As filed with the Securities and Exchange Commission on May , 2018

Registration No. 333-208536

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

Post-Effective Amendment No. 2
to
FORM S-1

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

QUEST PATENT RESEARCH CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	6794	11-2873662
(State or jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

411 Theodore Fremd Ave. Suite 206S
Rye, NY 10580-1411
(888) 743-7577
(Address and telephone number of principal executive offices)

COPIES TO:

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(Name, address and telephone number of agent for service)

APPROXIMATE DATE OF PROPOSED SALE TO PUBLIC:
As soon as practicable after this registration statement becomes effective.

If any securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box: ☒

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☒
		Emerging growth company	☐

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

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be Registered	Proposed Maximum Offering Price Per Security (1)	Proposed Maximum Aggregate Offering Price (1)	Amount of Registration Fee
Common Stock, par value $0.00003 per share	100,000,000 shares	$ 0.005	$ 500,000	$ 50.35

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(a) promulgated under the Securities Act of 1933, as amended. The shares offered hereunder may be sold by the selling stockholders from time to time in the open market, through privately negotiated transactions or a combination of these methods, at a fixed price of $0.005 per share until the common stock is quoted on the OTC Bulletin Board or the OTCQX or OTCQB marketplaces of OTC Markets Group Inc., or is listed on a securities exchange; and thereafter at market prices prevailing at the time of sale or at negotiated prices.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a) may determine.

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

PRELIMINARY PROSPECTUS, SUBJECT TO COMPLETION, DATED MAY , 2018

100,000,000 Shares

Quest Product Research Corporation

OTC Pink trading symbol: QPRC

This prospectus relates to the public offering of an aggregate of 100,000,000 shares of common stock which may be sold from time to time by the selling stockholders named in this prospectus.

The shares offered by this prospectus may be sold by the selling stockholders from time to time in the open market, through privately negotiated transactions or a combination of these methods, at a fixed price of $0.00[X] per share until our common stock is quoted on the OTC Bulletin Board or the OTCQX or OTCQB marketplaces of OTC Markets Group Inc., or is listed on a securities exchange; and thereafter at market prices prevailing at the time of sale or at negotiated prices. We cannot assure you that our common stock will be quoted on the OTC Bulletin Board or the OTCQX or OTCQB marketplaces or listed on a securities exchange.

We will not receive any proceeds from the sale by the selling stockholder of their shares of common stock. We will pay the cost of the preparation of this prospectus, which is estimated at $25,000.

On May , 2018, the last reported sales price for our common stock on the OTC Pink, as reported by OTC Markets, was $[ ] per share.

Investing in shares of our common stock involves a high degree of risk. You should purchase our common stock only if you can afford to lose your entire investment. See "Risk Factors," which begins on page 5.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined whether this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The selling stockholders have not engaged any underwriter in connection with the sale of their shares of common stock. The selling stockholders may sell shares of common stock in the public market based on the market price at the time of sale or at negotiated prices or in transactions that are not in the public market in the manner set forth under "Plan of Distribution."

The date of this Prospectus is _____________, 2018.

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You may only rely on the information contained in this prospectus or that we have referred you to. We have not authorized anyone to provide you with different information. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the common stock offered by this prospectus. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any common stock in any circumstances in which such offer or solicitation is unlawful. Neither the delivery of this prospectus nor any sale made in connection with this prospectus shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this prospectus or that the information contained by reference to this prospectus is correct as of any time after its date.

Until _____________, 2018, all dealers that effect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

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PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus. This summary does not contain all the information you should consider before investing in the securities. However, you should read the entire prospectus carefully, including the "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," and our consolidated financial statements, including the notes thereto, appearing elsewhere in this prospectus.

Our Business

We are an intellectual property asset management company. Our principal operations include the development, acquisition, licensing and enforcement of intellectual property rights that are either owned or controlled by us or one of our wholly-owned subsidiaries. We currently own, control or manage ten intellectual property portfolios, which principally consist of patent rights. Our ten intellectual property portfolios include the portfolios which we acquired from Intellectual Ventures Assets 16, LLC ("Intellectual Ventures") and five of its affiliates. As part of our intellectual property asset management activities and in the ordinary course of our business, it has been necessary for us or the intellectual property owner who we represent to initiate, and it is likely to continue to be necessary to initiate, patent infringement lawsuits and engage in patent infringement litigation. We anticipate that our primary source of revenue will come from the grant of licenses to use our intellectual property, primarily licenses granted as part of the settlement of patent infringement lawsuits. We also generate revenue from management fees from managing intellectual property portfolios, although at present we do not have any agreements that provide us with management fees.

We seek to generate revenue from three sources:

- Patent licensing fees relating to our intellectual property portfolio, which includes fees from the licensing of our intellectual property, primarily from litigation relating to enforcement of our intellectual property rights.

- Management fees for managing structured licensing programs, including litigation, related to our intellectual property rights, although we do not currently receive these fees.

- Licensed packaging sales, which relate to the sale of licensed products.

Intellectual property monetization includes the generation of revenue and proceeds from the licensing of patents, patented technologies and other intellectual property rights. Patent litigation is often a necessary element of intellectual property monetization where a patent owner, or a representative of the patent owner, seeks to protect its patent rights against the unlicensed manufacture, sale, and use of the owner's patent rights or products which incorporate the owner's patent rights. In general, we seek to monetize the bundle of rights granted by the patents through structured licensing and when necessary enforcement of those rights through litigation, although to date all of our patent license revenues have resulted from litigation.

We intend to develop our business by acquiring intellectual property rights, either in the form of ownership of or an exclusive license to the underlying intellectual property. Our goal is to enter into agreements with inventors of innovative technologies for which there may be a significant market for products which use or incorporate the intellectual property. We seek to purchase all of, or interests in, intellectual property in exchange for cash, securities of our company, the formation or a joint venture or separate subsidiary in which the owner has an equity interest, and/or interests in the monetization of those assets. Our revenue from this aspect of our business can be generated through licensing and, when necessary, which is typically the case, litigation efforts as well as intellectual property management fees. We engage in due diligence and a principled risk underwriting process to evaluate the merits and potential value of any acquisition, partnership or joint venture. We seek to structure the terms of our acquisitions in a manner that will achieve the highest risk-adjusted returns possible, in the context of our financial condition. In connection with the acquisition of intellectual property portfolios, we have granted the party providing the financing an interest in any recovery we have with respect to the intellectual property purchased with the financing, and we expect that we will have to continue to grant such interests until and unless we have generated sufficient cash from licensing our intellectual property to enable us to acquire additional intellectual property portfolios without outside financing. However, we cannot assure you that we will ever generate sufficient revenues to enable us to purchase additional intellectual property without third-party financing.

We employ a due diligence process before completing the acquisition of an intellectual property interest. We begin with an investment thesis supporting the potential transaction and then proceed to test the thesis through an examination of the critical drivers of the value of the underlying intellectual property asset. Such an examination focuses on areas such as title and inventorship issues, the quality of the drafting and prosecution of the intellectual property assets, legal risks inherent in licensing programs generally, the applicability of the invention to the relevant marketplace and other issues such as the effects of venue and other procedural issues. However, our financial position may affect our ability to conduct due diligence with respect to intellectual property rights.

It is frequently necessary to commence litigation in order to obtain a recovery for past infringement of, or to license the use of, our intellectual property rights. Intellectual property litigation is very expensive, with no certainty of any recovery. To the extent possible we seek to engage counsel on a contingent fee or partial contingent fee basis, which significantly reduces our litigation cost, but which also reduces the value of the recovery to us. We do not have the resources to enable us to fund the cost of litigation. To the extent that we cannot fund litigation ourselves, we may enter into an agreement with a third party, which may be the patent owner or the former patent owner who transferred the patent rights to us, or an independent third party. In view of our limited cash and our working capital deficiency, we are not able to institute any monetization program that may require litigation unless we engage counsel on a fully contingent basis or we obtain funding from third party funding sources. In these cases, counsel may be afforded a greater participation in the recovery and the third party that funds the litigation would be entitled to participate in any recovery.

Purchase of Intellectual Property from Intellectual Ventures Entities

On October 22, 2015, pursuant to an agreement with an effective date of July 8, 2015, as amended, between us and Intellectual Ventures, we purchased three groups of patents from Intellectual Ventures for a purchase price of $3,000,000, which was paid in three annual installments of $1,000,000 from the proceeds of our loans from United Wireless. Contemporaneously with our acquisition of the patents, we granted Intellectual Ventures a security interest in the patents transferred to us as security for the payment of the balance of the purchase price. Intellectual Ventures released its security interest upon receipt of the third installment payment in November 2017. The patent portfolios which we acquired from Intellectual Ventures are the anchor structure portfolio, the power management/bus control portfolio and the diode on chip portfolio, which are described under "Business – Our Intellectual Property Portfolios."

On July 28, 2017, CXT Systems, Inc. ("CXT"), a wholly-owned subsidiary, entered into an agreement with Intellectual Ventures Assets 34 LLC and Intellectual Ventures Assets 37 LLC ("IV 34/37") pursuant to which CTX paid IV 34/37 $25,000 and IV34/37 transferred to CXT all right, title and interest in a portfolio of thirteen United States patents. Under the agreement, CXT will distribute 50% of net proceeds, as defined, to IV 34/37, as long as we generate revenue from this portfolio. The $25,000 payment to IV 34/37 was made from a loan from United Wireless and was paid directly by United Wireless to IV34/37. The agreement with IV 34/37, as amended on January 26, 2018, provides that if, on December 31, 2018, December 31, 2019 and December 31, 2020, cumulative distributions to IV 34/37 total less than $100,000, $375,000 and $975,000, respectively, CXT shall pay the difference between such cumulative amounts and the amount paid to IV 34/37 within ten days after the applicable date; with any advances being credited toward future distributions to IV 34/36; the useful lives of the patents, at the date of acquisition, was 5-6 years. Neither we nor any affiliate of CXT has guaranteed the minimum payments. CXT's obligations under the agreement with IV 34/37 are secured by a security interest in the proceeds (from litigation or otherwise) from this portfolio.

On January 26, 2018, CXT entered into an agreement with Intellectual Ventures Assets 62 LLC and Intellectual Ventures Assets 71 LLC ("IV 62/71") pursuant to which CXT advanced IV 62/71 $10,000 at closing and IV 62/71 assigned to CXT all right, title, and interest in a portfolio of sixteen United States patents and three pending applications. Under the agreement, CXT will distribute 50% of net proceeds, as defined, to IV 62/71, as long as we generate net proceeds from these patents; with any advances being credited toward future distributions to IV 62/71. CXT's obligations under the agreement are secured by a security interest in the proceeds (from litigation or otherwise) from the CXT Portfolio. We agreed to modify the monetization proceeds agreement between CXT and United Wireless to include the patents acquired from IV62/71. The portfolios that we acquired from IV 34/37 and IV 62/71 comprise the CXT Portfolio, which is described under "Business – Our Intellectual Property Portfolios."

On January 26, 2018, our wholly-owned subsidiary Photonic Imaging Solutions, Inc. ("PIS") entered into an agreement with Intellectual Ventures Assets 64 LLC ("IV 64") pursuant to which PIS advanced $10,000 to IV 64 at closing and IV 64 assigned to PIS all right, title, and interest in the CMOS Portfolio. Under the agreement, PIS will distribute to IV 64 70% of the first $1,500,000 of revenue, as defined in the agreement, 30% of the next $1,500,000 of revenue and 50% of revenue over $3,000,000; with any advances being credited toward future distributions to IV 64. PIS' obligations under the monetization proceeds agreement are secured by a security interest in the proceeds (from litigation or otherwise) from the portfolio.

Our Organization

We were incorporated in Delaware on July 17, 1987 under the name Phase Out of America. On September 21, 1997, we changed our name to Quest Products Corporation, and, on June 6, 2007, we changed our name to Quest Patent Research Corporation. We have been engaged in the intellectual property monetization business since 2008. Our executive office is located at 411 Theodore Fremd Ave., Suite 206S, Rye, New York 10580-1411, telephone (888) 743-7577. Our website is www.qprc.com. Information contained on our website or any other website does not constitute a part of this prospectus.

References to "we," "us," "our" and word of like import refer to Quest Patent Research Corporation and one or more of our subsidiaries unless the context specifically states or implies otherwise.

Issuance of Securities to Selling Stockholders

The 100,000,000 shares of common stock offered by the selling stockholders pursuant to this prospectus represent the 50,000,000 shares of common stock that we issued at the closing to United Wireless and the 50,000,000 shares of common stock that are issuable upon exercise of the purchase option that we granted to United Wireless. The 50,000,000 shares of common stock that were issued to United Wireless have been transferred to Andrew C. Fitton (35,000,000 shares) and Michael R. Carper (15,000,000 shares), and the option to purchase 50,000,000 shares was transferred by United Wireless to Intelligent Partners, LLP, which is owned by Mr. Fitton (70%) and Mr. Carper (30%). Pursuant to the terms of the purchase option, Intelligent Partners has the right to purchase 16,666,667 shares at an exercise price of $0.01 per share during the period from September 30, 2016 through September 30, 2020, an additional 16,666,667 shares at an exercise price of $0.03 per share during the period from September 30, 2017 through September 30, 2020, and an additional 16,666,666 shares at an exercise price of $0.05 per share during the period from September 30, 2018 through September 30, 2020. See "Business – Agreements with United Wireless."

The Offering

Common Stock Offered:	The selling stockholders are offering 100,000,000 shares of common stock, of which 50,000,000 shares are owned by two of the selling stockholders and 50,000,000 shares are issuable upon exercise of a purchase option held by Intelligent Partners.
Outstanding Shares of Common Stock:	383,038,334 shares*
Use of Proceeds:	We will not receive any proceeds from the sale of the shares by the selling stockholders.
Determination of Offering Price:	The shares will be sold by the selling stockholders at a fixed price of $0.005 per share until our common stock is quoted on the OTC Bulletin Board or the OTCQX or OTCQB marketplaces of the OTC Markets Group Inc. or is listed on a securities exchange, at which time the shares may be sold at prices prevailing at the time or at negotiated prices. We cannot assure you that our common stock will be quoted on the OTC Bulletin Board or the OTCQX or OTCQB marketplaces or listed on a securities exchange.

* Not including 50,000,000 shares of common stock issuable upon exercise of the purchase option held by Intelligent Partners.

SUMMARY FINANCIAL INFORMATION

The following information as of December 31, 2017 and 2016 and for years in then ended have been derived from our audited financial statements which appear elsewhere in this prospectus.

Statement of Operations Information:

	Year Ended December 31,	
	2017	2016
Revenues	$ 1,231,647	$ 1,264,214
Loss from operations	(545,718)	(676,717)
Net loss attributable to common stockholders	(1,168,063)	(955,982)
Loss per share (basic and diluted)	$ (0.00)	$ (0.00)
Weighted average shares of common stock outstanding (basic and diluted)	322,819,156	313,038,334

Balance Sheet Information:

	December 31,	
	2017	2016
Current assets	$ 170,914	$ 265,808
Working capital deficiency	(4,190,582)	(3,393,617)
Accumulated deficit	(16,549,493)	(15,381,430)
Stockholders' deficit	(2,427,001)	(1,336,670)

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RISK FACTORS

An investment in our common stock involves a high degree of risk. You should carefully consider the risks described below together with all of the other information included in this prospectus before making an investment decision with regard to our securities. The statements contained in this prospectus include forward-looking statements that are subject to risks and uncertainties that could cause actual results to differ materially from those set forth in or implied by forward-looking statements. The risks set forth below are not the only risks facing us. Additional risks and uncertainties may exist that could also adversely affect our business, prospects or operations. If any of the following risks actually occurs, our business, financial condition or results of operations could be harmed. In that case, the trading price of our common stock could decline, and you may lose all or a significant part of your investment.

Risks Relating to our Financial Conditions and Operations

We have a history of losses and are continuing to incur losses. During the period from 2008, when we changed our business to become an intellectual property management company, through 2017, we generated a cumulative loss of more than $16,549,000 on cumulative revenues of less than $6,000,000 and our losses are continuing. Our total assets were approximately $2,634,000 at December 31, 2017, of which approximately $2,463,000 represented the book value of patents we acquired from Intellectual Ventures and its affiliates. At December 31, 2017, we had a working capital deficiency of approximately $4,191,000, and our continuing losses are generating an increase in our negative working capital. We cannot give assurance that we can or will ever operate profitably.

Our independent auditors have included a going concern qualification in their report on our financial statements for the year ended December 31, 2017. Because of our history of losses, deficiency in stockholders' equity, working capital deficiency and the uncertainty of generating revenues in the future, our independent auditors have included a going concern qualification in their report on our financial statements for the year ended December 31, 2017.

We require significant funding in order to develop our business. Our business requires substantial funding to evaluate and acquire intellectual property rights and to develop and implement programs to monetize our intellectual property rights, including the prosecution of any litigation necessary to enable us to monetize our intellectual property rights. Our failure to develop and implement these programs could both jeopardize our relationships under our existing agreements and could inhibit our ability to generate new business, either through the acquisition of intellectual property rights or through exclusive management agreements. We cannot be profitable unless we are able to obtain the funding necessary to develop our business, including litigation to monetize our intellectual property. We cannot assure you that we will be able to obtain necessary funding or to develop our business.

Unless we generate significant revenue from our intellectual properties, we may be unable to pay the notes we incurred in connection with our recent intellectual property purchase. Through April 30, 2018, we borrowed $3,675,000 from United Wireless, of which $3,000,000 was used to make pay the purchase price of the intellectual property we acquired from Intellectual Ventures and United Wireless has agreed to provide us with an additional $225,000 for working capital. The notes are due September 30, 2020. Unless we generate revenue either from our existing intellectual property portfolio, including the patent rights we acquired from the Intellectual Ventures Entities, or from any new intellectual property portfolios which we may acquire in the future, we do not expect to have the funds necessary to pay principal and interest on the notes. If we are not able to make payment when due, we may not be able to continue in business and it may be necessary for us to seek protection under the Bankruptcy Act. We cannot assure you that we will be able to generate the revenue necessary to pay United Wireless.

Because of our lack of funds, we may not be able to conduct adequate due diligence on any new intellectual property which we may seek to acquire. We currently have nominal current assets and are operating at a loss. In order to evaluate any intellectual property rights which we may seek to acquire, we need to conduct due diligence on the intellectual property and underlying technology. To the extent that we are unable to perform the necessary due diligence, we will not be able to value any asset which we acquire, which may impair our ability to generate revenue from the intellectual property rights. If any conditions occur, such as defects in the ownership of the intellectual property, infringement on intellectual property rights of others, the existence of better technology which does not require our intellectual property, or other conditions that affect the value of the patents or marketability of the underlying intellectual property rights, we may not be able to monetize the patents and we may be subject to liability to a third party who has rights in the intellectual property.

