	6,690,515	(18,030,117)
Prepaid expenses and other current assets	227,150	(188,766)
Other assets	63,044	(92,161)
Accounts payable	(9,621,054)	862,453
Accrued expenses	(839,265)	(2,261,266)
Deferred revenue	670,532	661,826
Operating lease liabilities	(172,659)	(145,410)
Net cash used in operating activities	<u>(12,170,073)</u>	<u>(14,272,267)</u>
Cash flows from investing activities:		
Purchases of equipment	(276,665)	(593,120)
Certification costs incurred and capitalized	(418,352)	(88,708)
Net cash used in investing activities	<u>(695,017)</u>	<u>(681,828)</u>
Cash flows from financing activities:		
Net proceeds from the bank credit line	(377,811)	5,166,289
Proceeds from bridge loan agreement	1,000,000	—
Repayment of the Rosenthal bank credit line	—	(2,442,246)
Costs associated with bank credit line	—	(142,801)
Repayment of government loan	(34,237)	(26,232)
Proceeds from stock option exercises	236,803	1,167,724
Proceeds from public offering, net of offering costs	—	22,730,049
Net cash provided by financing activities	<u>824,755</u>	<u>26,452,783</u>
Net change in cash, cash equivalents, and restricted cash	(12,040,335)	11,498,688
Cash, cash equivalents, and restricted cash - Beginning	<u>13,070,445</u>	<u>1,571,757</u>
Cash, cash equivalents, and restricted cash - Ending	<u>\$ 1,030,110</u>	<u>\$ 13,070,445</u>
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	\$ 394,615	\$ 270,407
Income taxes	<u>\$ 88,348</u>	<u>\$ 63,773</u>
Cash is reported on the consolidated statements of cash flows as follows:		
Cash and cash equivalents	\$ 530,110	\$ 12,570,445
Restricted cash	<u>500,000</u>	<u>500,000</u>
Total cash, cash equivalents, and restricted cash	<u>\$ 1,030,110</u>	<u>\$ 13,070,445</u>

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

MINIM, INC.
Notes to Consolidated Financial Statements
Years Ended December 31, 2022 and 2021

(1) NATURE OF OPERATIONS AND BASIS OF PRESENTATION

Minim, Inc. and its wholly owned subsidiaries, Cadence Connectivity, Inc., MTRLC LLC, and Minim Asia Private Limited, are herein collectively referred to as “Minim” or the “Company”. The Company delivers intelligent networking products that reliably and securely connect homes and offices around the world. We are the exclusive global license holder to the Motorola brand for home networking hardware. The Company designs and manufactures 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.

On January 21, 2022, Zoom Connectivity, Inc. filed with the Secretary of State of the State of Delaware a Certificate of Amendment to its Certificate of Incorporation to change its legal corporate name from “Zoom Connectivity, Inc.” to “Cadence Connectivity, Inc.”, effective as of January 21, 2022.

Going Concern

The Company’s consolidated financial statements as of December 31, 2022 were prepared under the assumption that the Company 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, as of December 31, 2022, substantial doubt exists about the Company’s ability to continue as a going concern. The Company has incurred recurring losses and negative cash flows from operations, and 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. The Company’s debt financing arrangements through the SVB Loan Agreement and Bridge Loan Agreement expire on January 15, 2024, and we will need to refinance both agreements prior to the expiration date. As of December 31, 2022, the Company had cash and cash equivalents of \$530 thousand and during the year ended December 31, 2022, the Company recorded a net loss of \$15.5 million. The Company will require additional liquidity to continue operations beyond the next 12 months.

The Company is evaluating strategies to obtain the required additional funding for future operations. These strategies may include but are not limited to equity offerings, debt financings, and cost reductions. However, given a variety of external factors including the impact of the recent economic downturn in the U.S. and global financial markets, the Company may be unable to access further equity or debt financing when needed. The Company may engage in cost-cutting measures in an attempt to extend its cash resources. As such, there can be no assurance that the Company will be able to obtain additional liquidity when needed or under acceptable terms, if at all. The Company believes that it can be successful in obtaining debt refinancing; however, no assurance can be provided that it will be able to do so.

The Company’s consolidated financial statements as of December 31, 2022, do not include any adjustments to the carrying amounts and classification of assets, liabilities, and reported expenses that may be necessary if the Company were unable to continue as a going concern. If the Company is unable to raise additional capital and is therefore unable to continue as a going concern, it may have to liquidate its assets and may receive less than the value at which those assets are carried on its consolidated financial statements, and it is likely that investors will lose all or part of their investment.

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 year ended December 31, 2022, the Company incurred a net loss of \$15.5 million and used cash in operations of \$12.2 million. As of December 31, 2022, the Company had an accumulated deficit of \$74.8 million and cash and cash equivalents of \$530 thousand and restricted cash of \$500 thousand. The SVB Loan Agreement and Bridge Loan expire on January 15, 2024, and the Company will have to refinance both debt arrangements prior to the expiration date. In the first quarter of 2023, the Company has implemented cost reduction plans to align its cost structure to its sales and increase its liquidity. The Company will continue to monitor its cost 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.

Basis of Presentation

The consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). All significant intercompany balances and transactions have been eliminated in the consolidation. Certain prior year amounts have been reclassified to conform to the current year presentation.

Certain amounts in the consolidated financial statements and associated notes may not add due to rounding. All percentages have been calculated using unrounded amounts.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expense during the reporting period. These judgments, estimates and assumptions made by the Company include, but are not limited to revenue recognition, the allowance for doubtful accounts (collectability); contract liabilities (sales returns); valuation allowance for deferred income tax assets; write-downs of inventory for slow-moving and obsolete items and stock-based compensation. The Company evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors and adjusts those estimates and assumptions when facts and circumstances dictate. Actual results may differ from those estimates under different assumptions or conditions and the differences may be material.

Foreign Currencies

The Company’s reporting currency is the U.S. dollar. The Company generates a portion of its revenues in markets outside North America principally in transactions denominated in foreign currencies, which exposes the Company to risks of foreign currency fluctuations. Foreign currency transaction gains (losses) are included in the consolidated statements of operations under other income (expense).

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash, Cash Equivalents and Restricted Cash

As of December 31, 2022 and 2021, the restricted cash balance of \$500 thousand, respectively, relates to letters of credit to support a bond on tariffs.

The Company considers all highly liquid investments purchased with an original maturity of three months or less at the date of purchase to be cash equivalents. As of December 31, 2022 and 2021, the Company’s cash equivalents were held in institutions in the U.S. and include deposits in higher-interest bank accounts which were unrestricted as to withdrawal or use.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist of cash and cash equivalents, restricted cash and accounts receivable. Substantially all the Company's cash and cash equivalents and restricted cash are held at one financial institution, Silicon Valley Bank, which was placed into receivership by the FDIC on March 9, 2023. On March 10, 2023, the Silicon Valley Bank depositor accounts and loan facilities, including the Company's bank accounts and line of credit, were transferred to Silicon Valley Bridge Bank. Through Silicon Valley Bridge Bank, the Company's bank balances are fully insured by the FDIC and the line of credit facility remains operational, allowing the Company to draw from it as required. The Company has not experienced any credit losses on its cash and cash equivalents and restricted cash through December 31, 2022 and has not experienced any credit losses as of the date of filing this Form 10-K

For the year ended December 31, 2022, two customers accounted for 10% or greater individually, and 87% in the aggregate of the Company's total net sales. For the year ended December 31, 2021, two customers accounted for 10% or greater individually, and 92% in the aggregate of the Company's total net sales. Accounts receivable are unsecured and the Company does not require collateral; however, the Company does assess the collectability of accounts receivable based on a number of factors, including past transaction history with, and the creditworthiness of, the customer. Accordingly, the Company is exposed to credit risk associated with accounts receivable. At December 31, 2022, two customers with an accounts receivable balance of 10% or greater individually accounted for a combined 75% of the Company's accounts receivable. At December 31, 2021, four customers with an accounts receivable balance of 10% or greater individually accounted for a combined 86% of the Company's accounts receivable. To reduce risk, the Company closely monitors the amounts due from its customers and assesses the financial strength of its customers through a variety of methods that include, but are not limited to, engaging directly with customer operations and leadership personnel, visiting customer locations to observe operating activities, and assessing customer longevity and reputation in the marketplace. As a result, the Company believes that its accounts receivable credit risk exposure is limited.

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 2022 and 2021, the Company had two and one suppliers that provided 93% and 97%, respectively, of the Company's purchased inventory.

Accounts Receivable, Net

Accounts receivable are recorded at invoice value, net of any allowance for doubtful accounts. Estimates of the allowance for doubtful accounts are determined based on existing contractual payment terms, historical payment patterns of customers and individual customer circumstances. The Company maintains an allowance for doubtful accounts for estimated losses resulting from the failure or inability of its customers to make required payments. In determining the allowance for doubtful accounts, the Company considers the probability of recoverability of its accounts receivable based on past experience, taking into account current collection trends as well as general economic factors. Credit risks are assessed based on historical write-offs, net of recoveries, as well as analysis of the aged accounts receivables balances with allowances generally increasing as the receivables age.

Inventories

Inventories are stated at the lower of cost, or net realizable value. Cost is determined using the weighted average cost method, which approximates actual costs as determined on a first-in, first-out basis. The Company regularly monitors inventory quantities on hand and records write-downs for excess and obsolete inventories based on the Company's estimate of demand for its products, potential obsolescence of technology, product life cycles and whether pricing trends or forecasts indicate that the carrying value of inventory exceeds its estimated selling price. These factors are impacted by market and economic conditions, technology changes and new product introductions and require significant estimates that may include elements that are uncertain. Actual demand may differ from forecasted demand and may have a material effect on gross profit. If inventory is written down, a new cost basis is established that cannot be increased in future periods. The carrying value of inventories is reduced for any difference between cost and net realizable value of inventories that is determined to be obsolete or unmarketable, based upon assumptions about future demand and market conditions.

Equipment, net

Equipment is stated at cost, net of accumulated depreciation. Depreciation is generally computed using the straight-line method based on the estimated useful lives of the assets, which is generally three to five years. Maintenance and repairs are charged to expense as incurred. Significant improvements that substantially enhance the useful life of an asset are capitalized and depreciated. When assets are retired or disposed of, the cost together with related accumulated depreciation is removed from the balance sheet and any resulting gain or loss is reflected in the Company's statements of operations in the period realized.

Goodwill

The Company records goodwill when consideration paid in a business acquisition exceeds the value of the net assets acquired. The Company's estimates of fair value are based upon assumptions believed to be reasonable at the time, but such estimates are inherently uncertain and unpredictable. Assumptions may be incomplete or inaccurate and unanticipated events or circumstances may occur, which may affect the accuracy or validity of such assumptions, estimates or actual results. Goodwill is not amortized but rather is tested for impairment annually in the fourth quarter or more frequently, if facts and circumstances warrant a review. Circumstances that could trigger an impairment test include, but are not limited to, a significant adverse change in the business climate or legal factors, an adverse action or assessment by a regulator, or unanticipated competition. The Company has determined that there is a single reporting unit for the purpose of conducting the goodwill impairment assessment. In accordance with ASC Topic 350, Intangibles—Goodwill and Other, we first assess qualitative factors to determine whether it is necessary to perform the quantitative goodwill impairment test. If after assessing the totality of events or circumstances, we determine that it is more likely than not (i.e. greater than 50% likelihood) that the fair value of the reporting unit is less than its carrying amount, then the quantitative test is required. The quantitative goodwill impairment test requires us to estimate and compare the fair value of the reporting unit, determined using an income approach and a market approach, with its carrying value. If the fair value of the reporting unit exceeds the carrying value of the net assets, goodwill is not impaired. If the fair value of the reporting unit is less than the carrying value, the difference is recorded as an impairment loss up to the amount of goodwill.

Application of the goodwill impairment test requires judgments, including identification of the reporting units, assigning goodwill to reporting units, a qualitative assessment to determine whether there are any impairment indicators, and determining the fair value of each reporting unit which often involves the use of significant estimates and assumptions, including assumptions with respect to future cash inflows and outflows, discount rates, asset lives and market multiples, among other items. There is no assurance that the actual future earnings or cash flows of the reporting unit will not decline significantly from the projections used in the impairment analysis. As part of the Company's annual impairment test, which determined that the carrying amount of its single reporting unit exceeded its fair value, the Company recorded a goodwill impairment charge of \$59 thousand for the year ended December 31, 2022.

Intangible Assets and Long-Lived Assets

Intangible assets are comprised of developed technology (ERP system), purchased technology (web domain), and customer relationships acquired through business combinations. All of the Company's intangible assets are amortized using the straight-line method over their estimated useful life.

The Company capitalizes certain implementation costs related to its cloud-based enterprise resourcing planning ("ERP") system. Costs incurred during the application development stage are capitalized. Costs incurred in the preliminary stages of development are expensed as incurred. The Company also capitalizes costs related to specific upgrades and enhancements when it is probable that the expenditures will result in additional functionality. Capitalized implementation costs are amortized on a straight-line basis over its estimated useful life, however there were no capitalized costs incurred during the years ended December 31, 2022 and 2021, respectively.

The Company reviews long-lived assets for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable or that the useful lives of these assets are no longer appropriate. Each impairment test is based on a comparison of the undiscounted cash flows estimated to be generated by those assets over their estimated economic life to the related carrying value of those assets to determine if the assets are impaired. If an impairment is indicated, the asset is written down to its estimated fair value. The cash flow estimates used to identify the potential impairment reflect our best estimates using appropriate assumptions and projections at that time. In evaluating potential impairment of these assets, we specifically consider whether any indicators of impairment are present, including, but not limited to:

- whether there has been a significant adverse change in the business climate that affects the value of an asset;
- whether there has been a significant change in the extent or way an asset is used; and
- whether there is an expectation that the asset will be sold or disposed of before the end of its originally estimated useful life.

For the year ended December 31, 2022, the Company recorded an impairment charge of \$67 thousand related to its customer relationships, which is associated with the Company's ISP business that is being discontinued. The Company's other intangible assets and long-lived assets were determined to not be impaired as of December 31, 2022.

Leases

The Company determines if an arrangement is a lease at inception by assessing whether the arrangement contains an identified asset and whether it has the right to control the identified asset. Right-of-use (ROU) assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments over the lease term. ROU assets are based on the measurement of the lease liability and also include any lease payments made prior to or on lease commencement and exclude lease incentives and initial direct costs incurred, as applicable.

As the implicit rate in the Company's leases is generally unknown, the Company uses its incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The lease terms may include options to extend or terminate the lease when the Company is reasonably certain it will exercise such options. Lease costs for the Company's operating leases are recognized on a straight-line basis over the reasonably assured lease term. Variable lease payments include lease operating expenses. Lease expense for operating leases is recognized on a straight-line basis over the lease term. Lease expense is included in general and administrative expenses on the consolidated statements of operations.

The Company has elected to not separate lease and non-lease components for any leases within its existing classes of assets and, as a result, accounts for any lease and non-lease components as a single lease component. The Company has also elected to not apply the recognition requirement to any leases within its existing classes of assets with a term of 12 months or less and does not include an option to purchase the underlying asset that the Company is reasonably certain to exercise.

Other Assets

Other assets are stated at cost, less accumulated amortization, and primarily include certain certification costs and long-term insurance policies. Certain certification costs incurred that are necessary to market and sell products are capitalized and reported as "other assets" in the accompanying consolidated balance sheets when the costs are measurable, significant, and relating to products that are projected to generate revenue beyond twelve months. These costs are amortized over an 18-month period, beginning when the related products are available to be sold. As of December 31, 2022 and 2021, the balance outstanding for certifications costs, net of accumulated amortization, was \$402 thousand and \$297 thousand, respectively.

The long-term insurance policies are amortized over the term of the coverage period. As of December 31, 2022 and 2021, the balance outstanding for long-term insurance policies, net of accumulated amortization, was \$71 thousand and \$142 thousand, respectively.

Income Taxes

We compute deferred income taxes based on the differences between the financial statement and tax basis of assets and liabilities using enacted rates in effect in the years in which the differences are expected to reverse. We establish a valuation allowance to offset temporary deductible differences, net operating loss carryforwards and tax credits when it is more likely than not that the deferred tax assets will not be realized.

We recognize the tax benefit from an uncertain tax position only if it is more-likely-than-not that the tax position will be sustained upon examination by the taxing authorities, based on the technical merits of the tax position. The evaluation of an uncertain tax position is based on factors that include, but are not limited to, changes in the tax law, the measurement of tax positions taken or expected to be taken in tax returns, the effective settlement of matters subject to audit, and changes in facts or circumstances related to a tax position. Any changes to these estimates, based on the actual results obtained and/or a change in assumptions, could impact our tax provision in future periods. Interest and penalty charges, if any, related to unrecognized tax benefits would be classified as a provision for income tax in the consolidated statements of operations.

Loss Per Common Share

Basic loss per share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding. Diluted earnings per share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding plus additional common shares that would have been outstanding if dilutive potential common shares had been issued. For the purposes of this calculation, stock options are considered common stock equivalents in periods in which they have a dilutive effect. Stock options that are antidilutive are excluded from the calculation.

Net loss per share for the year ended December 31, 2022 and 2021, respectively, are as follows:

	Years ended December 31,	
	2022	2021
Numerator:		
Net loss	\$ (15,549,244)	\$ (2,198,667)
Denominator:		
Weighted average common shares - basic	46,399,137	39,761,121
Effect of dilutive common share equivalents	-	-
Weighted average common shares - dilutive	<u>46,399,137</u>	<u>39,761,121</u>
Basic and diluted net loss per share	<u>\$ (0.34)</u>	<u>\$ (0.06)</u>

Diluted loss per common share for the years ended December 31, 2022 and 2021 excludes the effects of 907,945 and 799,456 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 stock options.

Revenue Recognition

The Company primarily sells hardware products to its customers. The hardware products include cable modems and gateways, mobile broadband modems, wireless routers, MoCA adapters and mesh home networking devices. The Company derives its net sales primarily from the sales of hardware products to computer peripherals retailers, computer product distributors, OEMs, and direct to consumers and other channel partners via the Internet. The Company accounts for point-of-sale taxes on a net basis.