Any equity funding we may obtain may result in significant dilution to our stockholders. Because of our financial position, our continuing losses and our negative working capital from operations, we do not expect that we will be able to obtain any debt financing for our operations. Our stock price has generally been trading at a price which is less than $0.01 per share for more than the past two years. As a result, it will also be very difficult for us to raise funds in the equity markets. However, in the event that we are able to raise funds in the equity market, the sale of shares would result in significant dilution to the present stockholders, and even a modest equity investment could result in the issuance of a very significant number of shares.

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If we breach certain obligations under our agreement with United Wireless, including our failure to pay the notes when due or have sufficient authorized common stock for potential conversion of our notes due to United Wireless, the notes may become convertible. Under our agreement with United Wireless, in the event that certain events of default, which are called Conversion Eligible Events of Default, occur, any outstanding notes become convertible into common stock at a conversion price equal to 90% of the closing sale price of our common stock on the trading day immediately preceding the date the United Wireless gives notice of conversion. Conversion Eligible Events of Default include, among other events,

- our failure to pay principal on any note;
- our failure to pay interest and other charges in excess of $100,000; and
- our inability, for more than 135 consecutive days, to have reserved for issuance upon conversion of the notes the number of shares of common stock that equals at least 130% of the aggregate maximum number of shares of common stock issuable upon conversion of the then outstanding notes.

We cannot assure you that we will be able to prevent a Conversion Eligible Event of Default.

We are dependent upon our chief executive officer. We are dependent upon Jon Scahill, our chief executive officer and president and sole full-time employee, for all aspects of our business including locating, evaluating and negotiating for intellectual property rights from the owners, managing our intellectual property portfolios, engaging in licensing activities and monetizing the rights through licensing and managing and monitoring any litigation with respect to our intellectual property as well as defending any actions by potential licensees seeking a declaratory judgment that they do not infringe. The loss of Mr. Scahill would materially impair our ability to conduct our business. Although we have an employment agreement with Mr. Scahill, the employment agreement does not insure that Mr. Scahill will remain with us.

Risks Relating to Monetizing our Intellectual Property Rights

We may not be able to monetize our intellectual property portfolios. Although our business plan is to generate revenue from our intellectual property portfolios, we have not been successful in generating any significant revenue from our portfolios and we have not generated any revenues from several of our intellectual property portfolios. We cannot assure you that we will be able to generate any significant revenue from our existing portfolios or that we will be able to acquire new intellectual property rights that will generate significant revenue.

If we are not successful in monetizing our portfolios, we may not be able to continue in business. Although we have ownership of some of our intellectual property, we also license the rights pursuant to agreements with the owners of the intellectual property. If we are not successful in generating revenue for those parties who have an interest in the results of our efforts, those parties may seek to renegotiate the terms of our agreements with them, which could both impair our ability to generate revenue from our intellectual property and make it more difficult for us to obtain rights to new intellectual property rights. If we continue to be unable to generate revenue from our existing intellectual property portfolios and any new portfolios we may acquire, we may be unable to continue in business.

If we are not successful in patent litigation, the defendants may seek to have the court award attorneys' fees to them against us. The United States patent laws provide that "the court in exceptional cases may award reasonable attorney fees to the prevailing party." Although the patents are owned by our subsidiaries and any judgment would be awarded against the subsidiaries, the subsidiaries have no assets other than the patent rights. Our funding sources for our patent litigation do not provide for the funding source to pay any judgment against us. Thus, if any defendants obtain a judgment against one of our subsidiaries, they may seek to enforce their judgment against the patents owned by the subsidiary or seek to put the subsidiary into bankruptcy and acquire the patents in the bankruptcy proceeding. As a result, it is possible that an adverse verdict in a petition for legal fees could result in the loss of the patents owned by the subsidiary and a default under our note to United Wireless.

Our inability to acquire intellectual property portfolios will impair our ability to generate revenue and develop our business. We do not have the personnel to develop patentable technology by ourselves. Thus, we need to depend on acquiring rights to intellectual property and intellectual property portfolios from third parties. In acquiring intellectual property rights, there are delays in (i) identifying the intellectual property which we may want to acquire, (ii) negotiating an agreement with the owner or holder of the intellectual property rights, and (iii) generating revenue from those intellectual property rights which we acquire. During these periods, we will continue to incur expenses with no assurance that we will generate revenue. We currently hold intellectual property portfolios from which we have not generated any revenue to date, and we cannot assure you that we will generate revenue from our existing intellectual property portfolios or any additional intellectual properties which we may acquire.

We may be unable to enforce our intellectual property rights unless we obtain third party funding. Because of the expense of litigation and our lack of working capital, we are presently unable to enforce our intellectual property rights unless we obtain the agreement of a third party to provide funding in support of our litigation. We cannot assure you that we will be able to obtain third party funding, and the failure to obtain such funding may impair our ability to monetize our intellectual property portfolio.

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Because we need to rely on third-party funding sources to provide us with funds to enforce our intellectual property rights we are dependent upon the perception by potential funding sources of the value of our intellectual property. Because we do not have funds to pursue litigation to enforce our intellectual property rights, we are dependent upon the valuation which potential funding sources give to our intellectual property. In determining whether to provide funding for intellectual property litigation, the funding sources need to make an evaluation of the strength of our patents, the likelihood of success, the nature of the potential defendants and a determination as to whether there is a sufficient potential recovery to justify a significant investment in intellectual property litigation. Typically, such funding sources receive a percentage of the recovery after litigation expenses, and seek to generate a sufficient return on investment to justify the investment. Unless that funding source believes that it will generate a sufficient return on investment, it will not fund litigation. We cannot assure you that we will be able to negotiate funding agreements with third party funding sources on terms reasonably acceptable to us, if at all. Because of our financial condition, we may only be able to obtain funding on terms which are less favorable to us than we would otherwise be able to obtain.

Even if we enter into funding agreements, there is no assurance that we will generate revenue from the funded litigation. Although the funding source makes its evaluation as to the likelihood of success, patent litigation is very uncertain, and we cannot assure you that, just because we obtain litigation funding, we will be successful or that any recovery we may obtain will be significant.

Because of the terms of a funding agreement and our agreement with United Wireless, we allocate to third parties a significant portion of any recovery we may obtain. Typically, an agreement with a litigation funding source provides that the funding party received a negotiated percentage of the recovery after legal expenses. In addition, we have a monetization proceeds agreement with United Wireless pursuant to which United Wireless has the right to receive 15% of the net monetization proceeds received from the patents we acquired from Intellectual Ventures and our mobile data and financial data intellectual property portfolios. As a result, the amount we recover from any successful litigation, after the costs of the litigation, represents only a fraction of the net recovery.

Because we granted United Wireless a security interest in almost all of our intellectual property and the proceeds from our intellectual property, we may not be able to raise funds through a debt financing. Pursuant to our agreements with United Wireless, we granted United Wireless a security interest in the stock of our subsidiaries that hold the intellectual property acquired from Intellectual Ventures and in the proceeds from the monetization of the intellectual property acquired from Intellectual Ventures and our mobile data and financial data portfolios. The inability to grant a security interest in these assets to a new lender would materially impair our ability to obtain debt financing for our operations, and may also impair our ability to obtain financing to acquire additional intellectual property rights.

Because of our financial condition and our failure to have generated revenues from our existing portfolios, we may not be able to obtain intellectual property rights to the most advanced technologies. In order to generate meaningful revenues from intellectual property rights, we need to be able to identify, negotiate rights to and offer technologies for which there is a developing market. Because of our financial condition and our lack of the generation of any significant revenue from our existing intellectual property portfolios, we may be unable to negotiate rights to technology for which there which will be a strong developing market, or, if we are able to negotiate agreements for such intellectual property, the terms of our purchase or license may not be favorable to us. Accordingly, we cannot assure you that we will be able to acquire intellectual property rights to the technology for which there is a strong market demand.

Potential acquisitions may present risks, and we may be unable to achieve the financial or other goals intended at the time of any potential acquisition. Our ability to grow depends, in large part, on our ability to acquire interests in intellectual property, including patented technologies, patent portfolios, or companies holding such patented technologies and patent portfolios. Accordingly, we intend to engage in acquisitions to expand our intellectual property portfolios and we intend to continue to explore such acquisitions. Such acquisitions are subject to numerous risks, including the following:

- our failure to have sufficient funding to enable us to make the acquisition;
- our failure to have sufficient personal to satisfy the seller that we have the personnel to monetize the assets we propose to acquire;
- dilution to our stockholders to the extent that we use equity in connection with any acquisition;
- our inability to enter into a definitive agreement with respect to any potential acquisition, or if we are able to enter into such agreement, our inability to consummate the potential acquisition;
- difficulty integrating the operations, technology and personnel of the acquired entity;

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- our inability to achieve the anticipated financial and other benefits of the specific acquisition;
- difficulty in maintaining controls, procedures and policies during the transition and monetization process;
- diversion of our management's attention from other business concerns, especially considering that we have only one full-time employee/officer; and
- our failure, in our due diligence process, to identify significant issues, including issues with respect to patented technologies and intellectual property portfolios, and other legal and financial contingencies.

If we are unable to manage these risks effectively as part of any acquisition, our business could be adversely affected.

Our acquisition of intellectual property rights may be time consuming, complex and costly, which could adversely affect our operating results. Acquisitions of patent or other intellectual property assets, which are and will be critical to the development of our business, are often time consuming, complex and costly to consummate. We may utilize many different transaction structures in our acquisitions and the terms of such acquisition agreements tend to be heavily negotiated. As a result, we expect to incur significant operating expenses and may be required to raise capital during the negotiations even if the acquisition is ultimately not consummated. Even if we are able to acquire particular intellectual property assets, there is no guarantee that we will generate sufficient revenue related to those intellectual property assets to offset the acquisition costs. We may also identify intellectual property assets that cost more than we are prepared to spend with our own capital resources. We may incur significant costs to organize and negotiate a structured acquisition that does not ultimately result in an acquisition of any intellectual property assets or, if consummated, proves to be unprofitable for us. These higher costs could adversely affect our operating results.

If we acquire technologies that are in the early stages of market development, we may be unable to monetize the rights we acquire. We may acquire patents, technologies and other intellectual property rights that are in the early stages of adoption in the commercial, industrial and consumer markets. Demand for some of these technologies will likely be untested and may be subject to fluctuation based upon the rate at which companies may adopt our intellectual property in their products and services. As a result, there can be no assurance as to whether technologies we acquire or develop will have value that we can monetize. It may also be necessary for us to develop additional intellectual property and file new patent applications as the underlying commercial market evolves, as a result of which we may incur substantial costs with no assurance that we will ever be able to monetize our intellectual property.

Our intellectual property monetization cycle is lengthy and costly and may be unsuccessful. We expect to incur significant marketing, legal and sales expenses prior to entering into monetization events that generate revenue for us. We will also spend considerable resources educating potential licensees on the benefits of entering into an agreement with us that may include a non-exclusive license for future use of our intellectual property rights. Thus, we may incur significant losses in any particular period before any associated revenue stream begins. If our efforts to convince potential licensees of the benefits of a settlement arrangement are unsuccessful, we may need to continue with the litigation process or other enforcement action to protect our intellectual property rights and to realize revenue from those rights. We may also need to litigate to enforce the terms of existing agreements, protect our trade secrets, or determine the validity and scope of the proprietary rights of others. Enforcement proceedings are typically protracted and complex. The costs are typically substantial, and the outcomes are unpredictable. Enforcement actions will divert our managerial, technical, legal and financial resources from business operations.

We may not be successful in obtaining judgments in our favor. We have commenced litigation seeking to monetize our intellectual property portfolios and it may be necessary for us to commence ligation in the future. All litigation is uncertain, and a number of the actions we commenced have been dismissed by the trial court. We cannot assure you that any litigation will be decided in our favor or that, if damages are awarded or a license is negotiated, that we will generate any significant revenue from the litigation or that any recovery may be allocated to counsel and third party funding source which may result in little if any of the proceeds being available to us.

Our financial condition may cause both intellectual property rights owners and potential licensees to believe that we do not have the financial resources to commence and prosecute litigation for infringement. Because of our financial condition, both intellectual property rights owners and potential licensees may believe that we do not have the ability to commence and prosecute sustained and expensive litigation to protect our intellection rights with the effect that (i) intellectual property rights owners may be reluctant to grant us rights to their intellectual property and (ii) potential licensees may be less inclined to pay for license rights from us or settle any litigation we may commence on terms which generate any meaningful monetization.

Any patents which may be issued to us pursuant to patent applications which we filed or may file may fail to give us necessary protection. We cannot be certain that patents will be issued as a result of any pending or future patent applications, or that any of our patents, once issued, will provide us with adequate protection from competing products. For example, issued patents may be circumvented or challenged, declared invalid or unenforceable, or narrowed in scope. In addition, since publication of discoveries in scientific or patent literature often lags behind actual discoveries, we cannot be certain that we will be the first to make additional new inventions or to file patent applications covering those inventions. It is also possible that others may have or may obtain issued patents that could prevent us from commercializing our products or require us to obtain licenses requiring the payment of significant fees or royalties in order to enable us to conduct our business. As to those patents that we may acquire, our continued rights will depend on meeting any obligations to the seller and we may be unable to do so. Our failure to obtain or maintain intellectual property rights for our inventions would lead to the loss of our investments in such activities, which would have a material adverse effect on us.

The provisions of Federal Declaratory Judgment Act may affect our ability to monetize our intellectual property. Under the Federal Declaratory Judgment Act, it is possible for a party who we consider to be infringing upon our intellectual property to commence an action against us seeking a declaratory judgment that such party is not infringing upon our intellectual property rights. In such a case, the plaintiff could choose the court in which to bring the action and we would be the defendant in the action. Common claims for declaratory judgment in patent cases are claims of non-infringement, patent invalidity and unenforceability. Although the commencement of an action requires a claim or controversy, a court may find a letter from us to the alleged infringer seeking a royalty for the use of our intellectual property rights to form the basis of a controversy. In such a case, the plaintiff, rather than we, would choose the court in which to bring the action and the timing of the action. In addition, when we commence an action as plaintiff, we may be able to enter into a contingent fee arrangement with counsel, it is possible that counsel may be less willing to accept such an arrangement if we are the defendant. Further, we would not have the opportunity of choosing against which party to bring the action. An adverse decision in a declaratory judgment action could significantly impair our ability to monetize the intellectual property rights which are the subject of the litigation. We have been a defendant in one declaratory judgment action, which resulted in a settlement. We cannot assure you that potential infringers will not be able to use the Declaratory Judgment Act to reduce our ability to monetize the patents that are the subject of the action.

A 2014 Supreme Court decision could significantly impair business method and software patents. In June 2014, the United States Supreme Court, in Alice v. CLS Bank, struck down patents covering a computer-implemented scheme for mitigating “settlement risk” by using a third party intermediary, holding the patent claims to be ineligible as being drawn to a patent-ineligible abstract idea. The courts have been dealing for many years over what business methods are patentable. We cannot predict the extent to which the decision in Alice as well as prior Supreme Court decisions dealing with patents, will be interpreted by courts. To the extent that the Supreme Court decision in Alice gives businesses reason to believe that business model and software patents are not enforceable, it may become more difficult for us to monetize patents which are held to be within the ambit of the patents before the Supreme Court in Alice and for us to obtain counsel willing to represent us on a contingency basis. As a result, the decision in Alice could materially impair our ability to obtain patent rights and monetize those which we do obtain.

Legislation, regulations or rules related to obtaining patents or enforcing patents could significantly increase our operating costs and decrease our revenue. We may apply for patents and may spend a significant amount of resources to enforce those patents. If legislation, regulations or rules are implemented either by Congress, the United States Patent and Trademark Office or the courts that impact the patent application process, the patent enforcement process or the rights of patent holders, these changes could negatively affect our expenses and revenue. For example, new rules regarding the burden of proof in patent enforcement actions could significantly both increase the cost of our enforcement actions and make it more difficult to sign licenses without litigation, changes in standards or limitations on liability for patent infringement could negatively impact our revenue derived from such enforcement actions, and any rules requiring that the losing party pay legal fees of the prevailing party could also significantly increase the cost of our enforcement actions. United States patent laws were recently amended with the enactment of the Leahy-Smith America Invents Act, or the America Invents Act, which took effect on March 16, 2013. The America Invents Act includes a number of significant changes to U.S. patent law. In general, the legislation attempts to address issues surrounding the enforceability of patents and the increase in patent litigation by, among other things, establishing new procedures for patent litigation. For example, the America Invents Act changes the way that parties may be joined in patent infringement actions, increasing the likelihood that such actions will need to be brought against individual parties allegedly infringing by their respective individual actions or activities. The America Invents Act and its implementation increases the uncertainties and costs surrounding the enforcement of our patented technologies, which could have a material adverse effect on our business and financial condition. In addition, the U.S. Department of Justice has conducted reviews of the patent system to evaluate the impact of patent assertion entities on industries in which those patents relate. It is possible that the findings and recommendations of the Department of Justice could impact the ability to effectively license and enforce standards-essential patents and could increase the uncertainties and costs surrounding the enforcement of any such patented technologies.

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Proposed legislation may affect our ability to conduct our business. There are presently pending or proposed a number of laws which, if enacted, may affect the ability of companies such as us to generate revenue from our intellectual property rights. Typically, these proposed laws cover legal actions brought by companies which do not manufacture products or supply services but seek to collect licensing fees based on their intellectual property rights and, if they are not able to enter into a license, to commence litigation. Although a number of such bills have been proposed in Congress, we do not know which, if any, bills will be enacted into law or what the provisions will be and, therefore, we cannot predict the effect, if any, that such laws, if passed by Congress and signed by the president, would provide. However, we cannot assure you that legislation will not be enacted which would impair our ability to operate by making it more difficult for us to commence litigation against a potential licensee or infringer. To the extent that an alleged infringer believes that we will not prevail in litigation, it would be more difficult to negotiate a license agreement without litigation.

The unpredictability of our revenues may harm our financial condition. Our revenues from licensing have typically been lump sum payments entered into at the time of the license, which may be in connection with the settlement of litigation, and not from licenses that pay an ongoing royalty. Due to the nature of the licensing business and uncertainties regarding the amount and timing of the receipt of license and other fees from potential infringers, stemming primarily from uncertainties regarding the outcome of enforcement actions, rates of adoption of our patented technologies, the growth rates of potential licensees and certain other factors, our revenues, if any, may vary significantly from quarter to quarter, which could make our business difficult to manage, adversely affect our business and operating results, cause our quarterly results to fall below market expectations and adversely affect the market price of our common stock.