The Company also sells and earns revenues from Software as a Service ("SaaS"), including services that enables and secures a better-connected home with the AI-driven smart home WiFi management and security platform. Customers do not have the contractual right or ability to take possession of the hosted software.

The Company has concluded that transfer of control of its hardware products transfers to the customer upon shipment or delivery, depending on the delivery terms of the purchase agreement. Revenues from sales of hardware products are recognized at a point in time upon transfer of control.

The SaaS agreements are offered over a defined contract period, generally one year, and are sold to Internet service providers, who then promote the services to their subscribers. These services are available as an on-demand application over the defined term. The agreements include service offerings, which deliver applications and technologies via cloud-based deployment models that the Company develops functionality for, provides unspecified updates and enhancements for, and hosts, manages, provides upgrade and support for the customers' access by entering into solution agreements for a stated period. The monthly fees charged to the customers are based on the number of subscribers utilizing the services each month, and the revenue recognized generally corresponds to the monthly billing amounts as the services are delivered.

Multiple Performance Obligations

The Company has hardware products that include SaaS services as a bundled product. The Company accounts for these sales in accordance with the multiple performance obligation guidance of ASC Topic 606. For multiple performance obligation contracts, the Company accounts for the promises separately as individual performance obligations if they are distinct. Performance obligations are determined to be distinct if they are both capable of being distinct and distinct within the context of the contract. In determining whether performance obligations meet the criteria of being distinct, the Company considers a number of factors, such as degree of interrelation and interdependence between obligations, and whether or not the good or service significantly modifies or transforms another good or service in the contract. SaaS included with certain hardware products is considered distinct from the hardware, and therefore the hardware and SaaS offerings are treated as separate performance obligations.

After identifying the separate performance obligations, the transaction price is allocated to the separate obligations on a relative standalone selling price basis ("SSP"). SSP's are generally determined based on the prices charged to customers when the performance obligation is sold separately or using an adjusted market assessment. The estimated SSP of the hardware and SaaS offerings are directly observable from the sales of those products and SaaS based on a range of prices.

Revenue is recognized for each distinct performance obligation as control is transferred to the customer. Revenue attributable to hardware products bundled with 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.

Other considerations of ASC 606 include the following:

- *Returned Goods* - analyses of actual returned products are compared to the product return estimates and historically have resulted in immaterial differences. The Company has concluded that the current process of estimating the return reserve represents a fair measure to adjust revenue. Returned goods are a form of variable consideration and under ASC Topic 606 are estimated and recognized as a reduction of revenue as performance obligations are satisfied (e.g., upon shipment of goods). The sales returns accrual was \$982 thousand and \$1.6 million at December 31, 2022 and 2021, respectively.
- *Warranties* - the Company does not offer its customers a separate warranty for purchase. Therefore, there is no separate performance obligation. The Company accrues for assurance-type warranties, which do not include any additional distinct services other than the assurance that the goods comply with agreed-upon specifications. The warranty reserve was not material at December 31, 2022 and December 31, 2021.
- *Price protection* - if the Company reduces the price on any products sold to the customer, the Company will guarantee an account credit for the price difference for all quantities of that product that the customer still holds. Price protection is variable and under ASC Topic 606 is estimated and recognized as a reduction of revenue as performance obligations are satisfied (e.g., upon shipment of goods). The price protection accrual was not material at December 31, 2022 and December 31, 2021.
- *Volume Rebates and Promotion Programs* - volume rebates are variable dependent upon the volume of goods sold-through the Company's customers to end-users and under ASC Topic 606 are estimated and recognized as a reduction of revenue as performance obligations are satisfied (e.g., upon shipment of goods). The rebate and promotion accrual was not material at December 31, 2022, and \$175 thousand at December 31, 2021, respectively.

Contract Balances

Accounts receivable is recorded when the Company has an unconditional right to the consideration. When the timing of the Company's delivery of goods or services is different from the timing of payments made by customers, the Company recognize either a contract asset (performance precedes contractual due date) or a contract liability (customer payment precedes performance). When a customer prepays, that payment is reflected as deferred revenue until the performance obligation is satisfied. Contract assets consist of unbilled receivables (see Note 5).

The Company's business is controlled as a single operating segment that consists of the manufacture and sale of cable modems and gateway, and the majority of the Company's customers are retailers and distributors.

Stock-Based Compensation Expense

Stock-based compensation expense relates to stock options with a service condition and restricted stock units (RSUs). Stock-based compensation expense for the Company's stock-based awards is based on their grant date fair value.

Service-based options initially granted to an optionee generally vest at a rate of 25% on the first anniversary of the original vesting date, with the balance vesting monthly over the remaining three years. The fair value of stock options with a service condition on the grant date is estimated using the Black-Scholes option-pricing model. The fair value of these awards is recognized as compensation expense on a straight-line basis over the requisite service period in which the awards are expected to vest and forfeitures are recognized as they occur.

The Black-Scholes model considers several variables and assumptions in estimating the fair value of service-based stock options. These variables include the per share fair value of the underlying common stock, exercise price, expected term, risk-free interest rate, expected annual dividend yield and expected stock price volatility over the expected term. The risk-free interest rate is based on the yield available on U.S. Treasury zero-coupon issues similar in duration to the expected term of the equity-settled award.

RSUs initially granted to an optionee generally vest at a rate of 25% on the first anniversary of the original vesting date, with the balance vesting quarterly over the remaining three years. The fair value of RSUs is based on the market price of the Company's common stock on the date of grant.

Advertising Costs

Advertising costs are expensed as incurred and reported in selling expense in the accompanying consolidated statements of operations, and include costs of advertising, production, trade shows, and other activities designed to enhance demand for the Company's products. The Company reported advertising costs of approximately \$4.0 million and \$2.8 million in 2022 and 2021, respectively.

Shipping and Freight Costs

The Company records the expense associated with customer-delivery shipping and freight costs in selling and marketing expense. The Company reported shipping and freight costs of \$452 thousand and \$334 thousand in 2022 and 2021, respectively.

Segment

The Company operates as a single operating segment. The Company's chief operating decision maker, its Chief Executive Officer, reviews financial information on an aggregate basis for the purposes of allocating resources and evaluating financial performance. The Company's primary operation is in the United States, and it has derived substantially all of its revenue from sales to customers in the U.S.

The Company has operated a manufacturing facility in Mexico since 2014. The Company has long-lived tangible assets as well as two operating leases located in Mexico.

Recently Adopted Accounting Standards

In December 2019, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) ASU 2019-12 “Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes”, which is intended to improve consistent application and simplify the accounting for income taxes. This ASU removes certain exceptions to the general principals in Topic 740 and clarifies and amends existing guidance. The Company adopted the new standard effective January 1, 2021. The adoption had no impact on the Company’s financial condition, results of operations, or cash flows.

Recently Issued Accounting Standards

In June 2016, the FASB issued ASU No. 2016-13, “*Financial Instruments Credit Losses — Measurement of Credit Losses on Financial Instruments.*” ASU 2016-13 requires a financial asset (or group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected, which includes the Company’s accounts receivable. This ASU is effective for the Company for reporting periods beginning after December 15, 2022. The Company is currently assessing the potential impact that the adoption of this ASU will have on its consolidated financial statements.

There have been no other new accounting pronouncements that have significance, or potential significance, to the Company’s financial position, results of operations and cash flows.

(3) PUBLIC OFFERINGS AND PRIVATE PLACEMENTS

On July 28, 2021, the Company entered into an underwriting agreement with B. Riley Securities, Inc., as representative (the “Representative”) of the several underwriters named therein (collectively, the “Underwriters”), pursuant to which the Company agreed to issue and sell an aggregate of 10,000,000 shares of the Company’s Common Stock, to the Underwriters (the “Public Offering”). The shares of Common Stock were sold to the public at an offering price of \$2.50 per share and were purchased by the Underwriters from the Company at a price of \$2.32715 per share. On August 2, 2021, the Company received \$22.7 million in aggregate net proceeds after deducting Underwriters’ discounts, commissions, and other offering expenses after issuing 10,000,000 shares of the Company’s Common Stock through the Public Offering.

(4) SALE OF ZOOM® TRADEMARK

On August 12, 2021, the Company entered into an agreement with Zoom Video Communications, Inc. to sell, and sold, all of the Company’s right, title and interest in the ZOOM® trademark for cash consideration in the amount of \$4.0 million, net of legal costs incurred of \$44 thousand. The Company did not have a carrying basis in the trademark that was subject to the agreement and recorded income of approximately \$4.0 million, which is recorded in income from continuing operations pursuant to ASC 360-10, Impairment or Disposal of Long-Lived Assets. Under the terms on the agreement, the Company was allowed to use and sell the product under the ZOOM® trademark until February 11, 2022.

(5) REVENUE AND OTHER CONTRACTS WITH CUSTOMERS

Revenue is recognized for each distinct performance obligation as control is transferred to the customer. Revenue attributable to hardware products bundled with 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.

As of December 31, 2022, the aggregate amount of the transaction price allocated to the remaining performance obligations related to SaaS performance obligations that are unsatisfied or partially unsatisfied was \$1.4 million, which is recorded as deferred revenue on the Company's consolidated balance sheets. Of that amount, \$634 thousand will be recognized as revenue during the year ended December 31, 2023, and \$772 thousand thereafter.

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 consolidated balance sheets.

The Company applied 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 software maintenance 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. Contract liabilities consist of deferred revenue, which represents payments received in advance of revenue recognition related to SaaS agreements and for prepayments for products or services yet to be delivered.

Payment terms vary by customer. The time between invoicing and when payment is due is not significant. For certain products or services and customer types, payment is required before the products or services are delivered to the customer.

The following table reflects the contract balances as of the year ended:

	December 31,	
	2022	2021
Accounts receivable	\$ 2,758,406	\$ 4,880,663
Deferred revenue - current	\$ 633,542	\$ 291,296
Deferred revenue - noncurrent	\$ 771,738	\$ 443,452

During the year ended December 31, 2022, the change in deferred revenue was as follows:

Balance at December 31, 2021	\$ 734,748
Billings	1,120,627
Revenue recognized	(450,095)
Balance at December 31, 2022	<u>\$ 1,405,280</u>

Disaggregation of Revenue

The following table sets forth our revenues by distribution channel:

	Years ended December 31,	
	2022	2021
Retailers	\$ 48,728,624	\$ 53,409,848
Distributors	654,428	1,869,170
Other	1,239,091	143,508
	<u>\$ 50,622,143</u>	<u>\$ 55,422,526</u>

The following table sets forth our revenues by product:

	Years ended December 31,	
	2022	2021
Cable Modems & gateways	\$ 48,433,757	\$ 53,751,499
Other networking products	1,276,849	1,145,670
Software as a Service	911,537	525,357
	<u>\$ 50,622,143</u>	<u>\$ 55,422,526</u>

(6) BALANCE SHEET COMPONENTS

Inventories

Inventories, net consists of the following:

	December 31,	
	2022	2021
Materials	\$ 397,133	\$ 684,386
Work in process	5,842,251	3,919,503
Finished goods	19,175,822	29,287,398
	<u>\$ 25,415,206</u>	<u>\$ 33,891,287</u>

Finished goods includes consigned inventory held by our customers of \$4.2 million and \$4.5 million at December 31, 2022 and 2021, respectively. There was no in-transit inventory in the finished good balance at December 31, 2022, however the December 31, 2021 balance included \$6.3 million. 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 \$2.5 million and \$800 thousand for the years ended December 31, 2022, and 2021, respectively.

Equipment

Equipment, net consists of the following:

	December 31,		Estimated Useful lives in years
	2022	2021	
Computer hardware and software	\$ 497,913	\$ 447,092	3
Machinery and equipment	725,568	682,980	5
Molds, tools and dies	1,187,541	997,313	5
Office furniture and fixtures	78,728	85,699	5
	<u>2,489,750</u>	<u>2,213,084</u>	
Accumulated depreciation	(1,852,777)	(1,450,266)	
	<u>\$ 636,973</u>	<u>\$ 762,818</u>	

Depreciation expense was \$403 thousand and \$255 thousand for the years ended December 31, 2022 and 2021, respectively.

Goodwill

In December 2018, Cadence Connectivity acquired the net assets of MCP Networks Inc., a provider of a cloud-based home network management platform. The acquisition expanded Cadence Connectivity's subscriber base and thereby offered sales opportunities of Cadence Connectivity's SaaS to these subscribers. Cadence Connectivity recorded \$58 thousand of goodwill related to this acquisition in its historical accounts of December 2018. As of December 31, 2022, the Company determined that the goodwill was impaired after the annual impairment test indicated that the carrying amount of the Company's single reporting unit exceeded the estimated fair value and accordingly recorded a \$59 thousand impairment charge to general and administrative expense in the statement of operations. As of December 31, 2021, the Company had no impairment.

Intangible Assets

In December 2018, Cadence Connectivity acquired the net assets of MCP Networks Inc., a provider of a cloud-based home network management platform. The acquisition expanded Cadence Connectivity's subscriber base and thereby offered sales opportunities of Cadence Connectivity's SaaS to these subscribers. Cadence Connectivity recorded \$122 thousand of customer relationships related to this acquisition in its historical accounts of December 2018. As of December 31, 2022, the Company determined that the intangible asset of customer relationships was impaired as result of the Company's discontinuation of the ISP business to which these customers are associated and accordingly recorded a \$67 thousand impairment, net of accumulated amortization, to sales and marketing expense in the statement of operations. As of December 31, 2021, the Company had no impairment.

Intangible assets consisted of the following at December 31, 2022 and 2021:

	Estimated Useful Life (in years)	As of December 31, 2022			As of December 31, 2021		
		Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Customized internal use software	2.5	\$ 230,106	\$ (207,399)	\$ 22,707	\$ 230,106	\$ (115,306)	\$ 114,800
Customer relationships	9.0	–	–	–	122,435	(42,477)	79,958
Acquired web domain	5.0	86,732	(36,138)	50,594	86,732	(18,792)	67,940
		<u>\$ 316,838</u>	<u>\$ (243,537)</u>	<u>\$ 73,301</u>	<u>\$ 439,273</u>	<u>\$ (176,575)</u>	<u>\$ 262,698</u>

Amortization expense was \$122 thousand and \$125 thousand in the years ended December 31, 2022 and 2021, respectively.

The estimated annual amortization expense for each of the three succeeding years and thereafter is as follows:

Years ended December 31,		
2023	\$	40,054
2024		17,346
2025		15,901
	\$	<u>73,301</u>

Accrued expenses

Accrued expenses consists of the following:

	<u>December 31,</u>	
	<u>2022</u>	<u>2021</u>
Inventory purchases	\$ 24,901	\$ 287,571
Payroll and related benefits	430,358	210,495
Professional fees	290,588	229,597
Royalty costs	1,650,000	1,588,025
Sales allowances	1,226,856	1,958,050
Sales and use tax	113,200	50,916
Other	704,821	955,263
	<u>\$ 4,440,724</u>	<u>\$ 5,279,917</u>

(7) BANK CREDIT LINE 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 judgement 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. Interest expense was \$71 thousand and \$70 thousand for the years ended December 31, 2022 and 2021, respectively.

As of December 31, 2022, the Company had \$4.8 million outstanding, net of origination costs of \$30 thousand, under the SVB Loan Agreement, and this credit line had availability of \$38 thousand.

The interest rate on the bank credit lines was 8.50% as of December 31, 2022.

On March 10, 2023, Silicon Valley Bank went into receivership with the Federal Deposit Insurance Corporation (FDIC) and is now the Silicon Valley Bridge Bank. The SVB Loan Agreement has been transferred to Silicon Valley Bridge Bank, and the revolving facility remains accessible to the Company. On March 27, 2023, the SVB Loan Agreement was transferred to First-Citizens Bank & Trust Company ("First-Citizens") upon First-Citizens entered into a purchase and assumption agreement for all deposits and loans of Silicon Valley Bridge Bank.

Covenants

The SVB Loan Agreement includes a minimum interest expense per month of \$20 thousand. 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 for the period from the Effective Date until February 28, 2023 of 8.00% per annum. 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.

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

Government Loans

The Company participated in the Coronavirus Aid, Relief, and Economic Security Act and received an aggregate \$1,128,000 in unsecured loans under the Small Business Administration Paycheck Protection Program, at a fixed rate of 1% per annum. Under the terms of the loans, the Company received forgiveness of an aggregate \$20,000 and \$1,048,000 in 2021 and 2020, respectively. The Company repaid \$34,000 and \$26,000 in 2022 and 2021, respectively. As of December 31, 2022, the Company had no outstanding balances under the loans.

(8) Leases

The Company performs most of the final assembly, testing, packaging, warehousing and distribution at two production and warehouse facilities, totalling approximately 24,000 square feet, in Tijuana, Mexico. In November 2021, the Company entered into operating lease agreements extending each lease through November 30, 2023. Lease payments total approximately \$9 thousand per month. Rent expense was \$110 thousand and \$105 thousand for the years ended December 31, 2022 and 2021, respectively.

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. The agreement includes a one-time option to cancel the second year of lease with three months advance notice. The location is currently utilized by the Company's research and development group. Rent expense was \$54 thousand and \$53 thousand for the year ended December 31, 2022, and 2021, respectively. 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.

The Company leases the facility that comprises its headquarters at 848 Elm Street in Manchester, NH. The facility lease agreement was effective from August 1, 2019 to July 31, 2021 and was renewed for a one year extension until 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 facility lease agreement provides for the lease of 2,656 square feet of office space. Rent expense was \$33 thousand and \$30 thousand for the years ended December 31, 2022 and 2021, respectively.