Our success depends in part upon our ability to retain qualified legal counsel to represent us in patent enforcement litigation. The success of our licensing business may depend upon our ability to retain qualified legal counsel to prosecute patent infringement litigation. As our patent enforcement actions increase, it will become more difficult to find our preferred choice for legal counsel to handle all of our cases because many of these firms may have a conflict of interest that prevents their representation of us or because they are not willing to represent us on a contingent or partial contingent fee basis.

Our reliance on representations, warranties and opinions of third parties may expose us to certain material liabilities. From time to time, we rely upon the representations and warranties of third parties, including persons claiming ownership of intellectual property rights, and opinions of purported experts. In certain instances, we may not have the opportunity to independently investigate and verify the facts upon which such representations, warranties and opinions are made. By relying on these representation, warranties and opinions, we may be exposed to liability in connection with the licensing and enforcement of intellectual property and intellectual property rights which could have a material adverse effect on our operating results and financial condition.

In connection with patent enforcement actions, counterclaims may be brought against us and a court may rule against us in counterclaims which may expose us and our operating subsidiaries to material liabilities. In connection with patent enforcement actions, it is possible that a defendant may file counterclaims against us or a court may rule that we have violated statutory authority, regulatory authority, federal rules, local court rules, or governing standards relating to the substantive or procedural aspects of such enforcement actions. In such event, a court may issue monetary sanctions against us or our operating subsidiaries or award attorney's fees and/or expenses to the counterclaiming defendant, which could be material, and if we or our operating subsidiaries are required to pay such monetary sanctions, attorneys' fees and/or expenses, such payment could materially harm our operating results, our financial position and our ability to continue in business. Since the patents are owned by our subsidiaries, if a defendant seeks to foreclose on a judgment against one or more of our subsidiaries, it may be necessary for the subsidiary to seek protection under the Bankruptcy Act, which could result in a default under our agreement with United Wireless.

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Trial judges and juries may find it difficult to understand complex patent enforcement litigation, and as a result, we may need to appeal adverse decisions by lower courts in order to successfully enforce our patents. It is difficult to predict the outcome of patent enforcement litigation at the trial level. It is often difficult for juries and trial judges to understand complex, patented technologies, and, as a result, there is a higher rate of successful appeals in patent enforcement litigation than more standard business litigation. Regardless of whether we prevail in the trial court, appeals are expensive and time consuming, resulting in increased costs and delayed revenue, and attorneys may be less likely to represent us in an appeal on a contingency basis especially if we are seeking to appeal an adverse decision. Although we may diligently pursue enforcement litigation, we cannot predict the decisions made by juries and trial courts.

More patent applications are filed each year resulting in longer delays in getting patents issued by the United States Patent and Trademark Office. We hold a number of pending patents and may file or acquire rights to additional patent applications. We have identified a trend of increasing patent applications each year, which we believe is resulting in longer delays in obtaining approval of pending patent applications. The application delays could cause delays in recognizing revenue, if any, from these patents and could cause us to miss opportunities to license patents before other competing technologies are developed or introduced into the market.

U.S. Federal courts are becoming more crowded, and, as a result, patent enforcement litigation is taking longer. Patent enforcement actions are almost exclusively prosecuted in federal district courts. In May 2017, the United States Supreme Court, in TC Heartland v. Kraft Foods Groups Brands, held that a corporate defendant may be sued either in its state of incorporation, or where it has committed acts of infringement and has a regular and established place of business. To the extent that the Supreme Court decision in TC Heartland concentrates patent litigation in districts within states popular for business incorporation, such as the Federal District Court for the District of Delaware, such courts may become increasingly crowded. Federal trial courts that hear patent enforcement actions also hear criminal and other civil cases. Criminal cases always take priority over patent enforcement actions. As a result, it is difficult to predict the length of time it will take to complete any enforcement action. Moreover, we believe there is a trend in increasing numbers of civil lawsuits and criminal proceedings, and, as a result, we believe that the risk of delays in patent enforcement actions will have a significant effect on our business in the future unless this trend changes.

Any reductions in the funding of the United States Patent and Trademark Office could have an adverse impact on the cost of processing pending patent applications and the value of those pending patent applications. Our primary assets are our patent portfolios, including pending patent applications before the United States Patent and Trademark Office. The value of our patent portfolios is dependent upon the issuance of patents in a timely manner, and any reductions in the funding of the United States Patent and Trademark Office could negatively impact the value of our assets. Further, reductions in funding from Congress could result in higher patent application filing and maintenance fees charged by the United States Patent and Trademark Office, causing an unexpected increase in our expenses.

The rapid development of technology may impair our ability to monetize intellectual property that we own. In order for us to generate revenue from our intellectual property, we need to offer intellectual property that is used in the manufacture or development of products. Rapid technological developments have reduced the market for products using less advanced technology. To the extent that technology develops in a manner in which our intellectual property is not a necessary element or to the extent that others design around our intellectual property, our ability to license our intellectual property portfolios or successfully prosecute litigation will be impaired. We cannot assure you that we will have rights to intellectual property for most advanced technology or that there will be a market for products which require our technology.

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The intellectual property management business is highly competitive. A large number of other companies seek to obtain rights to new intellectual property and to market existing intellectual property. Most of these companies have significantly both greater resources that we have and industry contacts which place them in a better position to generate new business. Further, our financial position, our lack of executive personnel and our inability to generate revenue from our portfolio can be used against us by our competitors. We cannot assure you that we will be successful in obtaining intellectual property rights to new developing technologies.

As intellectual property enforcement litigation becomes more prevalent, it may become more difficult for us to voluntarily license our intellectual property. We believe that the more prevalent intellectual property enforcement actions become, the more difficult it will be for us to voluntarily license our intellectual property rights. As a result, we may need to increase the number of our intellectual property enforcement actions to cause infringing companies to license the intellectual property or pay damages for lost royalties.

Weak global economic conditions may cause potential licensees to delay entering into licensing agreements, which could prolong our litigation and adversely affect our financial condition and operating results. Our business depends significantly on strong economic conditions that would encourage potential licensees to enter into license agreements for our intellectual property rights. Uncertainty about global economic conditions poses a risk as businesses may postpone spending in response to tighter credit, negative financial news and declines in income or asset values. This response could have a material adverse effect on the willingness of parties infringing on our assets to enter into settlements or other revenue generating agreements voluntarily.

If we are unable to adequately protect our intellectual property, we may not be able to compete effectively. Our ability to compete depends in part upon the strength of the intellectual property and intellectual property rights that we own or may hereafter acquire in our technologies, brands and content and our ability to protect such intellectual property rights. We rely on a combination of patent and intellectual property laws and agreements to establish and protect our patent, intellectual property and other proprietary rights. The efforts we take to protect our patents, intellectual property and other proprietary rights may not be sufficient or effective at stopping unauthorized use of our patents, intellectual property and other proprietary rights. In addition, effective trademark, patent, copyright and trade secret protection may not be available or cost-effective in every country in which we have rights. There may be instances where we are not able to protect or utilize our patent and other intellectual property in a manner that maximizes competitive advantage. If we are unable to protect our patent assets and intellectual property and other proprietary rights from unauthorized use, the value of those assets may be reduced, which could negatively impact our business. Our inability to obtain appropriate protections for our intellectual property may also allow competitors to enter our markets and produce or sell the same or similar products as those covered by our intellectual property rights. In addition, protecting our intellectual property and intellectual property rights is expensive and diverts our critical and limited managerial resources. If any of the foregoing were to occur, or if we are otherwise unable to protect our intellectual property and proprietary rights, our business and financial results could be impaired. If it becomes necessary for us to commence legal proceedings to enforce our intellectual property rights, the proceedings could be burdensome and expensive. In addition, our intellectual property rights could be at risk if we are unsuccessful in, or cannot afford to pursue, those proceedings. We also rely on trade secrets and contract law to protect some of our intellectual property rights. We will enter into confidentiality and invention agreements with our employees and consultants. Nevertheless, these agreements may not be honored and they may not effectively protect our right to our un-patented trade secrets and know-how. Moreover, others may independently develop substantially equivalent proprietary information and techniques or otherwise gain access to our trade secrets and know-how.

Risks Concerning our Common Stock

Our notes to United Wireless will become convertible at a conversion price equal to 90% of the market price of the stock on the date the holder of the notes gives notice of conversion in the event of certain defaults under the notes. Although the notes that we issued and may issue in the future to United Wireless are not presently convertible, they become convertible upon certain events of default. If the notes become convertible, the holders of the notes can convert the notes in part from time to time at 90% of the market price at the time of conversion. The ability, or the potential ability, of the holder to convert the notes into common stock at a price which is less than the market price on the date of conversion could result in significant downward pressure on the price of our common stock. If the notes become convertible, the possible additional dilution resulting from the issuance of shares of common stock on conversion of the notes, together with the below market conversion price, could result in continued downward pressure on our stock price until the notes are paid in full. Further, even though we increased our authorized common stock to 10,000,000,000 shares in June 2017, the possibility that the notes may become convertible in the future could also have a negative impact on the market price of our common stock.

If the notes issued to United Wireless become convertible, we may not have sufficient authorized common stock to enable us to fulfill our obligation to issue common stock on conversion of the notes. Because there is no fixed conversion price, it is possible that, even though we increased our authorized common stock to 10,000,000,000 shares in June 2017, we cannot assure you that we will continue to have sufficient shares of authorized common stock to permit conversion. Although we have an obligation to increase our authorized common stock further in the event that 10,000,000,000 authorized shares are not sufficient, we cannot assure you that we will be able to obtain stockholder approval of such an increase. The failure to be able to deliver common stock on conversion would be a further default under the notes and could result in our obligation to pay damages to the note holders.

There is a limited market for our common stock, which may make it difficult for you to sell your stock. Our common stock trades on the OTC Pink marketplace under the symbol “QPRC.” The OTC Pink market is not a national securities exchange and does not provide the benefits to stockholders which a national exchange provides. Furthermore, according to the OTC Markets website, the OTC Pink “is for all types of companies that are there by reasons of default, distress or design, which is why they are further segmented based on the level of information that they provide.” There is a limited trading market for our common stock and there are frequently days on which there is no trading in our common stock. Our common stock has traded for less than $0.01 for almost all trading days since prior to January 1, 2015. Accordingly, there can be no assurance as to the liquidity of any markets that may develop for our common stock, the ability of holders of our common stock to sell our common stock, or the prices at which holders may be able to sell our common stock. Further, because of the thin float, the reported bid and asked prices may have little relationship to the price you would pay if you wanted to buy shares or the price you would receive if you wanted to sell shares.

Because our common stock is a penny stock, you may have difficulty selling our common stock in the secondary trading market. Our common stock fits the definition of a penny stock and therefore is subject to the rules adopted by the SEC regulating broker-dealer practices in connection with transactions in penny stocks. The SEC rules may have the effect of reducing trading activity in our common stock making it more difficult for investors to purchase and sell their shares. The SEC’s rules require a broker or dealer proposing to effect a transaction in a penny stock to deliver the customer a risk disclosure document that provides certain information prescribed by the SEC, including, but not limited to, the nature and level of risks in the penny stock market. The broker or dealer must also disclose the aggregate amount of any compensation received or receivable by him in connection with such transaction prior to consummating the transaction. In addition, the SEC’s rules also require a broker or dealer to make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser’s written agreement to the transaction before completion of the transaction. The existence of the SEC’s rules may result in a lower trading volume of our common stock and lower trading prices. Further, some broker-dealers will not process transactions in penny stocks.

Our lack of internal controls over financial reporting may affect the market for and price of our common stock. Our disclosure controls and our internal controls over financial reporting are not effective. Since we became engaged in the intellectual property management business in 2008, we have not had the financial resources or personnel to develop or implement systems that would provide us with the necessary information on a timely basis so as to be able to implement financial controls. Our continued poor financial condition together with the fact that we have one full time employee, who is both our chief executive officer and chief financial officer, makes it difficult for us to implement a system of internal controls over financial reporting, and we cannot assure you that we will be able to develop and implement the necessary controls. The absence of internal controls over financial reporting may inhibit investors from purchasing our shares and may make it more difficult for us to raise debt or equity financing.

Our lack of a full-time chief financial officer could affect our ability to develop financial controls, which could affect the market price for our common stock. We do not have a full-time chief financial officer. At present, our chief executive officer, who does not have an accounting background, is also acting as our chief financial officer. We do not anticipate that we will be able to hire a qualified chief financial officer unless our financial condition improves significantly. The lack of an experienced chief financial officer, together with our lack of internal controls, may impair our ability to raise money through a debt or equity financing, the market for our common stock and our ability to enter into agreements with owners of intellectual property rights.

Our stock price may be volatile and your investment in our common stock could suffer a decline in value. As of the date of this prospectus, there has only been limited trading activity in our common stock. There can be no assurance that any significant market will ever develop in our common stock. Because of the low public float and the absence of any significant trading volume, the reported prices may not reflect the price at which you would be able to sell shares if you want to sell any shares you own or buy shares if you wish to buy share. Further, stocks with a low public float may be more subject to manipulation than a stock that has a significant public float. The price may fluctuate significantly in response to a number of factors, many of which are beyond our control. These factors include, but are not limited to, the following, in addition to the risks described above and general market and economic conditions:

- our low stock price, which may result in a modest dollar purchase or sale of our common stock having a disproportionately large effect on the stock price;
- the market's perception as to our ability to generate positive cash flow or earnings from our intellectual property portfolios;
- changes in our or securities analysts' estimate of our financial performance;
- our ability or perceived ability to obtain necessary financing for operations and for the monetization of our intellectual property rights;
- the market's perception of the effects of legislation or court decisions on our business;
- the market's perception that a defendant may obtain a judgement against a subsidiary and foreclose on the intellectual property of the subsidiary, which may result in a default under our agreement with United Wireless;
- the effects or perceived effects of the potential convertibility of convertible notes issued by us;
- the results or anticipated results of litigation by or against us;
- the anticipated or actual results of our operations;
- events or conditions relating to the enforcement of intellectual property rights generally;
- changes in market valuations of other intellectual property marketing companies;
- any discrepancy between anticipated or projected results and actual results of our operations;
- the market's perception or our ability to continue to make our filings with the SEC in a timely manner;
- actions by third parties to either sell or purchase stock in quantities which would have a significant effect on our stock price; and
- other matters not within our control.

Legislation, court decisions and other factors affecting enforcement of intellectual property rights may affect the price of our stock. Court rulings in intellectual property enforcement actions and new legislation or proposed legislation are often difficult to understand, even when favorable or neutral to the value of our intellectual property rights and our overall business. Investors and market analysts may react without a full understanding of these matters, causing fluctuations in our stock prices that may not accurately reflect the impact of court rulings, legislation, proposed legislation or other developments on our business operations and assets.

Raising funds by issuing equity or convertible debt securities could dilute the value of the common stock and impose restrictions on our working capital. If we were to raise additional capital by issuing equity securities, either alone or in connection with a non-equity financing, per share value of the then outstanding common stock could decline. If the additional equity securities were issued at a per share price less than the market price of the outstanding shares, which is customary in the private placement of equity securities, the holders of the outstanding shares would suffer a dilution in value with the issuance of such additional shares. Because of the low price of our stock and our working capital deficiency, the dilution to our stockholders could be significant. We may have difficulty in raising funds through the sale of debt securities because of both our financial position, the lack of any collateral on which a lender may place a value, and the absence of any history of significant monetizing of our intellectual property rights and the terms of our agreements with United Wireless. If we are able to raise funds from the sale of debt securities, the lenders may impose restrictions on our operations and may impair our working capital as we service any such debt obligations.

Our failure to have filed reports with the SEC may impair the market for and the value of our common stock and may result in liability to us. We did not file reports with the SEC from 2003 until December 2014. We filed our Form 10-K for the year ended December 31, 2012 on December 15, 2014; our Form 10-K for the year ended December 31, 2013 on April 10, 2015; and our Form 10-K for the year ended December 31, 2014 on August 18, 2015. Our failure to have made such filings may affect both the market for our common stock and the value of our common stock as well as the willingness of investors to purchase our stock. Further, because we did not have current information concerning our business and operations available, we have potential liability resulting from our failure to have been current in our SEC filings, and the SEC has broad power to take action against us for our failure to have been in compliance with the reporting requirement of the Securities Exchange Act of 1934. Although the SEC permits an issuer to file an omnibus 10-K covering the periods for which filings were not made, the SEC is not foreclosed from seeking enforcement action for our filing delinquencies. Any such action could have a material adverse effect upon us and the market for and price of our common stock.

Because we have a classified board of directors, it may be more difficult for a third party to obtain control of us. As a result of the approval by our stockholders of our amended and restated certificate of incorporation, our board of directors is a classified board, which means that at each annual meeting, the stockholder will vote for only one-third of the board. A classified board of directors may make it more difficult for a third party of gain control of us which may affect the opportunity of our stockholders to receive any potential benefit which could be available from a third party seeking to obtain control over us.

We do not intend to pay any cash dividends in the foreseeable future. We have not paid any cash dividends on our common stock and do not intend to pay cash dividends on our common stock in the foreseeable future.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains "forward-looking statements," within the meaning of the Private Securities Litigation Reform Act of 1995, all of which are subject to risks and uncertainties. Forward-looking statements can be identified by the use of words such as "expects," "plans," "will," "forecasts," "projects," "intends," "estimates," and other words of similar meaning. You can identify them by the fact that they do not relate strictly to historical or current facts. These statements are likely to address our growth strategy, financial results and product and development programs. You must carefully consider any such statements and should understand that many factors could cause actual results to differ from our forward-looking statements. These factors may include inaccurate assumptions and a broad variety of other risks and uncertainties, including some that are known and some that are not. No forward looking statement can be guaranteed and actual future results may vary materially.