The components of lease costs were as follows:

	Years ended December 31,	
	2022	2021
Operating lease costs	\$ 181,361	\$ 152,293
Short-term lease costs	29,740	35,604
Total lease costs	\$ 211,101	\$ 187,897

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

	Years ended December 31,	
	2022	2021
Operating leases:		
Weighted average remaining lease term (years)	1.1	1.7
Weighted average discount rate	4.2%	4.0%

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

	Years ended December 31,	
	2022	2021
Operating cash flow information:		
Amounts included in measurement of lease liabilities	\$ 172,730	\$ 145,410
Non-cash activities:		
ROU asset obtained in exchange for lease liability	\$ 103,914	\$ 299,821

The maturity of the Company's operating lease liabilities as of December 31, 2022 were as follows:

Years ended December 31,		
2023	\$	155,379
2024		22,794
Total lease payments	\$	178,173
Less: imputed interest		(4,693)
Present value of operating lease liabilities	\$	173,480
Operating lease liabilities, current	\$	150,968
Operating lease liabilities, noncurrent	\$	22,512

(9) COMMITMENTS AND CONTINGENCIES

(a) Contingencies

The Company is a 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 either or both of the 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. The Company expenses its legal fees as incurred.

In the ordinary course of their business, the Company and its subsidiaries are 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 defences 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.

(b) *Commitments*

The Company is 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 has a term ending December 31, 2025.

In connection with the license agreement, the Company has committed to reserve a certain percentage of wholesale prices for use in advertising, merchandising and promotion of the related products. Additionally, the Company is required to make quarterly royalty payments equal to a certain percentage of the preceding quarter's net sales with minimum annual royalty payments as follows:

Years ended December 31,		
2023	\$	6,850,000
2024		7,100,000
2025		7,100,000
	\$	<u>21,050,000</u>

Royalty expense under the License Agreement amounted to \$6,600,000 and \$6,350,000 for the years ended December 31, 2022 and 2021, respectively, and is reported in selling and marketing expense on the accompanying consolidated statements of operations.

(10) STOCKHOLDERS' EQUITY

In July 2021, the Company's shareholders voted to increase the number of authorized shares of capital stock to 62,000,000 shares, consisting of 60,000,000 shares of Common Stock and 2,000,000 shares of Preferred Stock (see Note 1).

Preferred Stock

The Company is authorized to issue 2,000,000 shares of preferred stock at \$0.01 par value per share. As of December 31, 2022 and 2021, no shares of preferred stock was outstanding.

The Board of Directors may determine the rights, preferences, privileges, qualifications, limitations and restrictions granted or imposed upon any series of preferred stock.

Common Stock

The Company is authorized to issue 60,000,000 shares of common stock at \$0.01 par value per share. As of December 31, 2022 and 2021, the Company had 46,949,240 and 45,885,043, respectively, shares of common stock outstanding.

Equity Compensation Plans

In July 2019, the Company terminated the 2009 Stock Option Plan and the 2009 Directors Option Plan (collectively, the "Prior Plans") and adopted the 2019 Stock Option Plan (the "2019 Stock Options Plan") and the 2019 Directors Option Plan (the "2019 Directors Option Plan") (collectively, the "2019 Plans", and together with the Prior Plans, the "Plans"). The purpose of the 2019 Plans is to provide certain incentive and non-statutory stock options to employees, directors and certain non-employees. As a result, the Company may not grant any additional awards under the Prior Plans. The Prior Plans will continue to govern outstanding stock options previously granted thereunder. The Company has initially reserved 4,000,000 shares and 1,000,000 shares of common stock for issuance of awards under the 2019 Stock Option Plans and the 2019 Directors Option Plan, respectively.

The 2019 Plans authorize grants to purchase shares of authorized but unissued common stock. Stock options can be granted with an exercise price no less than or equal to the stock's fair market value at the date of grant. All awards have 10-year terms. The 2019 Plans permit incentive stock options, or ISOs and non-qualified stock options, or NSOs. If the stock options are granted to a 10% stockholder, then the exercise price per share may not be less than 110% of the fair market value per share of the Company's common stock on the grant date. The board of directors sets the fair value and exercise price for the underlying shares at the grant date.

On November 9, 2021, the Company's Board of Directors approved of the Omnibus Incentive Compensation Plan and Non-Employee Directors Compensation Plan (collectively, the "2021 Equity Plans") and terminated the 2019 Plans. The purpose of the 2021 Equity Plans is to provide certain incentive and non-statutory stock options, restricted stock, restricted stock units, and stock appreciation rights to employees, directors, and certain non-employees. As a result, the Company may not grant any additional awards under the 2019 Plans. The Prior Plans and the 2019 Plans will continue to govern outstanding stock options previously granted thereunder. The Company has initially reserved 3,000,000 shares and 1,250,000 shares of common stock for issuance of awards under the Omnibus Incentive Compensation Plan and Non-Employee Directors Compensation Plan, respectively. On June 9, 2022, the 2021 Equity Plans were approved by the Company's shareholders.

Stock Option Activity

Stock option activity under Stock Option Plans was as follows:

	Outstanding Options	Weighted average exercise price	Weighted average remaining contractual term	Aggregate Intrinsic Value
Outstanding at December 31, 2020	3,098,163	\$ 1.16	3.00	\$ 2.43
Granted	716,258	3.48	—	—
Exercised	(814,005)	1.45	—	—
Forfeited	(635,842)	2.28	—	—
Outstanding at December 31, 2021	2,364,574	\$ 1.47	2.80	\$ 0.42
Granted	—	—	—	—
Exercised	(430,815)	0.55	—	—
Forfeited	(960,591)	1.47	—	—
Outstanding at December 31, 2022	973,168	\$ 1.87	2.20	\$ —
Exercisable at December 31, 2022	697,884	\$ 1.57	1.90	\$ —

There were no options granted during 2022 under the stock option plan. The weighted average grant date fair value of options granted was \$2.00 per share during the year ended December 31, 2021. The total intrinsic value of options exercised during the years ended December 31, 2022 and 2021 was \$140 thousand and \$1.3 million, respectively. The intrinsic value is the difference between the estimated fair value of the Company's common stock at the time of exercise and the exercise price of the stock option.

The total fair value of options that vested during the years ended December 31, 2022 and 2021 was \$710 thousand and \$1.0 million, respectively. As of December 31, 2022, the total unrecognized stock-based compensation expense related to the stock options was \$536 thousand, which will be recognized over a weighted-average period of approximately 2.1 years.

Stock-based Valuation Assumptions

The following ranges of assumptions were used to value options with service-based vesting granted to employees:

	Years ended December 31,	
	2022	2021
Expected term (in years)	-	4.04
Expected volatility	-	42.8% - 75.8%
Risk-free interest rate	-	0.3% - 1.2%
Dividend yield	-	0%

*During 2022 there were no stock options granted

Restricted Stock Units

During 2022, the Company granted 851,992 RSUs with a total fair value of \$523 thousand under the 2021 Equity Plans. As of December 31, 2022, there were 633,282 RSUs vested with a fair value of \$203 thousand. The Company recorded \$692 thousand in stock-based compensation expense for the year ended December 31, 2022. As of December 31, 2022, the total unrecognized stock-based compensation expense was \$739 thousand, which will be recognized over a weighted-average period of approximately 3.1 years.

A summary of plan activity for the 2021 Equity Plans is as follows:

	Units	Weighted Average Grant Date Fair value
Unvested at December 31, 2020	*	\$ *
Granted	1,223,893	1.24
Vested	—	—
Forfeited	—	—
Unvested at December 31, 2021	1,223,893	\$ 1.24
Granted	851,992	0.62
Vested	(633,282)	0.84
Forfeited	(329,726)	1.39
Unvested at December 31, 2022	1,112,877	\$ 0.95

*There was no RSU plan prior to 2021

Stock-based Compensation Expense

The following table sets forth stock-based compensation expense included in the Company's consolidated statements of operations:

	Years ended December 31,	
	2022	2021
Cost of goods sold	\$ 79,498	\$ 81,983
Sales and marketing	201,373	342,337
General and administrative	456,970	184,490
Research and development	432,754	388,127
Total stock-based compensation expense	\$ 1,170,595	\$ 996,937

(11) INCOME TAXES

Income tax expense consists of:

	Current	Deferred	Total
Year Ended December 31, 2021:			
U.S. Federal	\$ —	\$ —	\$ —
State and local	32,069	—	32,069
Foreign	31,704	—	31,704
	\$ 63,773	\$ —	\$ 63,773
Year Ended December 31, 2022:			
U.S. Federal	\$ —	\$ —	\$ —
State and local	59,846	—	59,846
Foreign	52,502	—	52,502
	\$ 112,348	\$ —	\$ 112,348

The principal components of deferred tax assets, net, were as follows at December 31:

	2022	2021
Deferred income tax assets:		
Capitalized research and development	\$ 1,234,710	\$ —
Inventories	889,821	566,403
Accounts receivable	357,920	484,728
Accrued expenses	266,665	45,522
Net operating loss and tax credit carry forwards	14,742,578	15,195,123
Plant and equipment	39,311	60,059
Stock compensation	120,661	65,014
Other – interest expense	187,990	74,931
Total deferred income tax assets	17,839,656	16,491,780
Valuation allowance	(17,839,656)	(16,491,780)
Net deferred tax assets	\$ —	\$ —

As of December 31, 2022, the Company had Federal net operating loss carry forwards of approximately \$60.6 million which are available to offset future taxable income. They are due to expire in varying amounts from 2023 to 2040. Federal net operating losses occurring after December 31, 2017, of approximately \$22.1 million may be carried forward indefinitely. As of December 31, 2022, the Company had state net operating loss carry forwards of approximately \$29.8 million which are available to offset future taxable income. They are due to expire in varying amounts from 2033 through 2040. A valuation allowance has been established for the full amount of net deferred income tax assets as management has concluded that it is more-likely than-not that the benefits from such assets will not be realized. The total valuation allowance increased by \$1.3 million from December 31, 2021 to December 31, 2022.