These risks and uncertainties, many of which are beyond our control, include, and are not limited to:

- Our ability to generate revenue from our intellectual property rights, including our ability to license our intellectual property rights and our ability to be successful in any litigation which we may commence in order to seek to monetize our intellectual property rights;
- Our ability or perceived ability to obtain necessary financing for operations and for the monetization of our intellectual property rights;
- Our ability to generate sufficient proceeds from our intellectual property rights to enable us to pay the promissory notes to United Wireless which are due September 20, 2020, which we issued and may issue in connection with our purchase of patent rights in October 2015 and any other intellectual property rights we may acquire;
- Our ability to obtain litigation funding to enable us to seek to protect our intellectual property rights, particularly our recently-acquired intellectual property rights, through litigation when necessary;
- Our ability to identify and acquire intellectual property rights for innovative technologies for which there is a significant potential market;
- Our ability to recoup any investment which we may make to acquire or generate revenue from intellectual property rights;

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- The effects on our business, financial conditions and ownership of proprietary rights of claimed breaches by us of our agreements with United Wireless;
- Our ability to increase our authorized common stock to enable us to satisfy our obligations to have sufficient authorized common stock with respect to potential conversion of our convertible notes in the event that such an increase in authorized common stock becomes necessary;
- The effect of legislation and court decisions on the ability to generate revenue from patent and other intellectual property rights as well as the market's perception of the effects of such legislation or court decisions on our business;
- The effects or perceived effects of the potential convertibility of convertible notes issued by us;
- Our ability to obtain the funding that we require in order to acquire intellectual property and otherwise develop our business;
- Our ability to reduce the cost of litigation through contingent fees with counsel or to obtain third-party financing to enable us to enforce our intellectual property rights through litigation or otherwise;
- The results or anticipated results of litigation by or against us, including any actions or motions by defendants seeking legal fees or any other recovery from us in the event that a court decision is against us or otherwise does not uphold our intellectual property rights;
- The anticipated or actual results of our operations;
- Events or conditions relating to the enforcement of intellectual property rights generally;
- The development of a market for our common stock;
- Our ability to retain our key executive officers and identify, hire and retain additional key employees;
- Our ability to implement effective disclosure controls and internal controls over financial reporting;
- Any discrepancy between anticipated or projected results and actual results of our operations;
- The market's perception or our ability to continue to make our filings with the SEC in a timely manner;
- Actions by third parties to either sell or purchase stock in quantities which would have a significant effect on our stock price; and
- Other matters not within our control.

In addition, factors that could cause or contribute to such differences include, but are not limited to, those discussed in this prospectus, and in particular, the risks discussed under the caption "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations." Given these risks and uncertainties, you are cautioned not to place undue reliance on such forward-looking statements.

Information regarding market and industry statistics contained in this prospectus is included based on information available to us that we believe is accurate. It is generally based on industry and other publications that are not produced for purposes of securities offerings or economic analysis. We have not reviewed or included data from all sources. Forecasts and other forward-looking information obtained from these sources are subject to the same qualifications and the additional uncertainties accompanying any estimates of future market size, revenue and market acceptance of products and services. We do not assume any obligation to update any forward-looking statement. As a result, you should not place undue reliance on these forward-looking statements.

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USE OF PROCEEDS

We will not receive any proceeds from the sale by the selling stockholder of their common stock.

SELLING STOCKHOLDERS

The following table sets forth the names of the selling stockholders, the number of shares of common stock owned beneficially by the selling stockholders as of April 30, 2018, and the number of shares of our common stock that may be offered by the selling stockholders pursuant to this prospectus. The table and the other information contained under the captions "Selling Stockholders" and "Plan of Distribution" has been prepared based upon information furnished to us by or on behalf of the selling stockholders. The following table sets forth, as to the selling stockholders, the number of shares beneficially owned, the number of share being sold, the number of shares beneficially owned upon completion of the offering and the percentage beneficial ownership upon completion of the offering.

			After Sale of Shares in Offering	
Name	**Shares Beneficially Owned**	**Shares Being Sold**	**Shares Beneficially Owned**	**Percent of Outstanding**
Intelligent Partners, LLC[1]	50,000,000	50,000,000	0	0.0%
Andrew C. Fitton[2]	38,200,000	35,000,000	3,200,000	1.0%
Michael Carper[3]	15,000,000	15,000,000	0	0.0%

1 The members of Intelligent Partners, consisting of Andrew C. Fitton and Michael Carper, have the sole right to vote and dispose of the shares owned by Intelligent Partners. The number of shares reflected as owned by Intelligent Partners represents 50,000,000 shares issuable pursuant to the purchase option, which is presently exercisable as to 33,333,334 shares and becomes exercisable as to the balance on September 30, 2018.

2 Represents (a) 38,000,000 shares owned by Mr. Fitton, and (b) 200,000 owned by Tele Tech Investments Limited, with respect to which Mr. Fitton has sole power to vote and dispose of the shares. For purposes of this table, the shares 50,000,000 shares being sold by Intelligent Partners, as to which Mr. Fitton, together with Michael Carper, as members of Intelligent Partners, have the right to vote and dispose of the shares, are not included in shares being sold be Mr. Fitton.

3 Represents shares owned by Mr. Carper. For purposes of this table, the shares 50,000,000 shares being sold by Intelligent Partners, as to which Mr. Carper, together with Mr. Fitton, as members of Intelligent Partners, have the right to vote and dispose of the shares, are not included in shares being sold be Mr. Carper

The selling stockholders do not have, and within the past three years have not had, any position, office or material relationship with us or with any of our predecessors or affiliates except as described below.

Issuances of Shares to Selling Stockholders

Pursuant to the securities purchase agreement dated October 22, 2015, between United Wireless and us:
We sold 50,000,000 shares of common stock to United Wireless for $250,000. These shares are presently owned by Andrew C. Fitton (35,000,000 shares) and Michael Carper (15,000,000 shares).

- We granted United Wireless an option to purchase a total of 50,000,000 shares of common stock, with exercise prices of $0.01 per share as to 16,666,667 shares, which may be exercised from September 30, 2016 through September 30, 2020, $0.03 per share as to 16,666,667 shares, which may be exercised from September 30, 2017 through September 30, 2020, and $0.05 per share as to 16,666,666 shares, which may be exercised from September 30, 2018 through September 30, 2020. This option is presently held by Intelligent Partners, which is owned by Mr. Fitton and Mr. Carper, and is presently exercisable as to 33,333,334 shares.
- We issued to United Wireless our 10% promissory notes due September 30, 2020 in the principal amount of $3,675,000, for which we received $3,675,000, of

which $3,000,000 was paid to Intellectual Ventures in three installments of $1,000,000 as payment of the purchase price of the patents acquired from Intellectual Ventures.

- United Wireless agreed to make working capital loans to us, subject to our meeting standard closing conditions, in the aggregate amount of $1,000,000. Through April 30, 2018, United Wireless has made working capital loans to us in the aggregate amount of $675,000.
- We entered into a monetization proceeds agreement pursuant to which United wireless received the right to receive 15% of the net monetization proceeds received from (i) the patents acquired by us from Intellectual Ventures and (ii) the patents in our mobile data and financial data intellectual property portfolios.
- The working capital loans included a $25,000 loan which was made to enable our subsidiary CXT to purchase certain intellectual property from IV 34/37. On July 31, 2017, we entered into a monetization agreement with United Wireless pursuant to which we agreed to pay United Wireless 7.5% of the net monetization proceeds from the patents acquired by CXT from IV 34/37. CXT's obligations under the monetization proceeds agreement are secured by a security interest in the proceeds (from litigation or otherwise) from the CXT Portfolio. The security interest in the proceeds from the CXT Portfolio is junior to the security interest held by IV 34/37 in the CXT Portfolio and proceeds thereof. We also agreed to amend the monetization proceeds agreement between CXT and United Wireless to include the patents acquired from IV 62/71.

Our obligations under our agreements with United Wireless, including our obligations under the notes and the monetization proceeds agreement, are secured by a pledge of the stock of the three subsidiaries that hold the intellectual property acquired from Intellectual Ventures and by the proceeds from the intellectual property represented by (i) the patents acquired from Intellectual Ventures and (ii) the intellectual property in the mobile data and financial data portfolios.

On March 16, 2017, we received a letter from counsel to United Wireless claiming that we were in violation of the requirements of the registration rights agreement dated October 22, 2015 on the grounds that we did not update the registration statement in November 2016. We disputed the claim that it was in breach of the registration rights agreement. On June 12, 2017, we entered into a standstill agreement with United Wireless pursuant to which we agreed (i) to increase our authorized common stock to 10,000,000,000 shares, (ii) to file by June 30, 2017, a post-effective amendment to the registration statement covering the sale of the shares of common stock described in this prospectus, (iii) if the existing warrant held by our chief executive officer is not exercised prior to its expiration date, any re-issuance will not have an exercise price less than the current exercise price and the existing warrants will not be amended to lower the exercise price, and (iv) United Wireless no longer has any obligation to purchase any note pursuant to the Securities Purchase Agreement other than the $1,000,000 note related to the final payment to Intellectual Ventures which was made in November 2017, except in connection with the potential acquisition by the Company of patent rights which triggered a $25,000 loan in connection with the acquisition, and we can require United Wireless to make $125,000 working capital loans to us, at our sole discretion, on December 31, 2017, March 31, 2018 and June 30, 2018 pursuant to securities purchase agreement, and, in such event, United Wireless would have a 7½% net proceeds percentage interest in the net proceeds from such patent. On June 15, 2017, we amended our certificate of incorporation to increase our authorized common stock to 10,000,000,000 shares. On June 30, 2017, we filed a post-effective amendment to the registration statement covering the sale of the shares of common stock initially issued to United Wireless pursuant to the Securities Purchase Agreement and the shares of common stock issuable upon the option granted to United Wireless pursuant to the Securities Purchase agreement which shares were transferred by United Wireless to two of its affiliates. The registration statement was declared effective on July 6, 2017. Our agreements with United Wireless are described in greater detail under "Business – Agreements with United Wireless."

PLAN OF DISTRIBUTION

The selling stockholders and any of their pledgees, donees, assignees and successors-in-interest may, from time to time, sell any or all of their shares of common stock on any stock exchange, market or trading facility on which the shares are traded or in private transactions or by gift. The shares offered by this prospectus will be sold by the selling stockholders initially at a fixed price of $0.005 per share. This offering price has been arbitrarily determined by the selling stockholders and may not bear any relationship to our assets, results of operations, or book value, or to any other generally accepted criteria of valuation. Accordingly, the offering price should not be considered an indication of the actual value of the common stock. If and when our common stock is quoted on the OTC Bulletin Board or the OTCQX or OTCQB marketplaces of OTC Markets Group Inc., or is listed on a securities exchange, the shares offered by this prospectus may be sold by the selling stockholders at market prices prevailing at the time of sale or at negotiated prices. We cannot assure you that our common stock will ever be quoted on the OTC Bulletin Board or the OTCQX or OTCQB marketplaces of OTC Markets Group Inc. or listed on a securities exchange or that a trading market in our common stock will develop, or if such a market does develop, that it will continue, or that our common stock will trade in the public markets subsequent to this offering at or above the stated fixed offering price. Subject to the foregoing, the selling stockholders may use any one or more of the following methods when selling or otherwise transferring shares:

- ordinary brokerage transactions and transactions in which the broker-dealer solicits purchasers;
- block trades in which a broker-dealer will attempt to sell the shares as agent but may purchase a position and resell a portion of the block as principal to facilitate the transaction;
- sales to a broker-dealer as principal and the resale by the broker-dealer of the shares for its account;
- an exchange distribution in accordance with the rules of the applicable exchange if we are listed on an exchange at the time of sale;
- privately negotiated transactions, including gifts;
- covering short sales made after the date of this prospectus;
- pursuant to an arrangement or agreement with a broker-dealer to sell a specified number of such shares at a stipulated price per share;
- a combination of any such methods of sale; and
- any other method of sale permitted pursuant to applicable law.

To the extent permitted under Rule 144, the selling stockholders may also the shares owned by them pursuant to Rule 144 rather than pursuant to this prospectus.

Broker-dealers engaged by the selling stockholders may arrange for other brokers dealers to participate in sales. Broker-dealers may receive commissions or discounts from the selling stockholders (or, if any broker-dealer acts as agent for the purchaser of shares, from the purchaser) in amounts to be negotiated. The selling stockholders do not expect these commissions and discounts to exceed what is customary in the types of transactions involved. None of the selling stockholders is an affiliate of any broker-dealer.

The selling stockholders may from time to time pledge or grant a security interest in some or all of the shares owned by them and, if the selling stockholders default in the performance of the secured obligations, the pledgees or secured parties may offer and sell the shares of common stock from time to time under this prospectus, or under an amendment to this prospectus under Rule 424(b)(3) or other applicable provision of the Securities Act amending the list of selling stockholders to include the pledgee, transferee or other successors in interest as selling stockholder under this prospectus.

In connection with the sale of our common stock or interests therein, the selling stockholders may enter into hedging transactions with broker-dealers or other financial institutions which may in turn engage in short sales of our common stock in the course of hedging the positions they assume. The selling stockholders may, after the date of this prospectus, also sell shares of our common stock short and deliver these securities to close out their short positions, or lend or pledge their common stock to broker-dealers that in turn may sell these securities. The selling stockholders may also enter into option or other transactions with broker-dealers or other financial institutions or the creation of one or more derivative securities which require the delivery to such broker-dealer or other financial institution of shares offered by this prospectus, which shares such broker-dealer or other financial institution may resell pursuant to this prospectus (as supplemented or amended to reflect such transaction).

The selling stockholders also may transfer the shares of common stock in other circumstances, in which case the transferees, pledgees or other successors in interest will be the selling beneficial owners for purposes of this prospectus.

The selling stockholders and any broker-dealers or agents that are involved in selling the shares may be deemed to be "underwriters" within the meaning of the Securities Act in connection with such sales. In such event, they will be subject to the prospectus delivery requirements of the Securities Act, any commissions received by such broker-dealers or agents and any profit on the resale of the shares purchased by them may be deemed to be underwriting commissions or discounts under the Securities Act, and federal securities laws, including Regulation M, may restrict the timing of purchases and sales of our common stock by the selling stockholders and any other persons who are involved in the distribution of the shares of common stock pursuant to this prospectus. The selling stockholders have informed us that they do not have any agreement or understanding, directly or indirectly, with any person to distribute the common stock.

We may be required to amend or supplement this prospectus in the event that (a) a selling stockholder transfers securities under conditions which require the purchaser or transferee to be named in the prospectus as a selling stockholder, in which case we will be required to amend or supplement this prospectus to name the selling stockholder, or (b) any one or more selling stockholders sells stock to an underwriter, in which case we will be required to amend or supplement this prospectus to name the underwriter and the method of sale.

We are paying all fees and expenses incident to the registration of the shares. We have agreed to indemnify the selling stockholders against certain losses, claims, damages and liabilities, including liabilities under the Securities Act.

MARKET FOR COMMON STOCK AND RELATED STOCKHOLDER MATTERS

Our common stock trades on the OTC Pink market under the symbol QPRC. The following table sets forth the range of quarterly high and low closing prices of our common stock as reported during 2016 and 2017 and, based on information on the OTC Markets website. These prices reflect inter-dealer quotations, do not include retail markups, markdowns or commissions and do not necessarily reflect actual transactions.

	2016		2017		2018	
	High	Low	High	Low	High	Low
First quarter	$ 0.0220	$ 0.0040	$ 0.0060	$ 0.0018	$ 0.0023	$ 0.0010
Second Quarter	0.0095	0.0012	0.0043	0.0012	$ 0.0020*	$ 0.0015*
Third Quarter	0.0045	0.0016	0.0025	0.0011		
Fourth Quarter	0.0050	0.0017	0.0035	0.0009		

* Through April 30, 2018.

The last reported sale price of our common stock on May , 2018 was $[ ] per share.

Stockholders of Record

As of April 30, 2018, we had 461 record holders of our common stock.

Transfer Agent

Continental Stock Transfer & Trust Company, One State Street, 30th floor, New York, New York 10004-1561 is the transfer agent for our common stock.

Dividend Policy

We have not paid any cash dividends to date and do not anticipate or contemplate paying dividends in the foreseeable future. It is the present intention of management to utilize all available funds for the development of our business.

BUSINESS

Overview

We are an intellectual property asset management company. Our principal operations include the development, acquisition, licensing and enforcement of intellectual property rights that are either owned or controlled by us or one of our wholly-owned subsidiaries. We currently own, control or manage ten intellectual property portfolios, which principally consist of patent rights. Our ten intellectual property portfolios include the portfolios which we acquired from Intellectual Ventures Assets 16, LLC ("Intellectual Ventures") and five of its affiliates. As part of our intellectual property asset management activities and in the ordinary course of our business, it has been necessary for us or the intellectual property owner who we represent to initiate, and it is likely to continue to be necessary to initiate, patent infringement lawsuits and engage in patent infringement litigation. We anticipate that our primary source of revenue will come from the grant of licenses to use our intellectual property, primarily licenses granted as part of the settlement of patent infringement lawsuits. We also generate revenue from management fees from managing intellectual property portfolios although we do not presently have any agreements that provide for these fees.

We seek to generate revenue from three sources:

- Patent licensing fees relating to our intellectual property portfolio, which includes fees from the licensing of our intellectual property, primarily from litigation relating to enforcement of our intellectual property rights.
- Management fees for managing structured licensing programs, including litigation, related to our intellectual property rights, although we do not currently receive these fees.
- Licensed packaging sales, which relate to the sale of licensed products.

Intellectual property monetization includes the generation of revenue and proceeds from the licensing of patents, patented technologies and other intellectual property rights. Patent litigation is often a necessary element of intellectual property monetization where a patent owner, or a representative of the patent owner, seeks to protect its patent rights against the unlicensed manufacture, sale, and use of the owner's patent rights or products which incorporate the owner's patent rights. In general, we seek to monetize the bundle of rights granted by the patents through structured licensing and when necessary enforcement of those rights through litigation, although to date all of our patent license revenues have resulted from litigation.

We intend to develop our business by acquiring intellectual property rights, either in the form of ownership of or an exclusive license to the underlying intellectual property. Our goal is to enter into agreements with inventors of innovative technologies for which there may be a significant market for products which use or incorporate the intellectual property. We seek to purchase all of, or interests in, intellectual property in exchange for cash, securities of our company, the formation or a joint venture or separate subsidiary in which the owner has an equity interest, and/or interests in the monetization of those assets. Our revenue from this aspect of our business can be generated through licensing and, when necessary, which is typically the case, litigation efforts as well as intellectual property management fees. We engage in due diligence and a principled risk underwriting process to evaluate the merits and potential value of any acquisition, partnership or joint venture. We seek to structure the terms of our acquisitions in a manner that will achieve the highest risk-adjusted returns possible, in the context of our financial condition. In connection with the acquisition of intellectual property portfolios, we have granted the party providing the financing an interest in any recovery we have with respect to the intellectual property purchased with the financing, and we expect that we will have to continue to grant such interests until and unless we have generated sufficient cash from licensing our intellectual property to enable us to acquire additional intellectual property portfolios without outside financing. However, we cannot assure you that we will ever generate sufficient revenues to enable us to purchase additional intellectual property without third-party financing.

We employ a due diligence process before completing the acquisition of an intellectual property interest. We begin with an investment thesis supporting the potential transaction and then proceed to test the thesis through an examination of the critical drivers of the value of the underlying intellectual property asset. Such an examination focuses on areas such as title and inventorship issues, the quality of the drafting and prosecution of the intellectual property assets, legal risks inherent in licensing programs generally, the applicability of the invention to the relevant marketplace and other issues such as the effects of venue and other procedural issues. However, our financial position may affect our ability to conduct due diligence with respect to intellectual property rights.

It is frequently necessary to commence litigation in order to obtain a recovery for past infringement of, or to license the use of, our intellectual property rights. Intellectual property litigation is very expensive, with no certainty of any recovery. To the extent possible we seek to engage counsel on a contingent fee or partial contingent fee basis, which significantly reduces our litigation cost, but which also reduces the value of the recovery to us. We do not have the resources to enable us to fund the cost of litigation. To the extent that we cannot fund litigation ourselves, we may enter into an agreement with a third party, which may be the patent owner or the former patent owner who transferred the patent rights to us, or an independent third party. In view of our limited cash and our working capital deficiency, we are not able to institute any monetization program that may require litigation unless we engage counsel on a fully contingent basis or we obtain funding from third party funding sources. In these cases, counsel may be afforded a greater participation in the recovery and the third party that funds the litigation would be entitled to participate in any recovery.

Purchase of Intellectual Property from Intellectual Ventures Entities

On October 22, 2015, pursuant to an agreement with an effective date of July 8, 2015, as amended, between us and Intellectual Ventures, we purchased three groups of patents from Intellectual Ventures for a purchase price of $3,000,000, which was paid in three annual installments of $1,000,000 from the proceeds of our loans from United Wireless. Contemporaneously with our acquisition of the patents, we granted Intellectual Ventures a security interest in the patents transferred to us as security for the payment of the balance of the purchase price. Intellectual Ventures released its security interest upon receipt of the third installment payment in November 2017. The patent portfolios which we acquired from Intellectual Ventures are the anchor structure portfolio, the power management/bus control portfolio and the diode on chip portfolio, which are described under “Business – Our Intellectual Property Portfolios.”

On July 28, 2017, CXT, a wholly-owned subsidiary, entered into an agreement with IV 34/37 pursuant to which CTX paid IV 34/37 $25,000 and IV34/37 transferred to CXT all right, title and interest in a portfolio of the thirteen United States patents. Under the agreement, CXT will distribute 50% of net proceeds, as defined, to IV 34/37, as long as we generate revenue from the this Portfolio. The $25,000 payment to IV 34/37 was made from a loan from United Wireless and was paid directly by United Wireless to IV34/37. The agreement with IV 34/37, as amended on January 26, 2018, provides that if, on December 31, 2018, December 31, 2019 and December 31, 2020, cumulative distributions to IV 34/37 total less than $100,000, $375,000 and $975,000, respectively, CXT shall pay the difference between such cumulative amounts and the amount paid to IV 34/37 within ten days after the applicable date; with any advances being credited toward future distributions to IV 34/36; the useful lives of the patents, at the date of acquisition, was 5-6 years.. Neither we nor any affiliate of CXT has guaranteed the minimum payments. CXT’s obligations under the agreement with IV 34/37 are secured by a security interest in the proceeds (from litigation or otherwise) from this portfolio.

On January 26, 2018, CXT entered into an agreement with IV 62/71 pursuant to which CXT advanced IV 62/71 $10,000 at closing and IV 62/71 assigned to CXT all right, title, and interest in a portfolio of sixteen United States patents and three pending applications. Under the agreement, CXT will distribute 50% of net proceeds, as defined, from this portfolio to IV 62/71, as long as we generate net proceeds from this portfolio; with any advances being credited toward future distributions to IV 62/71. CXT’s obligations under the agreement are secured by a security interest in the proceeds (from litigation or otherwise) from this portfolio. We agreed to modify the monetization proceeds agreement between CXT and United Wireless to include the patents acquired from IV62/71. The portfolios that CXT acquired from IV 34/37 and IV 62/71 are collectively referred to as the CXT Portfolio, which is described under “Business – Our Intellectual Property Portfolios.”

On January 26, 2018, our wholly-owned subsidiary Photonic Imaging Solutions, Inc. (“PIS”) entered into an agreement with IV 64 pursuant to which PIS advanced $10,000 to IV 64 at closing and IV 64 assigned to PIS all right, title, and interest in the CMOS Portfolio. Under the agreement, PIS will distribute to IV 64 70% of the first $1,500,000 of revenue, as defined in the agreement, 30% of the next $1,500,000 of revenue and 50% of revenue over $3,000,000; with any advances being credited toward future distributions to IV 64. PIS’ obligations under the monetization proceeds agreement are secured by a security interest in the proceeds (from litigation or otherwise) from the portfolio.

Our Organization

We were incorporated in Delaware on July 17, 1987 under the name Phase Out of America. On September 21, 1997, we changed our name to Quest Products Corporation, and, on June 6, 2007, we changed our name to Quest Patent Research Corporation. We have been engaged in the intellectual property monetization business since 2008. Our executive principal office is located at 411 Theodore Fremd Ave., Suite 206S, Rye, New York 10580-1411, telephone (888) 743-7577. Our website is www.qprc.com. Information contained on our website or any other website does not constitute a part of this prospectus.

Our Intellectual Property Portfolios

Mobile Data

The real-time mobile data portfolio relates to the automatic update of information delivered to a mobile device without the need for a manual refreshing. The portfolio is comprised of U.S. Patent No. 7,194,468 “Apparatus and Method for Supplying Information” and all related patents, patent applications, and all continuations, continuations-in-part, divisions, extensions, renewals, reissues and re-examinations relating to all inventions thereof (the “Mobile Data Portfolio”). We initially entered into an agreement with the patent owner, Worldlink Information Technology Systems Limited, whereby we received the exclusive license to license and enforce the Mobile Data Portfolio. Under the agreement we received a monthly management fee and a percentage of licensing revenues. Subsequently Worldlink transferred its remaining interest in the Mobile Data Portfolio to Allied Standard Limited. In October 2012, we entered into an agreement with Allied pursuant to which Allied transferred its entire right title and interest in the Mobile Data Portfolio to Quest Licensing Corporation, which was at the time, a wholly-owned subsidiary. Under the agreement, Allied was entitled to receive a 50% interest in Quest Licensing. Quest Licensing’s only intellectual property is the Mobile Data Portfolio. Our agreement with Allied provides that we and Allied will each receive 50% of the net licensing revenues, as defined by the agreement. In June 2013, we entered into an agreement with The Betting Service Limited, an entity controlled by a former director of Worldlink. Pursuant to the agreement, we granted The Betting Service an interest in licensing proceeds from the Mobile Data Portfolio in return for The Betting Service’s assistance in developing certain Mobile Data

Portfolio assets. In April 2014, we entered into a further agreement with Allied whereby Allied relinquished certain rights under the October 2012 agreement, including its entitlement to a 50% interest in Quest Licensing, in exchange for our commitment to fund a structured licensing program for the Mobile Data Portfolio.

In March 2014, we entered into a funding agreement whereby a third party agreed to provide funds to us to enable us to implement a structured licensing program, including litigation if necessary, for the Mobile Data Portfolio and engaged counsel on a partial contingency basis in connection with a proposed patent infringement action relating to the Mobile Data Portfolio. Under the funding agreement, the third party receives an interest in the proceeds from the program, and we have no other obligation to the third party.

In April and June 2014, as part of a structured licensing program, Quest Licensing Corporation brought patent infringement suits in the U.S. District for the District of Delaware against Bloomberg LP et.al., FactSet Research Systems Inc., Interactive Data Corporation, SunGard Data Systems Inc. and The Charles Schwab Corporation et.al. These cases have been consolidated for trial. A hearing, known as a Markman hearing, in which the judge examines the evidence from the parties on the appropriate meanings of relevant key words in the claim was held on February 8, 2016. In June and August 2016 Quest Licensing Corporation entered into settlement agreements with SunGard Data Systems Inc. and FactSet Research Systems Inc. On January 19, 2017 the Court granted the remaining defendants' motion for summary judgment of non-infringement. On January 31, 2017, Quest Licensing Corporation filed a notice of appeal with the United States Court of Appeals for the Federal Circuit whereby Quest Licensing Corporation appealed the court's order construing the terms of U.S. patent No. 7,194,468 as well as the court's order granting defendants' motion for summary judgment of non-infringement. In connection with this litigation, a third party funding source incurred approximately $153,125 in 2017 and $809,000 in 2016, which was paid to litigation counsel and other third parties. In addition, the funding source paid management fees to us of approximately $21,000 in 2017 and $25,000 in 2016. In 2016, modest licensing fees generated from settlement agreements were paid directly to the funding source pursuant to our agreement with the funding source. As a result, through December 31, 2017, we did not receive any proceeds from the Mobile Data Portfolio.

Following the court's decision granting the defendant's motion for summary judgment, the defendants moved for an award of attorneys' fees under Section 285 of the patent act which provides that "the court in exceptional cases may award reasonable attorney fees to the prevailing party." Our funding source for the Mobile Data Portfolio litigation has no obligations to fund any judgment against us. Although the motion, if granted, would result in a judgment against Quest Licensing Corporation, such subsidiary does not have the financial resources to enable it to pay any judgment which may be rendered against it, and, the defendants may seek to enforce their judgment by seeking to foreclose on the patents owned by the subsidiary or seek to force the subsidiary into bankruptcy and purchase the patents in the bankruptcy proceeding, either of which could result in a default under our agreement with United Wireless. On June 29, 2017, the defendants' motion for attorney fees in the Mobile Data litigation was denied, without prejudice. Defendants may renew their motion thirty days from the decision of the appellate court on Quest Licensing Corporation's appeal.

Online Marketing, Sweepstakes, Promotions & Rewards (Von Kohorn Portfolio)

The portfolio consists of three United States Patents that include patent claims related to, among other areas, online couponing, print-at-home boarding passes and tickets, online sweepstakes; including the promotion by television networks of online sweepstakes (the "Von Kohorn Portfolio"). In December 2009, we entered into an agreement with Intertech Holdings, LLC pursuant to which our wholly-owned subsidiary, Quest NetTech Corporation, acquired by assignment all right, title, and interest in the Von Kohorn Portfolio. Under the agreement, we will receive 20% of adjusted gross recoveries, as defined. In August 2013, we and Intertech Holdings amended the December 2009 agreement to provide that Intertech Holdings will receive 33% of the adjusted gross recoveries and Quest NetTech will receive 67% of adjusted gross recoveries.

In March 2016, Quest NetTech brought several patent infringement suits against various entities in the U.S. District for the Eastern District of Texas. These actions were settled.

We generated license fees of approximately $0 and $75,000 for the years ended December 31, 2017 and 2016, respectively.

Flexible Packaging - Turtle Pak™

In March 2008, we entered into an agreement with Emerging Technologies Trust whereby our majority-owned subsidiary, Quest Packaging Solutions Corporation, acquired the exclusive license to make, use, sell, offer for sale or sublicense the intellectual property of Emerging Technologies Trust (the "Turtle Pak™ Portfolio"). The Turtle Pak portfolio relates to a cost effective, high-protection packaging system recommended for fragile items weighing less than ten pounds. The intellectual property consists of two U.S. patents, U.S. Patent No. RE36,412 and U.S. Patent No.6,490,844, and the Turtle Pak™ trademark. Turtle Pak™ brand packaging is suited for such uses as electrical and electronic components, medical, dental, and diagnostic equipment, instrumentation products, and control components. Turtle Pak™ brand packaging materials are 100% curbside recyclable.

As the exclusive licensee and manager of the manufacture and sale of licensed product, we coordinate the manufacture and sale of licensed products to end users; we contract for the manufacture and assembly of the product components, and we coordinate order receipt, fulfillment and invoicing. Revenues from the TurtlePak™ product sales were approximately $14,000 and $18,000 for the years ended December 31, 2017 and 2016, respectively. We continue to generate modest revenue from this product.

Universal Financial Data System

The invention describes a universal financial data system which allows its holder to use the device to access one or more accounts stored in the memory of the device as a cash payment substitute as well as to keep track of financial and transaction records and data, such as transaction receipts, in a highly portable package, such as a cellular device (the "Financial Data Portfolio"). The inventive universal data system is capable of supporting multiple accounts of various types, including but not limited to credit card accounts, checking/debit accounts, and loyalty accounts. Our wholly-owned subsidiary, Wynn Technologies Inc., acquired US Patent No. 5,859,419, from the owner, Sol Wynn. In January 2001, we filed a reissue application for the patent, and the United States Patent and Trademark Office issued patent RE38,137. This reissued patent, which contains 35 separate claims, replaces the original patent, which had seven claims. In February 2011, we entered into a new agreement with Sol Li (formerly Sol Wynn), pursuant to which we issued to Mr. Li a 35% interest in Wynn Technologies and warrants to purchase up to 5,000,000 shares of our common stock at an exercise price of $0.001 per share. We also agreed that Mr. Li would receive 40% of the net licensing revenues generated by Wynn Technologies with respect to this patent, which is the only patent owned by Wynn Technologies.

Through December 31, 2017, we did not generate any revenue from the Financial Data Portfolio.

Rich Media

The rich media portfolio is directed to methods, systems, and processes that permit typical Internet users to design rich-media production content (*i.e.*, rich-media applications), such as websites. The portfolio consists of U.S. Patent No. 7,000,180, "Methods, Systems, and Processes for the Design and Creation of Rich Media Applications via the Internet" and all related patents, patent applications, corresponding foreign patents and foreign patent applications and foreign counterparts, and all continuations, continuations-in-part, divisions, extensions, renewals, reissues and re-examinations relating to all inventions thereof (the "Rich Media Portfolio"). In July 2008, we entered into a consulting and licensing program management agreement with Balthaser Online, Inc., the patent owner, pursuant to which we performed services related to the establishment and management of a licensing program to evaluate and analyze the relevant market and to obtain licenses for the Rich Media Portfolio in exchange for management fees as well as an irrevocable entitlement to a distribution of 15% of all proceeds generated by the Rich Media Portfolio for the remaining life of the portfolio regardless of whether those proceeds are derived from litigation, settlement, licensing or otherwise. Our 15% distribution right is subject to reduction to 7.5% in the event that we refuse or are unable to perform the services detailed in the agreement.

Through December 31, 2017, we did not generate any revenue from the rich media patents.

Anchor Structure Portfolio

This portfolio, which we acquired from Intellectual Ventures in October 2015 and transferred to a newly formed subsidiary, Mariner IC Inc., consists of two United States patents which relate to technology for incorporating metal structures in the corners and edges of semiconductor dies to prevent cracking from stresses.

In March 2016, we entered into a funding agreement whereby a third party agreed to provide funds to us to enable us to implement a structured licensing program, including litigation if necessary, for the Anchor Structure Portfolio and engaged counsel on a partial contingency basis in connection with a proposed patent infringement action relating to the Anchor Structure Portfolio. Under the funding agreement, the third party receives an interest in the proceeds from the program, and we have no other obligation to the third party.

Following the execution of the funding agreements and the engagement of counsel, in April 2016, Mariner IC brought patent infringement suits in the United States District Court for the Eastern District of Texas against MediaTek Inc., Texas Instruments Incorporated, LG Electronics, Inc., Toshiba Corporation, and Funai Electric Co., Ltd. In May 2016, the action against Funai was dismissed, and in November 2016, the action against Texas Instruments was dismissed. The remaining suits settled in 2017.

Our revenue for the year ended December 31, 2017 included revenue from these settlements.

In March 2018, Mariner IC brought patent infringement suits in the United States District Court for the Eastern District of Texas against Acer Inc., Schneider Electric, Sharp Corporation, AsusTek Computer Inc., and Bose Corporation. In April 2018, the cases against Acer Inc., Schneider Electric and Bose Corporation were dismissed. In April 2018, Mariner IC brought patent infringement suits in the United States District Court for the Eastern District of Texas against TiVo Corporation, Huawei Device Co., Ltd et. al., and Lenovo Group Ltd.

Power Management/Bus Control Portfolio

This portfolio, which is the second portfolio which we acquired from Intellectual Ventures and transferred to a newly-formed subsidiary, Semcon IP Inc., consists of four United States patents that cover fundamental technology for adjusting the processor clock and voltage to save power based on the operating characteristics of the processor and one United States patent that relates to coordinating direct bus communications between subsystems in an assigned channel.

In March 2016, we entered into a funding agreement whereby a third party agreed to provide funds to us to enable us to implement a structured licensing program, including litigation if necessary, for the Anchor Structure Portfolio and engaged counsel on a partial contingency basis in connection with a proposed patent infringement action relating to the Anchor Structure Portfolio. Under the funding agreement, the third party receives an interest in the proceeds from the program, and we have no other obligation to the third party.

Following the execution of the funding agreement and partial contingency agreement with counsel, in April 2016, Semcon IP Inc. brought patent infringement suits in the United States District Court for the Eastern District of Texas against Huawei Technologies, MediaTek Inc., STMicroelectronics Inc., Texas Instruments Incorporated and ZTE Corporation. In January 2018, the action against Texas Instruments was dismissed, and in February 2018, the action against Huawei Technologies was dismissed. In April 2018 the actions against MediaTek Inc. and STMicroelectronics Inc. were dismissed. The action against ZTE Corporation is stayed pending settlement.

Pursuant to the terms of the funding agreement and the partial contingency agreement with counsel, we do not have any liability or obligations with respect to the costs associated with prosecuting the actions, and we do not receive any payments for any assistance which we may provide in connection with the litigation. Both the funding source and counsel will participate in any recovery in these lawsuits.

Through December 31, 2017, we did not receive any proceeds from the Power Management/Bus Control Portfolio.

Diode on Chip Portfolio

This portfolio, which is the third portfolio which we acquired from Intellectual Ventures and transferred to a newly-formed subsidiary, IC Kinetics Inc., consists of three United States patents and one pending continuation application which cover technology relating to on-chip temperature measurement for semiconductors. As of December 31, 2017, we did not generate any revenue from this portfolio.

CXT Portfolio

This portfolio consists of twenty-nine United States patents and three pending continuation applications which cover technology relating to systems and methods of operating an accessible information database which provides for inventory evaluation, filtering according to preferences, alternative product recommendations, and access to a database of consumer feedback/evaluation. Through December 31, 2017, we did not generate any revenues from this portfolio.

CMOS Portfolio

This portfolio consists of eleven United States patents and sixteen foreign patents which cover technology relating to digital image sensor technology systems and methods ("CMOS Portfolio") which PIS acquired on January 26, 2018. In April 2018, PIS brought patent infringement suits in the United States District Court for the District of Delaware against Lenovo Group Ltd., AsusTek Computer Inc., Lorex Technology Inc., and NETGEAR, Inc.