The Federal and state NOLs may be subject to certain limitations under Section 382 of the Internal Revenue Code, which could significantly restrict the Company's ability to use the NOLs to offset taxable income in subsequent years.

As result of changes made by the Tax Cuts and Jobs Act of 2017, that became effective as of January 1, 2022, the company is now required to capitalize for tax purposes certain research and development expenses and amortize domestic expenses over a 5 year period and foreign expenses over a 15 year period, resulting in a deferred tax asset for the capitalized amounts as reflected in the above table.

The following is a reconciliation of the statutory Federal income tax rate to the actual effective income tax rate for continuing operations:

	2022	2021
Federal tax (benefit) rate	21%	20%
Increase (decrease) in taxes resulting from:		
State income taxes	1	(2)
Change in valuation allowance	(9)	(5)
Expiration of NOLs	(13)	—
Expiration of stock options	(1)	(14)
Permanent differences	(1)	(4)
Changes in Federal and state rates	1	3
Effective income tax rate	(1)%	(2)%

The Company reviews annually the guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in the financial statements. Tax positions must meet a "more-likely-than-not" recognition threshold. At December 31, 2022 and 2021, the Company did not have any material uncertain tax positions. No interest and penalties related to uncertain tax positions were accrued at December 31, 2022 and 2021.

The Company files income tax returns in the U.S., India, and Mexico. Tax years subsequent to 2016 remain subject to examination for both U.S. Federal and state tax reporting purposes. Tax years subsequent to 2015 remain subject to examination for Mexico tax reporting purposes. The foreign income tax reported represents tax on operations for the Company that is located in a special economic zone in Mexico. Other than the Mexico facility, the Company has an India operation and has no other operations in a foreign location. The India operation had no tax obligations as of December 31, 2022.

(12) RETIREMENT PLAN

The Company sponsors a 401(k) retirement savings plan for employees. On February 1, 2021, the Cadence Connectivity 401(k) Plan merged into the Minim 401(k) Plan. Effective January 1, 2022, the Company increased the Company match to an amount not to exceed 3% of an employee's contribution. Employees could contribute to the 401(k) up to 100% of their wages with a maximum of \$20,500 for 2022. Under the Economic Growth and Tax Relief Reconciliation Act, employees who are age 50 or older could contribute an additional \$6,500 per year for a maximum of \$27,000 for 2022. Contributions by the employees are invested in one or more funds at the direction of the employee; however, employee contributions cannot be invested in Company stock. Contributions by the Company are made in accordance with the investment elections made by each participant for his or her deferral contributions. The matching contribution is applied to the employee accounts after each payroll. In the year ended December 31, 2021, the Company matched 25% of an employee's contribution, up to a maximum of \$350 per employee per year. The Company matching contributions charged to expense were \$179 thousand and \$23 thousand in the years ended December 31, 2022, and 2021, respectively.

(13) RELATED PARTY TRANSACTIONS

The Company leases 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 facility lease agreement provides for 2,656 square feet. For the twelve-months period ended December 31, 2022 and 2021, the rent expense was \$33 thousand and \$30 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 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.

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

(14) SUBSEQUENT EVENTS

The Company considers events or transactions that occur after the balance sheet date but prior to the issuance of the financial statements to provide additional evidence relative to certain estimates or to identify matters that require additional disclosure. The Company evaluated all subsequent events and determined that there are no material recognized or unrecognized subsequent events requiring disclosure, except as described below.

Silicon Valley Bank (“SVB”) was closed on March 10, 2023, by the California Department of Financial Protection and Innovation, which appointed the Federal Deposit Insurance Corporation (“FDIC”) as receiver. To protect depositors, the FDIC transferred all the deposits and substantially all of the assets of SVB to Silicon Valley Bridge Bank, N.A. (Bridge), a newly formed bridge bank that will be operated by the FDIC as it markets the institution to potential bidders. On March 12, 2023, the Department of the Treasury, Federal Reserve, and FDIC (collectively, the Agencies) announced that they were invoking the Systemic Risk Exception to the Federal Deposit Insurance Act to permit the FDIC to take action to fully protect all depositors of SVB, regardless of their deposit insurance coverage. In addition, the Agencies also announced that SVB depositors would have access to all their money starting March 13, 2023, with the revolving facility still accessible to the Company.

As of March 10, 2023, the Company had approximately \$1 million of cash and restricted cash on deposit with SVB, which represents approximately 100% of the Company’s total cash and cash equivalents as of December 31, 2022. The Company also had an outstanding line-of-credit facility with SVB with a maximum borrowing limit of \$10.0 million, of which approximately \$4.8 million was drawn as of December 31, 2022. Immediately prior to SVB’s closure on March 10, 2023, the Company had drawn \$4.4 million and \$4 thousand was available under the credit facility. As a result, the Company is working to identify replacement lenders for this credit facility, which may be at less favorable terms, including higher interest rates and costs and more stringent financial and operating covenants due to investor concerns regarding the U.S. financial system. These factors may make it more challenging for the Company to acquire financing on acceptable terms or at all.

Reverse Stock Split

On March 30, 2023, the Board of Directors of Minim, Inc. approved a 1-for-25 reverse split of the Company’s common stock to be effected through an amendment to the Company’s Restated Certificate of Incorporation (the “Amendment”). The Amendment will not effect the number of shares of authorized common stock.

The reverse stock split was subject to shareholder approval at a Special Shareholders Meeting (the “Special Meeting”), which took place on March 28, 2023. A majority of shareholders voted in favor of the reverse stock split. The Company’s definitive proxy statement relating to the Special Meeting filed on March 14, 2023, includes additional details regarding the Amendment.

The reverse stock split is expected to begin on a split-adjusted basis in April 2023 as the Company works with Regulatory authorities to proceed.

All of the Company’s historical shares and per share information related to issued and outstanding common stock and outstanding equity awards exercisable into common stock in these consolidated financial statements will be adjusted, on a retroactive basis, to reflect the reverse stock split in quarter ending March 31, 2023.

The following unaudited pro forma selected financial information reflects the impact of the reverse stock split had the effective date of the reverse stock been as of December 31, 2022. The pro forma results have been prepared for comparative purposes only and are not intended to be a projection of future operating results.

	<u>As reported for the year ended December 31, 2022</u>	<u>Effect of the Reverse Stock Split as of December 31, 2022 (Pro Forma, Unaudited)</u>
Authorized shares of common stock	60,000,000	60,000,000
Common stock issued and outstanding	46,949,240	1,877,970
Basic and diluted net loss per share	\$ (0.34)	\$ (8.38)
Weighted average shares common and common equivalent shares		
Basic and diluted	46,399,137	1,855,965

ITEM 9 – CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

ITEM 9A – CONTROLS AND PROCEDURES

Management's Report on Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Securities Exchange Act of 1934 reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, 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.

As of December 31, 2022, 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 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 Securities Exchange Act of 1934. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that due to the existence of a material weakness in our internal control over financial reporting, described below, our disclosure controls and procedures were not effective as of the end of the period covered by this report in enabling us to record, process, summarize and report information required to be included in our periodic SEC filings within the required time period.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Judgments by management are also required in evaluating the expected benefits and related costs of control procedures. The objectives of internal control include providing management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of consolidated financial statements in conformity with accounting principles generally accepted in the U.S. Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2022. In making this assessment, our management used the criteria set forth in 2013 by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control-Integrated Framework*. Our management has concluded that as of December 31, 2022 that the Company did not have properly designed internal controls over timely preparation and independent review of account analyses, account summaries and account reconciliations. These internal control failures resulted in material adjustments required to properly state expense, inventory, deferred revenue, accrued expenses, accounts receivables, and revenues as of and for the year ending December 31, 2022. Our management reviewed the results of their assessment with our Board of Directors.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. We identified a material weakness with failure to perform adequate independent reviews and maintain effective controls related to timely preparation of account summaries and reconciliations in the areas of expenses, inventory, deferred revenue, accrued expenses, accounts receivables, and revenues. This material weakness could result in the Company incorrectly reporting its consolidated balance sheets, consolidated statement of operations, stockholder's equity, and consolidated statements of cash flows.

To remediate the material weakness described above, the Company is instituting reporting enhancements within its accounting system, standardized and timely account reconciliations, and independent and regular reviews by the finance department to ensure the Company records are complete and accurate. In addition, the Company will hire an additional resource to provide additional oversight in the reviews and completion of timely analysis and reconciliations. The material weakness will not be considered remediated until the applicable remedial controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively. We expect that the remediation of this material weakness will be completed before the end of 2023.

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to an exemption from the internal control audit requirements of Section 404(b) of the Sarbanes-Oxley Act of 2002.