Competition

We encounter and expect to continue to encounter competition in the areas of intellectual property acquisitions for the sake of licensure from both private and publicly traded companies that engage in intellectual property monetization activities. Such competitors and potential competitors include companies seeking to acquire the same intellectual property assets and intellectual property rights that we may seek to acquire. Entities such as Acacia Research Corporation, Document Security Systems, Inc., Intellectual Ventures, Wi-LAN, Conversant IP, VirnetX Holding Corporation, Marathon Patent Group, Inc., Network-1 Security Solutions, Round Rock Research LLC, IPvalue Management Inc., Form Holdings, Pendrell Corporation, Finjan Holdings, Inc., Inventergy Global, Inc., Netlist Inc., Parkervision Inc., Spherix Incorporated, United Wireless, Walker Innovation, Inc. and others derive all or a substantial portion of their revenue from patent monetization activities, and we expect more entities to enter the market. Most of our competitors have longer operating histories and significantly greater financial resources and personnel than we have.

We also compete with venture capital firms, strategic corporate buyers and various industry leaders for intellectual property and technology acquisitions and licensing opportunities. Many of these competitors have more financial and human resources than our company. In seeking to obtain intellectual property assets or intellectual property rights, we seek to both demonstrate our understanding of the intellectual property that we are seeking to acquire or license and our ability to monetize their intellectual property rights. Our weak cash position may impair our ability to negotiate successfully with the intellectual property owners.

Other companies may develop competing technologies that offer better or less expensive alternatives to intellectual property rights that we may acquire and/or out-license. Many potential competitors may have significantly greater resources than we do. The development of technological advances or entirely different approaches could render certain of the technologies owned or controlled by our operating subsidiaries obsolete and/or uneconomical.

Intellectual Property Rights

We have ten intellectual property portfolios: financial data, mobile data, Von Kohorn, Turtle Pak, anchor structure, power management/bus control, diode on chip, rich media, CXT and CMOS. The following table sets forth information concerning our patents and other intellectual property. Each patent or other intellectual property right listed in the table below that has been granted is publicly accessible on the Internet website of the U.S. Patent and Trademark Office at www.uspto.gov. In the table below, the anchor structure portfolio is referred to as Mariner, the power management/bus control portfolio is referred to as Semcom, and the diode on chip portfolio is referred to as IC.

Segment	Type	Number	Title	File Date	Issue / Publication Date	Expiration
Financial Data	US Patent	RE38,137	Programmable multiple company credit card system	1/11/2001	6/10/2003	9/28/2015
Mobile Data	US Patent	7,194,468	Apparatus and method for supplying information	2/9/2001	3/20/2007	2/9/2021
Mobile Data	US Patent	9,288,605	Apparatus and method for supplying information	11/12/2009	3/15/2016	2/9/2021
Mobile Data	US Patent	9,913,068	Apparatus and method for supplying information	3/15/2013	3/6/2018	2/9/2021
Mobile Data	US Application	15/877,820	Apparatus and method for supplying information	1/23/2018	N/A	N/A
Von Kohorn	US Patent	5,508,731	Generation of enlarged participatory broadcast audience	2/25/1993	4/16/1996	4/16/2013
Turtle Pak	US Patent	RE36,412	Article packaging kit, system, and method	6/18/1996	11/30/1999	6/24/2013
Turtle Pak	US Patent	6,490,844	Film wrap packaging apparatus and method	6/21/2001	12/10/2002	7/10/2021
Turtle Pak	US Trademark	74709827	Turtle pak - design plus words, letters, and/or numbers	8/1/1995	6/4/1996	N/A
Mariner	US Patent	5,650,666	Method and apparatus for preventing cracks in semiconductor die	11/22/1995	7/22/1997	11/22/2015
Mariner	US Patent	5,846,874	Method and apparatus for preventing cracks in semiconductor die	2/28/1997	12/8/1998	11/22/2015
Semcon	US Patent	7,100,061	Adaptive power control	1/18/2000	8/29/2006	1/18/2020
Semcon	US Patent	7,596,708	Adaptive power control	4/25/2006	9/29/2009	1/18/2020
Semcon	US Patent	8,566,627	Adaptive power control	7/14/2009	10/22/2013	1/18/2020
Semcon	US Patent	8,806,247	Adaptive power control	12/21/2012	8/12/2014	1/18/2020
Semcon	PCT Application	PCT/US2001/001684	Adaptive power control	1/16/2001	7/26/2001	N/A
Semcon	Reexam Certificate	7,100,061C1	Adaptive power control	6/13/2007	8/4/2009	N/A
Semcon	US Patent	5,978,876	System and method for controlling communications between subsystems	4/14/1997	11/2/1999	4/14/2017

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Segment	Type	Number	Title	File Date	Issue / Publication Date	Expiration
IC	US Patent	7,118,273	System for on-chip temperature measurement in integrated circuits	4/10/2003	10/10/2006	4/10/2023
IC	US Patent	7,108,420	System for on-chip temperature measurement in integrated circuits	10/7/2004	9/19/2006	4/10/2023
IC	US Patent	9,222,843	System for on-chip temperature measurement in integrated circuits	9/23/2011	12/29/2015	4/10/2023
IC	US Application	15/210,208	System for on-chip temperature measurement in integrated circuits	7/14/2016	N/A	N/A
Rich Media	Patent Proceeds Interest	7,000,180	Methods, systems, and processes for the design and creation of rich media applications via the internet	02/09/2001	02/14/2006	10/16/2023
Rich Media	US Application Proceeds Interest	13/314,977	Methods, systems, and processes for the design and creation of rich media applications via the internet	12/08/2011	04/12/2012	N/A
CXT	US Patent	7,103,568	Online product exchange system	2/23/2004	9/5/2006	8/8/2015
CXT	US Patent	7,933,806	Online product exchange system with price-sorted matching products	9/11/2006	4/26/2011	8/8/2015
CXT	US Patent	8,024,226	Product exchange system	11/6/2006	4/26/2011	8/8/2015
CXT	US Patent	5,983,220	Supporting intuitive decision in complex multi-attributive domains using fuzzy, hierarchical expert models	11/14/1996	11/9/1999	11/14/2016
CXT	US Patent	6,463,431	Database evaluation system supporting intuitive decision in complex multi-attributive domains using fuzzy, hierarchical expert models	6/25/1999	10/8/2002	11/14/2016
CXT	US Patent	5,940,807	Automated and independently accessible inventory information exchange system	5/28/1997	8/17/1999	5/23/17
CXT	US Patent	6,081,789	Automated and independently accessible inventory information exchange system	1/8/1999	6/27/2000	5/23/17
CXT	US Patent	6,601,043	Automated and independently accessible inventory information exchange system	6/26/2000	7/29/2003	5/23/17
CXT	US Patent	6,011,537	System for delivering and simultaneously displaying primary and secondary information, and for displaying only the secondary information during interstitial space	1/27/1998	1/4/2000	1/27/2018
CXT	US Patent	7,133,835	Online exchange market system with a buyer auction and a seller auction	10/30/1995	11/7/2006	5/27/2018

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Segment	Type	Number	Title	File Date	Issue / Publication Date	Expiration
CXT	US Patent	6,412,012	System, method, and article of manufacture for making a compatibility aware recommendation to a user	12/23/1998	6/25/2002	12/23/2018
CXT	US Patent	6,493,703	System and method for implementing intelligent online community message board	5/11/1999	12/10/2002	5/11/2019
CXT	US Patent	6,571,234	System and method for managing online message board	5/11/1999	5/27/2003	5/11/2019
CXT	US Patent	6,721,748	Online content provider system and method	5/13/2002	4/13/2004	5/11/2019
CXT	US Patent	6,778,982	Online content provider system and method	2/20/2003	8/17/2004	5/11/2019
CXT	US Patent	6,804,675	Online content provider system and method	3/17/2003	10/12/2004	5/11/2019
CXT	US Patent	7,159,011	System and method for managing an online messaging board	8/16/2004	1/2/2007	5/11/2019
CXT	US Patent	7,162,471	Content query system and method	8/16/2004	1/9/2007	5/11/2019
CXT	US Patent	RE43,835	Online content tabulating system and method	2/22/2007	11/27/2012	5/11/2019
CXT	US Patent	RE45,661	Online content tabulating system and method	11/20/2012	9/1/2015	5/11/2019
CXT	US Patent	7,065,494	Electronic customer service and rating system and method	6/25/1999	6/20/2006	6/25/2019
CXT	US Patent	7,340,411	System and method for generating, capturing, and managing customer lead information over a computer network	10/20/2003	3/4/2008	8/2/2021
CXT	US Patent	8,260,806	Storage, management and distribution of consumer information	6/29/2007	9/4/2012	10/17/2021
CXT	US Patent	7,487,130	Consumer-controlled limited and constrained access to a centrally stored information account	1/6/2006	2/3/2009	11/7/2021
CXT	US Patent	7,016,877	Consumer-controlled limited and constrained access to a centrally stored information account	11/7/2001	3/21/2006	2/22/2023
CXT	US Patent	7,257,581	Storage, management and distribution of consumer information	8/6/2001	8/14/2007	6/2/2023
CXT	US Patent	7,467,141	Branding and revenue sharing models for facilitating storage, management and distribution of consumer information	8/20/2001	12/16/2008	8/11/2023
CXT	US Patent	7,016,875	Single sign-on for access to a central data repository	10/9/2001	3/21/2006	8/19/2023
CXT	US Patent	8,566,248	Initiation of an information transaction over a network via a wireless device	11/20/2001	10/22/2013	6/17/2026
CXT	US Application	11/327,176	Single sign-on for access to a central data repository	1/6/2006	9/7/2006	N/A
CXT	US Application	14/941,528	Information transactions over a network	11/13/2015	5/19/2016	N/A
CXT	US Application	15/880,314	Single sign-on for access to a central data repository	1/25/2018	N/A	N/A
CMOS	US Patent	6,624,404	CMOS image sensor having enhanced photosensitivity and method for fabricating the same	11/26/2001	9/23/2003	12/30/2019
CMOS	Korean Patent	KR10-0303774	Method for fabricating cmos image sensor	12/30/1998	7/13/2001	12/30/2018
CMOS	US Patent	6,348,361	CMOS image sensor having enhanced photosensitivity and method for fabricating the same	12/30/1999	2/19/2002	12/30/2019
CMOS	US Patent	6,184,055	CMOS image sensor with equivalent potential diode and method for fabricating the same	2/26/1999	2/6/2001	2/26/2019
CMOS	Chinese Patent	CNZL99105588.8	Complementary mos image sensor and making method thereof	2/28/1999	10/13/2004	2/27/2019
CMOS	Chinese Patent	CNZL200310104488.4	Image sensing device and its manufacturing method	2/28/1999	3/26/2008	2/27/2019
CMOS	German Patent	DE19908457.2	Photodiode used in cmos image sensing device	2/26/1999	11/28/2013	2/26/2019
CMOS	French Patent	FR2775541	Photodiode for use in a cmos image sensor and method for fabricating the same	3/1/1999	8/2/2002	3/1/2019

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Segment	Type	Number	Title	File Date	Issue / Publication Date	Expiration
CMOS	French Patent	FR2779870	Photodiodes for image sensors	3/1/1999	5/13/2005	3/1/2019
CMOS	United Kingdom Patent	GB2334817	Photodiode for use in a cmos image sensor and method for fabricating the same	3/1/1999	7/1/2003	3/1/2019
CMOS	United Kingdom Patent	GB2383900	CMOS image sensor and method for fabricating the same	3/1/1999	8/20/2003	3/1/2019
CMOS	Japanese Patent	JP4390896	CMOS image sensor and manufacture thereof	3/1/1999	10/16/2009	3/1/2019
CMOS	Korean Patent	KR10-0278285	CMOS image sensor and manufacturing method thereof	2/24/1999	10/18/2000	2/24/2019
CMOS	Taiwanese Patent	TWI141677	CMOS image sensor with equivalent potential diode	3/22/1999	10/1/2001	3/21/2019
CMOS	US Patent	6,180,969	CMOS image sensor with equivalent potential diode	2/26/1999	1/30/2001	2/26/2019
CMOS	US Patent	6,563,187	CMOS image sensor integrated together with memory device	6/29/1999	5/13/2003	6/29/2019
CMOS	US Patent	6,949,388	CMOS image sensor integrated together with memory device	5/12/2003	9/27/2005	11/9/2019
CMOS	Korean Patent	KR10-0464955	CMOS image sensor integrated with memory device	6/29/1998	12/24/2004	6/29/2018
CMOS	US Patent	6,627,929	Solid state ccd image sensor having a light shielding layer	6/13/2001	9/30/2003	10/13/2018
CMOS	Korean Patent	KR10-0263473	Solid state image device and fabrication method thereof	2/16/1998	5/17/2000	2/16/2018
CMOS	US Patent	6,300,157	Solid state image sensor and method for fabricating the same	10/13/1998	10/9/2001	10/13/2018
CMOS	US Patent	7,113,203	Method and system for single-chip camera	5/7/2002	9/26/2006	5/13/2022
CMOS	US Patent	6,706,550	Photodiode having a plurality of PN junctions and image sensor having the same	10/16/2002	3/16/2004	2/26/2019
CMOS	Japanese Patent	JP4139931	Pinned photodiode of image sensor, and its manufacture	6/28/1999	6/20/2008	6/28/2019
CMOS	Korean Patent	KR10-0275123	Pinned photodiode of image sensor and manufacturing method thereof	6/29/1998	9/19/2000	6/29/2018
CMOS	Taiwanese Patent	TWI133257	Photodiode having a plurality of PN junctions and image sensor having the same	6/30/1999	5/28/2001	6/29/2019
MOS	US Patent	6,489,643	Photodiode having a plurality of PN junctions and image sensor having the same	6/28/1999	12/3/2002	6/28/2019

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Agreements with United Wireless

Summary

On October 22, 2015, we entered into a series of agreements with United Wireless:

Pursuant to a securities purchase agreement between us and five of our subsidiaries (Quest Licensing Corporation, Wynn Technologies, Inc., Mariner IC Inc., Semcon IP Inc., and IC Kinetics Inc.), at the closing, United Wireless agreed to lend us a total of $4,250,000. As of April 30, 2018, United Wireless had lent us $3,675,000, of which $3,000,000 was used to purchase the intellectual property from Intellectual Ventures in three annual installments of $1,000,000, with the final installment in November 2017, $25,000 was used to purchase intellectual property from IV 34/37 and the balance of $650,000 was used for working capital, including expenses relating to the agreements with United Wireless. Pursuant to the loan agreement, we issued to United Wireless our 10% promissory notes. The terms of the notes are described under "Promissory Notes." As of March 31, 2018, the principal balance on the notes, which includes capitalized interest, was approximately $4,027,000, and accrued, but not capitalized interest of approximately $185,000.

Pursuant to the securities purchase agreement, at the closing we sold to United Wireless 50,000,000 shares of common stock for $250,000, or $0.005 per share.

Pursuant to the securities purchase agreement, we granted United Wireless an option to purchase a total of 50,000,000 shares, with exercise prices of $0.01 per share as to 16,666,667 shares, which may be exercised from September 30, 2016 through September 30, 2020, $0.03 per share as to 16,666,667 shares, which may be exercised from September 30, 2017 through September 30, 2020, and $0.05 per share as to 16,666,666 shares, which may be exercised from September 30, 2018 through September 30, 2020.

All of the notes to be issued to United Wireless, whether in respect of the purchase of the patent rights from Intellectual Ventures or for working capital, have the same terms and conditions, including default provisions and conversion rights. The agreement provides that, in the event that certain events of default, which are called Conversion Eligible Events of Default, shall have occurred and are continuing on the date a $1,000,000 payment is due to Intellectual Ventures, United Wireless shall have the obligation to make the payment, and immediately upon the United Wireless' payment to Intellectual Ventures, we shall be deemed to have assigned, transferred and conveyed to United Wireless and/or its nominee full, absolute and unconditional title to and ownership of the stock of three subsidiaries that hold the patents acquired from Intellectual Ventures, and our obligations on the notes including the conversion rights, to the extent that the notes relate to the payment of the purchase price of the patents from Intellectual Venture, terminate, and United Wireless will have no further obligation to make working capital loans to us. On November 15, 2017, when the last payment was made to Intellectual Venture, no Conversion Eligible Event of Default had occurred.

In October 2015, we entered into a monetization proceeds agreement pursuant to which United Wireless received the right to receive 15% of the net monetization proceeds received from (a) the patents acquired by us from Intellectual Ventures and (b) the patents in our mobile data and financial data intellectual property portfolios. On July 31, 2017, we entered into a monetization agreement with United Wireless pursuant to which we agreed to pay United Wireless 7.5% of the net monetization proceeds from the patents acquired by CXT. This obligation was recorded as an expense and is reflected in interest expenses. CXT's obligations under the monetization proceeds agreement are secured by a security interest in the proceeds (from litigation or otherwise) from the CXT Portfolio. The security interest in the proceeds from the CXT Portfolio is junior to the security interest held by IV 34/37 in the CXT Portfolio and proceeds thereof. We agreed to amend the monetization proceeds agreement between CXT and United Wireless to include the patents acquired from IV 62/71.

Our obligations under our agreements with United Wireless, including our obligations under all notes issued to United Wireless and the monetization proceeds agreement, are secured by a pledge of the stock of the three subsidiaries that hold the patents acquired from Intellectual Ventures and by the proceeds from the intellectual property represented by (i) the patents acquired from Intellectual Ventures and (ii) the intellectual property in the mobile data and financial data portfolios.

Five of our subsidiaries, Quest Licensing, Wynn, Mariner, Semcon, and IC, guaranteed our obligations to United Wireless.

We granted United Wireless certain registration rights with respect to (i) the 50,000,000 shares of common stock purchased by United Wireless at the closing, (ii) the 50,000,000 shares of common stock issuable upon exercise of the purchase options, and (iii) in the event that the notes become convertible, to the extent that the note holders request, the shares of common stock issuable upon conversion of the notes.

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We agreed that, within 135 days from the closing date (i.e., by March 2, 2016), we would increase our authorized common stock from 390,000,000 shares to 1,250,000,000 shares, and, in the event that, in the future, the number of authorized shares of common stock is not sufficient to enable the full conversion of the notes, we will have 135 days to take corporate action, as necessary, so as to have a sufficient number of shares, including to increase the common stock (or effect a reverse split or a combination of an increase in the authorized common stock and a reverse split) to an amount requested by United Wireless, or absent such request, as we believe to be necessary such that there will be sufficient shares of common stock available for full conversion of the notes. United Wireless agreed to vote its shares or give its consent in connection with any such increase in authorized common stock. On January 22, 2016, we filed an amended and restated certificate of incorporation which increased our authorized common stock to 1,250,000,000 shares. On the dates that United Wireless purchased notes from us in 2016, we were in compliance with the authorized share requirement. Because there is no fixed conversion price, compliance with the authorized share reserve requirement is outside of our control. As a result of fluctuations in our stock price, at various times during the period, beginning May 4, 2016 and through December 31, 2016, but never for a period exceeding 135 days, we did not have sufficient authorized shares of common stock necessary for United Wireless to convert its notes and exercise its options. Because of a decrease in the price of our common stock, at February 13, 2017, we did not have a sufficient number of shares to meet the authorized share requirements. On June 15, 2017, we amended our certificate of incorporation to increase our authorized common stock to 10,000,000,000 shares. In the event that, in the future, we do not have sufficient shares to permit conversion of the notes and the exercise of the options, we will have to either increase our authorized common stock or effect a reverse split in order that we are in compliance with the authorized share requirement. The failure to have sufficient authorized common stock may result in a Conversion Eligible Event of Default.

We agreed with United Wireless that, as long as United Wireless' stockholdings exceed 10%, United Wireless has the right to designate one member of the board of directors and at such time and for as long as United Wireless' stockholdings exceed 24.9%, United Wireless may nominate a second director to the board. Unless a Conversion Eligible Event of Default shall have occurred, United Wireless agreed not to seek to elect a majority of the board for a period of at least three years from the closing date. We agreed that the size of the board would not exceed five for two years from the closing date.

Commencing six months from the closing date, if the shares owned by United Wireless cannot be sold pursuant to a registration statement and cannot be sold pursuant to Rule 144 without our being in compliance with the current public information requirements of Rule 144, if we are not in compliance with the current public information requirements, the agreements provide for the payment of damages to United Wireless.

The securities purchase agreement, the note issued at the closing, the monetization proceeds agreement, the patent proceeds security agreement, the pledge and security agreement and the registration rights agreement are exhibits to this prospectus. The description of these agreements are summaries only and are qualified in their entireties by the agreements filed as exhibits.

Promissory Notes

The promissory notes bear interest at 10% per annum and mature on September 30, 2020. Interest accrues through September 30, 2018, with accrued interest being added to principal on each of September 30, 2016, 2017 and 2018. Subsequent to September 30, 2018, we are to pay interest quarterly, with the first interest payment being due on December 31, 2018. We have the right to prepay the notes in whole at any time and in part from time to time. Although the notes have no conversion rights, if a Conversion Eligible Event of Default occurs, the notes become convertible at a conversion price equal to 90% of the closing sale price of our common stock on the principal market on which the common stock is trading on the trading day immediately preceding the date the holder gives notice of conversion. As required under our agreements with United Wireless, we have increased our authorized common stock to 10,000,000,000 shares. However, we cannot assure you that such number of shares would be sufficient to permit conversion of the notes in full if a Conversion Eligible Event of Default should occur. We are required to have reserved from our authorized and unissued common stock, 130% of the number of shares of common stock as shall be necessary for issuance upon conversion of the notes.

Conversion Eligible Events of Default include the breach of selected representations and warranties and covenants contained in the securities purchase agreement and the note, including our failure to pay principal of any note or interest and other charges in excess of $100,000. Although the observance of these covenants is generally within our control, one of the provisions which would trigger a Conversion Eligible Event of Default is our inability to have sufficient shares reserved for issuance upon conversion of the notes for more than 135 consecutive days from the date of such inability. Because there is no fixed conversion price, this reserve requirement is outside of our control.

The holders of the notes also have the right to demand redemption of the notes at 110% of the principal amount of the note in the event of a change of control.

Monetization Proceeds Agreement

Pursuant to the monetization proceeds agreement, United Wireless has a right to receive 15% of the net monetization proceeds from (i) the patents acquired by us from Intellectual Ventures and (ii) the patents in our mobile data and financial data intellectual property portfolios. The agreement has no termination provisions, so United Wireless will be entitled to its percentage interest as long as revenue can be generated from the intellectual property covered by the agreement.

Net monetization proceeds represent the amount by which any consideration received from the patents, including royalty payments and amounts received as a result of litigation relating to the patents exceeds monetization expenses, including legal fees, and certain other expenses, but not operating expenses not relating to the monetization activities, including patent litigation. The percentage payable with respect to monetization proceeds from the mobile data and financial data intellectual property (but not the patents acquired from Intellectual Ventures) is reduced in the event that United breaches its agreement to make working capital loans pursuant to the securities purchase agreement.

Grant of Security Interest

Payment of the notes and our obligations under the monetization proceeds agreement as well as the other obligations under the agreements with United Wireless is secured by a security interest in all proceeds (from litigation or otherwise) from the (i) the patents acquired from Intellectual Ventures and (ii) the intellectual property in the mobile data and financial data portfolios, and a pledge of the stock of the three subsidiaries which hold the patents acquired from Intellectual Ventures. The security interest in proceeds from the patents relating to our mobile data portfolio is junior to the security interest held by a third party litigation funding source.

Registration Rights Agreement

Pursuant to a registration rights agreement, we agreed to file a registration statement with the SEC covering the 50,000,000 shares of common stock issued to United Wireless at the closing and the 50,000,000 shares of common stock issuable upon exercise of the purchase option. We filed the registration statement on December 14, 2015 and it was declared effective by the SEC on February 11, 2016. We are required to maintain the effectiveness of the registration statement until United Wireless (or its transferees) may sell all the shares covered by the registration statement without restriction or limitation pursuant to Rule 144 and without the requirement to be in compliance with Rule 144(c)(1). We are also required to file a registration statement covering the shares issuable upon conversion of the notes upon request by the note holders. The notes do not become convertible until and unless there is a Conversion Eligible Event of Default, and the failure to maintain the effectiveness of the registration statement is not a Conversion Eligible Event of Default. The registration rights agreement provides for us to pay damages in the event that we do not meet the required deadlines or do not maintain the effectiveness of the registration statement. The damages are computed at 1.5% of the aggregate purchase price paid for such securities, which was $250,000 on the date we fail to maintain the effectiveness of the registration statement and each 30 days thereafter. The registration ceased to be current and effective on November 11, 2016. On June 12, 2017, we entered into a standstill agreement with United Wireless pursuant to which we agreed (i) to increase its authorized common stock to 10,000,000,000 shares, (ii) to file by June 30, 2017, a post-effective amendment to the registration statement covering the sale of the shares of common stock initially issued to United Wireless pursuant to the Securities Purchase Agreement and the shares of common stock issuable upon the option granted to United Wireless pursuant to the Securities Purchase agreement, (iii) if the existing warrant held by our chief executive officer is not exercised prior to its expiration date, any re-issuance will not have an exercise price less than the current exercise price and the existing warrants will not be amended to lower the exercise price, and (iv) United Wireless no longer has any obligation to purchase any note pursuant to the Securities Purchase Agreement other than the $1,000,000 note related to the final payment to Intellectual Ventures, except in connection with the potential acquisition by us of patent rights which would trigger a $25,000 working capital loan in connection with the potential acquisition and require United Wireless to make $125,000 working capital loans to us, at our sole discretion, on December 31, 2017, March 31, 2018 and June 30, 2018 pursuant to securities purchase agreement and, in such event, United Wireless would have a 7½% net proceeds percentage interest in the net proceeds from such patent rights. On June 15, 2017, we amended our certificate of incorporation to increase our authorized common stock to 10,000,000,000 shares. On June 30, 2017, we filed a post-effective amendment to the registration statement covering the sale of the shares of common stock initially issued to United Wireless pursuant to the Securities Purchase Agreement and the shares of common stock issuable upon the option granted to United Wireless pursuant to the Securities Purchase agreement which shares were transferred by United Wireless to two of its affiliates. The registration statement was declared effective on July 6, 2017.

Research and Development

Research and development expense are incurred by us in connection with the evaluation of patents. We did not incur research and development expenses during 2017 or 2016.

Property

We do not own or lease any real property.

Employees

We have no employees other than our two officers, only one of whom, Mr. Jon Scahill, our chief executive officer and president, is full time. Our employees are not represented by a labor union, and we consider our employee relations to be good.

MANAGEMENT'S DISCUSSION AND ANALYSIS FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes included elsewhere in this report. This discussion contains forward-looking statements that involve risks, uncertainties and assumptions. See "Note Regarding Forward-Looking Statements." Our actual results could differ materially from those anticipated in the forward-looking statements as a result of certain factors discussed in "Risk Factors" and elsewhere in this report.

Overview

Our principal operations include the development, acquisition, licensing and enforcement of intellectual property rights that are either owned or controlled by us or one of our wholly owned subsidiaries. We currently own, control or manage ten intellectual property portfolios, which principally consist of patent rights. Our ten intellectual property portfolios include the portfolios which we acquired from Intellectual Ventures and five of its affiliates. As part of our intellectual property asset management activities and in the ordinary course of our business, it has been necessary for either us or the intellectual property owner who we represent to initiate, and it is likely to continue to be necessary to initiate, patent infringement lawsuits and engage in patent infringement litigation. To date, we have not generated any significant revenues from our intellectual property rights.

We seek to generate revenue from three sources:

- Patent licensing fees relating to our intellectual property portfolio, which includes fees from the licensing of our intellectual property, primarily from litigation relating to enforcement of our intellectual property rights.
- Management fees for managing structured licensing programs, including litigation, related to our intellectual property rights, although we do not have any agreements that provide us with management fees.
- Licensed packaging sales, which relate to the sale of licensed products.

Because of the nature of our business transactions to date, we recognize revenues from licensing upon execution of a license agreement following settlement of litigation and not over the life of the patent. Thus, we would recognize revenue when we receive the license fee or settlement payment. Although we intend to seek to develop portfolios of intellectual property rights that provide us for a continuing stream of revenue, to date we have not been successful in doing so, and we cannot give you any assurance that we will be able to generate any significant revenue from licenses that provide a continuing stream of revenue. Thus, to the extent that we continue to generate cash from single payment licenses, our revenues can, and are likely to, vary significantly from quarter to quarter and year to year. Our gross profit from license fees reflects any royalties which we pay in connection with our license.

Fees generated in connection with the management of litigation are paid to us by a third-party funding source in support of the litigation seeking to enforce our intellectual property rights. Our agreement with the funding source provides that the funding source pays the litigation costs and provides that the funding source receives a percentage of the recovery, thus reducing our recovery in connection with any settlement of the litigation. As a result, in connection with litigation funded by the third party, we would, if the litigation is successful, receive fees both for managing the litigation and from a license of the intellectual property, which will be net of that portion of the recovery payable to the funding source. However, in negotiating with funding sources for future monetization programs, we may not receive any fees for managing litigation, and, in connection with the agreements that we entered into in 2016 with a funding source for two of our intellectual property portfolios, we do not receive any such fees. We received management fees from one funding source during 2017 and in prior years; however, we no longer receive management fees from this funding source. We cannot assure you that, in the future, we will receive any management fees from any future funding source.

To a significantly lesser extent, we generate revenue from sale of packaging materials based on our TurtlePak^{TM} technology. Our gross profit from sales reflects the cost of contract manufacturing and labor. We did not generate any revenue from the TurtlePak^{TM} Portfolio other than from the sale of products using our technology.

Inventor Royalties, Contingent Litigation Funding Fees and Contingent Legal Expenses

In connection with the investment in certain patents and patent rights, certain of our operating subsidiaries executed agreements which grant to the former owners of the respective patents or patent rights, the right to receive inventor royalties based on future net revenues (as defined in the respective agreements) generated as a result of licensing and otherwise enforcing the respective patents or patent portfolios.

Our operating subsidiaries may engage third party funding sources to provide funding for patent licensing and enforcement. The agreements with the third party funding sources may provide that the funding source receives a portion of any negotiated fees, settlements or judgments. In certain instances, these third party funding sources are entitled to receive a significant percentage of any proceeds realized until the third party funder has recouped agreed upon amounts based on formulas set forth in the underlying funding agreement, which may reduce or delay and proceeds due to us.

Our operating subsidiaries may retain the services of law firms in connection with their licensing and enforcement activities. These law firms may be retained on a contingent fee basis whereby the law firms are paid by the funding source on a scaled percentage of any negotiated fees, settlements or judgments awarded based on how and when the fees, settlements or judgments are obtained. Depending on the amount of any recovery, it is possible that all the proceeds from a specific settlement may be paid to the funding source and legal counsel.

The economic terms of the inventor agreements, funding agreements and contingent legal fee arrangements associated with the patent portfolios owned or controlled by our operating subsidiaries, if any, including royalty rates, proceeds sharing rates, contingent fee rates and other terms, vary across the patent portfolios owned or controlled by the operating subsidiaries. Inventor royalties, payments to non-controlling interests, payments to third party funding providers and contingent legal fees expenses fluctuate period to period, based on the amount of revenues recognized each period, the terms and conditions of revenue agreements executed each period and the mix of specific patent portfolios with varying economic terms and obligations generating revenues each period. Inventor royalties, payments to third party funding sources and contingent legal fees expenses will continue to fluctuate and may continue to vary significantly period to period, based primarily on these factors.

In March 2014, we entered into a funding agreement whereby a third party agreed to provide funds to us to enable us to implement a structured licensing program, including litigation if necessary, for the Mobile Data. Under the funding agreement, the third party receives an interest in the proceeds from the program, and we have no other obligation to the third party. In April and June 2014, as part of a structured licensing program for the Mobile Data portfolio, Quest Licensing Corporation brought patent infringement suits in the U.S. District for the District of Delaware against Bloomberg LP et. al., FactSet Research Systems Inc., Interactive Data Corporation, SunGard Data Systems Inc. and The Charles Schwab Corporation et. al. These cases have been consolidated for trial. In June and August 2016, Quest Licensing Corporation entered into a settlement agreement with SunGard Data Systems Inc. and FactSet Research Systems Inc. As of December 31, 2017, the third party funding source has advanced approximately $3,000,000 in litigation fees, costs and expenses. Under the terms of the funding agreement, the third party funder is entitled to a priority return of funds advanced from any proceeds recovered. We received management fees and management support services expenses relating to this agreement.

In connection with any litigation seeking to enforce our intellectual property rights, it is possible that a defendant may request and/or a court may rule that an operating subsidiary has violated statutory authority, regulatory authority, federal rules, local court rules, or governing standards relating to the substantive or procedural aspects of such enforcement actions. In such event, a court may issue monetary sanctions against us or its operating subsidiaries or award attorney's fees and/or expenses to a defendant(s), which could be material, and if required to be paid by us or its operating subsidiaries, could materially harm our operating results and financial position. Since the operating subsidiaries do not have any assets other than the patents, and the Company does not have any available financial resources to pay any judgment which a defendant may obtain against a subsidiary, such a judgement may result in the bankruptcy of the subsidiary and/or the loss of the patents, which are the subsidiaries' only assets.

On January 19, 2017, the court in the Mobile Data Portfolio litigation granted certain defendants' motion for summary judgment of non-infringement, and Quest Licensing Corporation has appealed the summary judgment. Following the court's decision granting the defendant's motion for summary judgment, the defendants moved for an award of attorneys' fees under Section 285 of the patent act which provides that "the court in exceptional cases may award reasonable attorney fees to the prevailing party." On June 29, 2017, the defendants' motion for attorney fees in the Mobile Data litigation was denied, without prejudice. The defendants may renew their motion thirty days from the decision of the appellate court on our appeal of the district court's decision granting the defendant's motion for summary judgment. Although any new motion, if granted, would result in a judgment against Quest Licensing Corporation, such subsidiary does not have the financial resources to enable it to pay any judgment which may be rendered against it, and, the defendants may seek to enforce their judgment by seeking to foreclose on the patents owned by the subsidiary or seek to force the subsidiary into bankruptcy and purchase the patents in the bankruptcy proceeding, either of which could result in a default under our agreement with United Wireless. The possible amount of any judgment cannot be estimated and the funding source for the litigation will not provide us with funds to pay an adverse judgment. We believe that we have valid defenses to the claim for attorneys' fees.

Acquisition of Patents; Agreements with United Wireless

On October 22, 2015, we acquired three patent portfolios from Intellectual Ventures, which we assigned to three newly-formed subsidiaries. We paid the purchase price of $3,000,000 with the proceeds of three loans from United Wireless, each in the amount of $1,000,000, with the third and final payment being made on November 15, 2017. Pursuant to our agreements with United Wireless:

- We sold to United Wireless 50,000,000 shares of common stock for $250,000.
- We borrowed a total of $3,650,000 from United Wireless through December 31, 2017, for which we issued our 10% promissory notes due September 30, 2020. Of this amount, $3,000,000 was paid directly to Intellectual Ventures as the purchase price of the patents we purchased from Intellectual Ventures, $25,000 was paid to IV 34/37 at the initial payment for the purchase of intellectual property and $625,000 was paid to us for working capital, including costs of the financing.
- We granted United Wireless an option to purchase a total of 50,000,000 shares of common stock.
- We entered into a monetization proceeds agreement pursuant to which we gave United Wireless a 15% interest in the net monetization proceeds, as defined in the agreement, generated from both the patents acquired from Intellectual Ventures and our financial data and mobile data portfolios, which continues as long as we receive revenue, whether from litigation or otherwise, from these patents.
- We granted United Wireless a security interest in the proceeds of the patents acquired from Intellectual Ventures and our financial data and mobile data portfolios and a pledge of the stock of the three subsidiaries that own the patents we acquired from Intellectual Ventures.
- In the event that certain events of default, which are called Conversion Eligible Events of Default, have occurred, the outstanding notes become convertible at a conversion price equal to 90% of the closing sale price of our common stock on the principal market on which the common stock is trading on the trading day immediately preceding the date the holder gives notice of conversion.

In addition to our obligation to increase our authorized common stock to 1,250,000,000, which we satisfied by amending our certificate of incorporation in January 2016, we agreed, in the event that, in the future, the number of authorized shares of common stock is not sufficient to enable the full conversion of the notes, unless the share price subsequently increases so that we would have sufficient shares, the Company will have 135 days from the last such date we had sufficient shares to enable full conversion of the notes to take all corporate action necessary so that we have sufficient shares of common stock for full conversion of the notes (including, without limitation an increase in authorized common stock, reverse split of a combination of an increase in authorized common stock and a reverse split). The failure to do so may be a Conversion Eligible Event of Default. As a result of a decline in our stock price, at February 13, 2017, we did not have sufficient authorized shares of common stock to meet the required authorized common stock necessary for United Wireless to convert its notes. On June 15, 2017, we amended our certificate of incorporation to increase our authorized common stock to 10,000,000,000 shares. In the event that 10,000,000,000 authorized shares become insufficient to satisfy our obligations to United Wireless, we will have 135 days to increase our authorized common stock or effect a reverse split or a combination such that we are in compliance with our authorized stock requirement under the United Wireless agreements. Our failure to have sufficient shares of common stock available may give United Wireless the right to declare a Conversion Eligible Event of Default under the notes.