Inherent limitations on effectiveness of controls

Internal control over financial reporting has inherent limitations which include but are not limited to the use of independent professionals for advice and guidance, interpretation of existing and changing rules and principles, segregation of management duties, scale of organization, and personnel factors. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements on a timely basis, however these inherent limitations are known features of the financial reporting process and it is possible to design into the process safeguards to reduce, though not eliminate, this risk. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Changes in Internal Control over Financial Reporting

The Company reported a material weakness in its internal control over financial reporting as set forth in the Company's Annual Report on Form 10-K/A for the year ended December 31, 2021, filed with the Securities and Exchange Commission on August 19, 2022. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

The material weaknesses related to inadequate independent reviews and timely preparation of account summaries and reconciliations in the area of inventory, timely applying correct costs to customer return inventory, and reserve adequately for customer returned inventory. These material weaknesses could result in the Company incorrectly reporting its inventory and costs of goods sold.

Upon identifying the individual control deficiencies, the Company's management implemented remedial actions to address these control deficiencies. During 2022, we have successfully completed implementation of these remedial actions related to the timely application of costs to customer return inventory and applying reserves adequately for customer returned inventory.

Other than the above, there have been no significant changes in our internal controls over financial reporting that occurred during the fiscal year ended December 31, 2022 that have materially or are reasonably likely to materially affect, our internal control over financial reporting.

PART III

ITEM 10 – DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information required by this part is hereby incorporated by reference from our definitive proxy statement for our 2023 annual meeting of stockholders which will be filed with the SEC within 120 days after the close of our fiscal year.

ITEM 11 - EXECUTIVE COMPENSATION

Information required by this part is hereby incorporated by reference from our definitive proxy statement for our 2023 annual meeting of stockholders which will be filed with the SEC within 120 days after the close of our fiscal year.

ITEM 12 – SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information required by this part is hereby incorporated by reference from our definitive proxy statement for our 2023 annual meeting of stockholders which will be filed with the SEC within 120 days after the close of our fiscal year.

ITEM 13 – CERTAIN RELATIONSHIPS, RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

Information required by this part is hereby incorporated by reference from our definitive proxy statement for our 2023 annual meeting of stockholders which will be filed with the SEC within 120 days after the close of our fiscal year.

ITEM 14 – PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information required by this part is hereby incorporated by reference from our definitive proxy statement for our 2023 annual meeting of stockholders which will be filed with the SEC within 120 days after the close of our fiscal year.

PART IV

Item 15. Exhibits and Consolidated Financial Statement Schedules

(a) (1) and (2). Financial Statements.

See Index to Financial Statements under Item 8 in Part II hereof where these documents are listed. All schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and, therefore, have been omitted.

(a) (3). Exhibits.

The following is a list of exhibits:

ITEM 15 – EXHIBITS AND CONSOLIDATED FINANCIAL STATEMENT SCHEDULES *

- (a) Consolidated Financial Statements, Schedules and Exhibits:
- (1), (2) The Consolidated Financial Statements and required schedules are indexed on page F-1.
 - (3) Exhibits required by the Exhibit Table of Item 601 of SEC Regulation S-K. (Exhibit numbers refer to numbers in the Exhibit Table of Item 601.)
 - 2.1 Separation and Distribution Agreement by and between Zoom Technologies, Inc. and the Company (incorporated by reference to Annex B of the Preliminary Proxy Statement filed by Zoom Technologies, Inc. on May 13, 2009).*
 - 2.2 [Agreement and Plan of Merger, dated as of November 12, 2020, by and among the Company, Elm Acquisition Sub, Inc., Zoom Connectivity, Inc. and the Representative named therein \(incorporated by reference to Exhibit 10.1 to the Form 8-K filed by the Company on November 13, 2020\).](#)*
 - 3.1 [Amended and Restated Certificate of Incorporation of the Company \(incorporated by reference to Exhibit 3.1 to the Registration Statement on Form 10 filed by the Company on September 4, 2009\).](#)*
 - 3.2 [Certificate of Amendment to Amended and Restated Certificate of Incorporation of the Company \(incorporated by reference to Exhibit 3.1 to the Form 8-K filed by the Company on November 18, 2015\).](#)*
 - 3.3 [Certificate of Designation of Series A Junior Participating Preferred Stock \(incorporated by reference to Exhibit 3.2 to the Form 8-K filed by the Company on November 18, 2015\).](#)*
 - 3.4 [Certificate of Amendment to Amended and Restated Certificate of Incorporation of the Company \(incorporated by reference to Exhibit 3.1 to the Form 8-K filed by the Company on July 30, 2019\).](#)*
 - 3.5 [Certificate of Amendment to Amended and Restated Certificate of Incorporation of the Company \(incorporated by reference to Exhibit 3.1 to the Form 8-K filed by the Company on June 4, 2021\).](#)*
 - 3.6 [Certificate of Amendment to Amended and Restated Certificate of Incorporation of the Company \(incorporated by reference to Exhibit 3.2 to the Form 8-K filed by the Company on June 4, 2021\).](#)*
 - 3.7 [Certificate of Correction of the Company \(incorporated by reference to Exhibit 3.1 to the Form 8-K/A filed by the Company on June 30, 2021\).](#)*
 - 3.8 [Certificate of Amendment to Amended and Restated Certificate of Incorporation of the Company \(incorporated by reference to Exhibit 3.1 to the Form 8-K filed by the Company on July 23, 2021\).](#)*
 - 3.9 [Amended and Restated Bylaws of the Company \(incorporated by reference to Exhibit 3.1 to the Form 8-K filed by the Company on June 30, 2021\).](#)*
 - 3.10 Certificate of Amendment to the Amended and Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to Form 8-K filed by the Company on March 31, 2023).*
 - 4.1 [Description of Securities \(incorporated by reference to Exhibit 4.1 to Amendment No. 1 to Form S-1 filed by the Company on July 26, 2021\).](#)*
 - 10.1 [License Agreement, dated as of May 13, 2015, by and between the Company and Motorola Mobility LLC \(incorporated by reference to Exhibit 10.3 to the Form 10-Q/A filed by the Company on December 6, 2016\).](#)*†
 - 10.2 [Amendment to License Agreement, dated as of August 16, 2016, by and between the Company and Motorola Mobility LLC \(incorporated by reference to Exhibit 10.4 to the Form 10-Q/A filed by the Company on December 6, 2016\).](#)*†
 - 10.3 [Amendment to License Agreement, dated as of August 21, 2017, by and between the Company and Motorola Mobility LLC \(incorporated by reference to Exhibit 10.1 to the Form 10-Q filed by the Company on November 9, 2017\).](#)*†

- 10.4 [Amendment to License Agreement, dated as of March 27, 2020, by and between the Company and Motorola Mobility LLC \(incorporated by reference to Exhibit 10.19 to the Form 10-K/A filed by the Company on April 29, 2020\).*](#)^{††}
- 10.5 [Stock Purchase Agreement, dated as of May 3, 2019, by and between the Company and the Investors listed therein \(incorporated by reference to Exhibit 10.1 to the Form 8-K filed by the Company on May 6, 2019\).*](#)
- 10.6 [License Agreement, dated as of March 27, 2020, by and between the Company, MTRLC LLC and Motorola Mobility LLC \(incorporated by reference to Exhibit 10.19 to the Form 10-K/A filed by the Company on April 29, 2020\).*](#)^{††}
- 10.7 [Stock Purchase Agreement, dated as of May 26, 2020, by and between the Company and the Investors listed therein \(incorporated by reference to Exhibit 10.1 to the Form 8-K filed by the Company on May 27, 2020\).*](#)
- 10.8 [Standstill and Voting Agreement, dated as of October 9, 2020, by and among the Company, Zulu Holdings LLC and Jeremy P. Hitchcock \(incorporated by reference to Exhibit 99.1 to the Form 8-K filed by the Company on October 13, 2020\).*](#)
- 10.9 [Employment Agreement, dated as of May 22, 2019, by and between Zoom Connectivity, Inc. and Graham Chynoweth \(incorporated by reference to Exhibit 10.28 to the Form 10-K/A filed by the Company on April 30, 2021\).*](#)⁺
- 10.10 [Assignment and Amendment of Employment Agreement, dated as of December 4, 2020, by and among Graham Chynoweth, the Company and Zoom Connectivity, Inc. \(incorporated by reference to Exhibit 10.27 to the Form 10-K/A filed by the Company on April 30, 2021\).*](#)⁺
- 10.11 [Amendment to Employment Agreement, dated as of March 2, 2022, by and among Graham Chynoweth, the Company and Minim, Inc. \(incorporated by reference to Exhibit 10.2 to the Form 8-K filed by the Company on March 4, 2022\).*](#)⁺
- 10.12 [Employment Agreement, dated as of December 4, 2020, by and between the Company and Sean Doherty \(incorporated by reference to Exhibit 10.29 to the Form 10-K/A filed by the Company on April 30, 2021\).*](#)⁺
- 10.13 [Transition and Separation Agreement, dated as of December 22, 2021, by and between the Company and Sean Doherty \(incorporated by reference to Exhibit 10.1 to the Form 8-K filed by the Company on December 22, 2022\).*](#)
- 10.14 [Employment Agreement, dated as of December 4, 2020, by and between the Company and Nicole Zheng \(incorporated by reference to Exhibit 10.30 to the Form 10-K/A filed by the Company on April 30, 2021\).*](#)⁺
- 10.15 [Employment Agreement, dated as of March 2, 2022, by and between the Company and John Lauten \(incorporated by reference to Exhibit 10.1 to the Form 8-K filed by the Company on March 4, 2022\).*](#)⁺
- 10.16 [Employment Agreement, dated as of March 21, 2022, by and between the Company and Mehul Patel \(incorporated by reference to Exhibit 10.1 to the Form 8-K/A filed by the Company on March 24, 2022\).*](#)⁺
- 10.17 [Transition and Separation Agreement, dated July 8, 2022, between Minim, Inc. and Nicole Hayward Zheng. *](#)⁺
- 10.18 [Amendment to Employment Agreement, dated August 15, 2022, between Minim, Inc. and Mehul Patel. *](#)⁺
- 10.19 [Executive Employment Agreement, dated August 15, 2022, between Minim, Inc. and Dustin Tacker. *](#)⁺
- 10.20 [Transition and Separation Agreement, dated August 15, 2022, between Minim, Inc. and Gray Chynoweth. *](#)⁺
- 10.21 [Separation Agreement, dated August 15, 2022, between Minim, Inc. and John Lauten. *](#)⁺
- 10.22 [Form of Severance Agreement \(incorporated by reference to Exhibit 10.1 of to the Form 8-K/A filed by the Company on October 27, 2021\).*](#)⁺
- 10.23 [Minim, Inc. 2021 Omnibus Incentive Compensation Plan \(incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed by the Company on November 16, 2021\).*](#)⁺
- 10.24 [Minim, Inc. 2021 Non-Employee Directors Compensation Plan \(incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed by the Company on November 16, 2021\).*](#)⁺
- 10.25 [Form of Executive Officer Restricted Stock Unit Award Agreement \(incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K filed by the Company on November 16, 2021\).*](#)⁺
- 10.26 [Form of Director Restricted Stock Unit Award Agreement \(incorporated by reference to Exhibit 10.4 to the Current Report on Form 8-K filed by the Company on November 16, 2021\).*](#)⁺
- 10.27 [Inducement Award Agreement for Restricted Stock Units, by and between the Company and Bill Wallace, dated as of December 6, 2021 \(incorporated by reference to Exhibit 99.1 to the Form S-8 filed by the Company on December 16, 2021\).*](#)⁺
- 10.28 [Minim, Inc. 2019 Stock Option Plan \(incorporated by reference to Appendix D to the Definitive Proxy Statement filed by the Company on May 28, 2019\).*](#)⁺
- 10.29 [Minim, Inc. 2019 Directors Stock Option Plan \(incorporated by reference to Appendix C to the Definitive Proxy Statement filed by the Company on May 28, 2019\).*](#)⁺
- 10.30 [Loan and Security Agreement, dated as of March 12, 2021, by and between the Company and Silicon Valley Bank \(incorporated by reference to Exhibit 10.1 to the Form 8-K filed by the Company on March 15, 2021\).*](#)
- 10.31 [First Amendment to Loan and Security Agreement, dated as of November 1, 2021, by and among Silicon Valley Bank, the Company and Zoom Connectivity, Inc. \(incorporated by reference to Exhibit 10.1 to the Form 8-K filed by the Company on November 2, 2021\).*](#)
- 10.32 [Waiver and Second Amendment to Loan and Security Agreement, dated December 12, 2022, by and among Silicon Valley Bank, Minim, Inc. and Cadence Connectivity, Inc](#)
- 10.33 [Bridge Loan, dated as of November 30, 2022, by and among Minim, Inc., Cadence Connectivity, Inc., and Slingshot Capital, LLC.](#)

- 10.34 [Bridge Term Note, dated as of November 30, 2022, by and among Minim Inc., Cadence Connectivity, Inc., and Slingshot Capital, LLC.](#)
- 10.35 [Subordination Agreement, dated as of November 30, 2022, by and among Minim, Inc., Cadence Connectivity, Inc., Slingshot Capital, LLC, and Silicon Valley.](#)
- 10.36 [Form of Underwriting Agreement \(incorporated by reference to Exhibit 1.1 of Amendment No. 1 to Form S-1 filed by the Company on July 26, 2021\).*](#)
- 10.37 [Trademark Acquisition Agreement, dated as of August 11, 2021, by and between the Company and Zoom Video Communications, Inc. \(incorporated by reference to Exhibit 10.1 to the Form 8-K filed by the Company on August 16, 2021\).*†](#)
- 10.38 [Settlement Agreement, dated as of August 20, 2021, by and among the Company, Jeremy Hitchcock and Eric Griffith \(incorporated by reference to Exhibit 99.2 of Amendment No. 14 to Schedule 13D filed on August 20, 2021\).*](#)

- 21.1 [Subsidiaries.**](#)
- 23.1 [Consent of Independent Registered Public Accounting Firm \(RSM US LLP\).**](#)
- 31.1 [CEO Rule 13a-14\(a\)/15d-14\(a\) Certification.**](#)
- 31.2 [CFO Rule 13a-14\(a\)/15d-14\(a\) Certification.**](#)
- 32.1 [CEO Section 1350 Certification.**†††](#)
- 32.2 [CFO Section 1350 Certification.**†††](#)
- 101.INS Inline XBRL Instance Document.**
- 101.SCH Inline XBRL Taxonomy Extension Schema Document.**
- 101.CAL Inline XBRL Taxonomy Extension Calculation Linkbase Document.**
- 101.DEF Inline XBRL Taxonomy Extension Definition Linkbase Document.**
- 101.LAB Inline XBRL Taxonomy Extension Label Linkbase Document.**
- 101.PRE Inline XBRL Taxonomy Extension 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.

** Filed herewith.

+ Management contract or compensatory plan, contract or arrangement.

† Confidential portions of this exhibit have been redacted and filed separately with the SEC pursuant to a confidential treatment request in accordance with Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

†† Certain confidential portions of this exhibit were omitted because the identified confidential portions (i) are not material and (ii) would be competitively harmful if publicly disclosed.

††† This certification shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that section, nor shall it be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934.

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: March 31, 2023

By: /s/ Mehul Patel
Mehul Patel,
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Mehul Patel</u> Mehul Patel	Chief Executive Officer (principal executive officer)	March 31, 2023
<u>/s/ Dustin Tacker</u> Dustin Tacker	Chief Financial Officer (principal financial and accounting officer)	March 31, 2023
<u>/s/ Jeremy Hitchcock</u> Jeremy Hitchcock	Chairman of the Board	March 31, 2023
<u>/s/ Patrick Rivard</u> Patrick Rivard	Director	March 31, 2023
<u>/s/ Philip Frank</u> Philip Frank	Director	March 31, 2023
<u>/s/ Elizabeth Hitchcock</u> Elizabeth Hitchcock	Director	March 31, 2023
<u>/s/ Sandra Howe</u> Sandra Howe	Director	March 31, 2023
<u>/s/ George Kassas</u> George Kassas	Director	March 31, 2023

SUBSIDIARIES

MTRLC LLC, a wholly owned subsidiary of Minim, Inc., is a limited liability company organized in Delaware that focuses on the sale of our Motorola brand products.

Cadence Connectivity, Inc. (formerly known as Zoom Connectivity, Inc.), a wholly owned subsidiary of Minim, Inc., is a corporation organized in Delaware that designs, develops, sells and supports an IoT security platform that enables and secures a better connected home.

Minim Asia Private Limited, a wholly owned subsidiary of Minim, Inc., is a private company organized in Mumbai, India that sells and support of our Motorola brand products in India.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM'S CONSENT

We consent to the incorporation by reference in the Registration Statements (No. 333-261110, 333-237698, 333-209807, 333-173143) on Form S-8 of Minim, Inc. of our report dated March 31, 2023, relating to the consolidated financial statements of Minim, Inc. and its subsidiaries, appearing in the Annual Report on Form 10-K of Minim, Inc. for the year ended December 31, 2022.

/s/ RSM US LLP

Boston, Massachusetts
March 31, 2023

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Mehul Patel, Chief Executive Officer of Minim, Inc., certify that:

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

Date: March 31, 2023

By: /s/ Mehul Patel
Mehul Patel
Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Dustin Tacker, Chief Financial Officer of Minim, Inc., certify that:

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

Date: March 31, 2023

By: /s/ Dustin Tacker

Dustin Tacker
Chief Financial Officer
(Principal Financial Officer)

CERTIFICATION

Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code).

In connection with the annual report on Form 10-K of Minim, Inc. (the "Company") for the period ended December 31, 2021 as filed with the Securities and Exchange Commission on or about the date hereof (the "Report"), the undersigned, Mehul Patel, Chief Executive Officer, hereby certifies, pursuant to 18 U.S.C. Section 1350, that:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 31, 2023

By: /s/ Mehul Patel
Mehul Patel
Chief Executive Officer
(Principal Executive Officer)

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

CERTIFICATION

Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code).

In connection with the annual report on Form 10-K of Minim, Inc. (the "Company") for the period ended December 31, 2022 as filed with the Securities and Exchange Commission on or about the date hereof (the "Report"), the undersigned, Dustin Tacker, Chief Financial Officer, hereby certifies, pursuant to 18 U.S.C. Section 1350, that:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 31, 2023

By: /s/ Dustin Tacker
Dustin Tacker
Chief Financial Officer
(Principal Financial Officer)

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.