We granted United Wireless certain registration rights with respect to the shares issued at the closing, the shares issuable upon exercise of the purchase option and, if requested by the note holders, the common stock issuable upon conversion of the note if the notes become convertible.

As long as United Wireless', or its principals' stockholdings exceed 10%, United Wireless has the right to designate one member of the board of directors and at such time and for as long as United Wireless' stockholdings exceed 24.9%, United Wireless may nominate a second director to the board. Unless a Conversion Eligible Event of Default shall have occurred, United Wireless agreed not to seek to elect a majority of the board for a period of at least three years from the closing date. We agreed that the size of the board would not exceed five. The 50,000,000 shares of common stock purchased by United Wireless at the closing have been transferred to Andrew C. Fitton (35,000,000 shares) and Michael R. Carper (15,000,000 shares).

Because of both our financial position and the terms of our agreements with United Wireless, including the possibility that the notes may become convertible at a discount from market and United Wireless' rights if a Conversion Eligible Event of Default occurs, it is very difficult for us to raise any funds in the equity or debt market. Our only potential source funds would be from funding sources who would finance litigation for one or more of our patent portfolios. Such funding sources would typically pay our litigation counsel and would only receive any funds if we are successful in the litigation, in which event the funding source would receive its compensation for providing the funding based on a percentage of the recovery, as defined in the particular agreement.

At present, we are pursuing litigation with respect to our mobile data portfolio, anchor structure portfolio and power management/bus control portfolio. We cannot estimate when or whether we will receive any revenue from these litigations. One action has been dismissed with prejudice and a second has been dismissed without prejudice. The remaining actions, described in Item 1. Business, are pending.

If we are unable to monetize our patents, we cannot assure you that we will be able to pay the notes to United Wireless, which could result in our inability to continue in business and could result in our bankruptcy.

Results of Operations

Years Ended December 31, 2017 and 2016

The following table shows the revenue and cost of revenue from our three categories of revenue for the years ended December 31, 2017 and 2016:

	Year ended December 31,

		2017			2016	
Revenues:						
Licensed packaging sales	$	14,201	1.2%	$	18,391	1.5%
Patent licensing fees		1,196,250	97.1%		385,000	30.5%
Management fees		21,196	1.7%		860,823	68.0%
Total		1,231,647	100.0%		1,264,214	100.0%
Cost of revenues:						
Cost of sales		2,435	0.3%		4,842	0.4%
Royalties		807,614	96.4%		350,204	29.8%
Management support services		27,908	3.3%		818,922	69.8%
Total		837,957	100.0%		1,173,968	100.0%

Revenues for the year ended December 31, 2017 were approximately $1,231,647, as compared with $1,264,214 in 2016, a decrease of $32,567, or approximately 3%. The decrease in 2017 reflects an increase in patent licensing fees of $811,250 and a decrease in management fees of $839,627 reflecting decrease in revenue we received from the third party funding source in connection with the Mobile Data Portfolio litigation, which commenced in 2014 and is currently on appeal with the United States Court of Appeals for the Federal Circuit, as well as a decrease of approximately $4,000 in licensed sales. The patent licensing fees of $1,196,250 in 2017 resulted from the settlements of Anchor Structure Portfolio litigation, as compared with $0 from that litigation in 2016. The management fees are based on the terms of the funding agreement and any patent licensing fees that we recognize as a result of the litigation are totally dependent upon the timing and success of the litigation and we cannot assure you that either our management fees will continue or that we will derive any further revenue from patent licensing fees from any of our intellectual property portfolios. We no longer receive management fees beyond reimbursement for payments to third party litigation support service providers with respect to the Mobile Data Portfolio litigation and do not have agreements to receive management fees in connection with any other of our intellectual property portfolios. We cannot assure you that we will generate any significant management fees in the future.

Cost of revenues was approximately $838,000 for 2017 as compared with approximately $1,174,000 for 2016. Our cost of revenue includes expenses which we incurred in connection with the Mobile Data Portfolio litigation and royalties we pay to litigation funding sources, legal counsel and pursuant to monetization proceeds agreements in connection with license fees. Cost of revenues for 2017 includes approximately $808,000 of royalties and fees paid to litigation funding sources, legal counsel and pursuant to monetization proceeds agreements in connection with the Anchor Structure licenses, approximately $28,000 for management support services in connection with management of the Mobile Data Portfolio litigation, and approximately $2,000 relating to TurtlePak™. Cost of revenues for 2016 includes approximately $18,750 of royalties paid in connection with the Von Kohorn licenses, approximately $310,000 of royalties paid in connection with the Mobile Data Portfolio, approximately $819,000 for management support services in connection with management of the Mobile Data Portfolio litigation, and approximately $5,000 relating to TurtlePak™.

Selling, general, and administrative expenses for the 2017 increased by approximately $172,000, or 22%, from approximately $767,000 in 2016 to approximately $939,000 in 2017. Our principal selling, general and administrative expense for 2017 and 2016 was executive compensation, which was approximately $366,000 for 2017 and approximately $300,000 for $2016. Executive and director compensation in 2017 included $77,000 of stock-based compensation. We did not incur stock-based compensation in 2016. Selling, general and administrative expenses reflect amortization expense of approximately $331,000 and approximately $262,000 for 2017 and 2016, respectively, related to amortization of the patent assets acquired from Intellectual Ventures in October 2015 and IV 34/37 in July 2017. Selling, general and administrative expenses in 2017 and 2016 also reflect an approximately $11,000 and $10,000 gain, respectively, resulting from the settlement of an account payable for less than the amount previously accrued.

Other expense consists primarily of interest expense of approximately $566,000 in 2017 as compared with approximately $337,000 in 2016. In 2017, we recognized a $50,000 gain on derivative liability as compared with a gain on derivative liability of $60,000 in 2016. Because of the possibility that we will not have sufficient authorized shares of common stock to satisfy our obligations in the event that the notes to United Wireless become convertible, we have classified the options issued to United Wireless and other options and warrants that were then outstanding as derivative liabilities. See Note 4 of Notes to Consolidated Financial Statements.

As a result of the foregoing we had a net loss of approximately $1,168,000, or $0.004 per share (basic and diluted) for 2017 compared to net loss of approximately $956,000, or $0.003 per share (basic and diluted), for 2016.

Liquidity and Capital Resources

At December 31, 2017, we had current assets of approximately $171,000, current liabilities of approximately $4,361,000. Our current liabilities include approximately $100,000 payable to Intellectual Ventures, approximately $3,510,000 payable to United Wireless and loans payable of $163,000 and accrued interest of approximately $265,000 due to us former directors and minority stockholders. As of December 31, 2017, we have an accumulated deficit of approximately $16,549,000 and a negative working capital of approximately $4,191,000. Other than salary to our chief executive officer, we do not contemplate any other material operating expense in the near future other than normal general and administrative expenses, including expenses relating to our status as a public company filing reports with the SEC. Because our agreements with our litigation funding sources do not require us to make any payments relating to the litigation, we do not incur expenses with respect to litigation covered by the funding sources.

For 2017, we used cash of $167,778 in our operations, reflecting our loss of $1,167,331, which was offset principally by depreciation and amortization of our intellectual property rights of $331,276, interest accrued and not paid of $282,695, amortization of debt discount on the loan from United Wireless of $206,801, a share-based compensation of $77,000, loss on monetization agreement of $59,811, a decrease in accounts receivable of $52,148 and an increase in account payable of $39,854, and increased by the $50,000 gain on derivative liability. For 2016, we used cash of $373,182 in operations, reflecting a loss of $956,092, which was offset primarily by depreciation and amortization of $261,784, amortization of debt discount of 164,819, interest accrued but not paid of $156,100, an increase in accounts payable of $70,215 and increased by a $60,000 gain on derivative liability and an increase of accounts receivable of $13,442.

Cash flow from financing activities in both 2017 related to loans from United Wireless of $125,000 in 2017 and $250,000 in 2016.

In 2017, non-cash investing and financing activities consisted of an account payable of $772,478, representing a $1,000,000 payment due to Intellectual Ventures, net of imputed interest of $202,522, and $1,025,000 representing loans from United Wireless with respect to which the payments were made directly to Intellectual Ventures ($1,000,000) and IV 34/37 ($25,000). In 2016, non-cash investing and financing activities consisted of $200,000 representing the reclassification of the stock option granted to United Wireless to a derivative liability, and $1,000,000 representing a loan from United Wireless with respect to which the payment was made directly to Intellectual Ventures.

We cannot assure you that we will be successful in generating future revenues, in obtaining additional debt or equity financing or that such additional debt or equity financing will be available on terms acceptable to us, if at all, or that we will be able to obtain any third party funding in connection with any of our intellectual property portfolios. We have no credit facilities.

Historically, our only source of financing was loans from officers and directors. In October 2015, we entered into an agreement with United Wireless, pursuant to which, as of December 31, 2017 we had borrowed $3,650,000 from United Wireless and United Wireless has agreed to provide us with additional loans in the amount of $250,000, as described under "Item 1. Business – Agreements with United Wireless."

We have agreements with funding sources which are providing litigation financing in connection with our pending litigations relating to our mobile data, anchor structure and power management/bus control portfolios. We cannot predict the success of any pending or future litigation. Our obligations to United Wireless are not contingent upon the success of any litigation. If we fail to generate a sufficient recovery in these actions (net of any portion of any recovery payable to the funding source or our legal counsel) in a timely manner to enable us to pay United Wireless on the present loans and the additional loans which United Wireless makes to us, we would be in default under our agreements with United Wireless. The agreements with the funding sources provide we have no obligation to the funding source with respect to legal expenses in connection with litigation covered by the funding sources until and unless there is a recovery, in consideration of which the funding sources will participate in any recovery which is generated. To the extent that litigation counsel provides services on a contingent fee or partial contingent fee basis, counsel may also participate in the recovery. Our agreements with United Wireless provide that United Wireless also participates in any recovery. To the extent that the funding source, counsel or United Wireless participate in any recovery, the amount allocated to us is reduced. We believe that our financial condition, our history of losses and negative cash flow from operations, and our low stock price make it difficult for us to raise funds in the debt or equity markets.

In April and June 2014, as part of a structured licensing program, Quest Licensing Corporation brought patent infringement suits in the U.S. District for the District of Delaware against Bloomberg LP et. al., FactSet Research Systems Inc., Interactive Data Corporation, SunGard Data Systems Inc. and The Charles Schwab Corporation et. al. These cases have been consolidated for trial. In June and August 2016, Quest Licensing Corporation entered into a settlement agreement with SunGard Data Systems Inc. and FactSet Research Systems Inc. On January 19, 2017, the court granted the remaining defendants' motion for summary judgment of non-infringement, which we have appealed. Following the court's decision granting the defendant's motion for summary judgment, those defendants moved for an award of attorneys' fees under Section 285 of the patent act which provides that "the court in exceptional cases may award reasonable attorney fees to the prevailing party." On June 29, 2017, the defendants' motion for attorney fees was denied, without prejudice. Defendants may renew their motion thirty days from the decision of the appellate court on Quest Licensing Corporation's appeal. Although any new motion, if granted, would result in a judgment against Quest Licensing Corporation, such subsidiary does not have the financial resources to enable it to pay any judgment which may be rendered against it, and, the defendants may seek to enforce their judgment by seeking to foreclose on the patents owned by the subsidiary or seek to force the subsidiary into bankruptcy and purchase the patents in the bankruptcy proceeding, either of which could result in a default under our agreement with United Wireless. The funding for the litigation will not provide us with funds in the event of an adverse judgment. We believe that we have valid defenses to the claim for attorneys' fees. However, we can give no assurance that we will prevail in opposing the motion for legal fees.

As noted below, there is a substantial doubt about our ability to continue as a going concern.

Critical Accounting Estimates

The discussion and analysis of our financial condition and results of operations is based upon our financial statements that have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets and liabilities. On an on-going basis, we evaluate our estimates including the allowance for doubtful accounts, the salability and recoverability of our products, income taxes and contingencies. We base our estimates on historical experience and on other assumptions that we believe to be reasonable under the circumstances, the results of which form our basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Principles of Consolidation

The condensed consolidated financial statements are prepared in accordance with US GAAP and present the financial statements of us and our wholly-owned subsidiary. In the preparation of our consolidated financial statements, intercompany transactions and balances are eliminated.

Use of Estimates and Assumptions

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

In May 2014, the FASB issued Accounting Standards Update No. 2014-09 (Topic 606) "Revenue from Contracts with Customers." Topic 606 supersedes the revenue recognition requirements in Topic 605 "Revenue Recognition" (Topic 605) and requires entities to recognize revenues when control of the promised goods or services is transferred to customers at an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. We adopted Topic 606 as of January 1, 2018 using the modified retrospective transition method. Under Topic 606, revenue is recognized when there is a contract which has commercial substance which is approved by both parties and identifies the rights of the parties and the payment terms.

We consider our licensing and enforcement activities as one unit of accounting under ASC 605-25, "Multiple-Element Arrangements" as the delivered items do not have value to customers on a standalone basis, there are no undelivered elements and there is no general right of return relative to the license. Under ASC 605-25, the appropriate recognition of revenue is determined for the combined deliverables as a single unit of accounting and revenue is recognized upon delivery of the final elements, including the license for past and future use and the release. Also, due to the fact that the settlement element and license element for past and future use are the same major central business, we do not present these two elements as different revenue streams in its statement of operations. We do not expect to provide licenses that do not provide some form of settlement or release.

Patent Licensing Fees

In general, revenue arrangements provide for the payment of contractually determined fees in consideration for the grant of certain intellectual property rights for patented technologies owned or controlled by us. The intellectual property rights granted may be perpetual in nature, extending until the expiration of the related patents, or can be granted for a defined, relatively short period of time, with the licensee possessing the right to renew the agreement at the end of each contractual term for an additional minimum upfront payment. Pursuant to the terms of these agreements, we have no further obligation with respect to the grant of the non-exclusive retroactive and future licenses, covenants-not-to-sue, releases, and other deliverables, including no express or implied obligation on our part to maintain or upgrade the technology, or provide future support or services. Generally, the agreements provide for the grant of the licenses, covenants-not-to-sue, releases, and other significant deliverables upon execution of the agreement, or upon receipt of the minimum upfront payment for term agreement renewals. As such, the earnings process is complete and revenue is recognized upon the execution of the agreement, when collectability is reasonably assured, or upon receipt of the minimum upfront fee for the term agreement renewals, and when all other revenue recognition criteria have been met.

Certain of our revenue arrangements provide for future royalties or additional required payments based on future licensee activities. Additional royalties are recognized in revenue upon resolution of the related contingency provided that all revenue recognition criteria, as described above, have been met. Amounts of additional royalties due under these license agreements, if any, cannot be reasonably estimated by management. Amounts related to revenue arrangements that do not meet the revenue recognition criteria described above are deferred until the revenue recognition criteria are met.

We assess the collectability of fees receivable based on a number of factors, including past transaction history and credit-worthiness of licensees. If it is determined that collection is not reasonably assured, the fee is recognized when collectability becomes reasonably assured, assuming all other revenue recognition criteria have been met, which is generally upon receipt of cash.

Management Fees

In general, revenue arrangements may provide for the payment of contractually determined fees and expenses in consideration for the management of structured licensing programs concerning intellectual property owned or controlled by us. The fee arrangement may continue for a set portion or all of the duration of the structure licensing program. Generally, the agreements provide for payment of the management fee within seven days of the due date on our invoice. As such, the earnings process is complete and revenue is recognized upon the execution of the agreement, when collectability is reasonably assured, or upon receipt of the invoiced amount, and when all other revenue recognition criteria have been met. We do not currently have any agreements for the payment to us of management fees.

We assess the collectability of fees receivable based on a number of factors, including past transaction history and credit-worthiness of licensees. If it is determined that collection is not reasonably assured, the fee is recognized when collectability becomes reasonably assured, assuming all other revenue recognition criteria have been met, which is generally upon receipt of cash.

Licensed Packaging Sales

Our packaging operation customers are end users. Revenue, less reserves for returns, is recognized upon shipment to the customer.

Cost of Revenues

Cost of revenues include the costs and expenses incurred in connection with our patent licensing and enforcement activities, including inventor royalties paid to original patent owners, contingent litigation funding fees, contingent legal fees paid to external patent counsel, other patent-related legal expenses paid to external patent counsel, licensing and enforcement related research, consulting and other expenses paid to third-parties and the amortization of patent-related investment costs. These costs are included under the caption "Cost of revenues" in the accompanying consolidated statements of operations. No such fees are recognized as a cost of revenue to the extent that we have no obligation with respect to fees prior to a settlement or license.

Inventor Royalties, Contingent Litigation Funding Fees and Contingent Legal Expenses.

Inventor royalties are expensed in the consolidated statements of operations in the period that the related revenues are recognized.

Contingent litigation funding and legal fees are expensed in the consolidated statements of operations in the period that the related revenues are recognized. In instances where there are no recoveries from potential infringers, no contingent litigation funding fees are due.

Accounts Receivable

Accounts receivable, which generally relate to management fees, are presented on the balance sheet net of estimated uncollectible amounts. The Company records an allowance for estimated uncollectible accounts in an amount approximating anticipated losses. Individual uncollectible accounts are written off against the allowance when collection of the individual accounts appears doubtful. We recorded an allowance for doubtful accounts of $0 as of December 31, 2017 and December 31, 2016, respectively.

Intangible Assets

Intangible assets consist of patents which are amortized using the straight-line method over their estimated useful lives or statutory lives whichever is shorter and are reviewed for impairment upon any triggering event that may give rise to the assets ultimate recoverability as prescribed under the guidance related to impairment of long-lived assets. Costs incurred to acquire patents, including legal costs, are also capitalized as long-lived assets and amortized on a straight-line basis with the associated patent.

Patents include the cost of patents or patent rights (collectively "patents") acquired from third-parties or acquired in connection with business combinations. Patent acquisition costs are amortized utilizing the straight-line method over their remaining economic useful lives, ranging from one to ten years. Certain patent application and prosecution costs incurred to secure additional patent claims, that based on management's estimates are deemed to be recoverable, are capitalized and amortized over the remaining estimated economic useful life of the related patent portfolio.

Impairment of long-lived assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable through the estimated undiscounted cash flows expected to result from the use and eventual disposition of the assets. Whenever any such impairment exists, an impairment loss will be recognized for the amount by which the carrying value exceeds the fair value. No impairment was recorded for the either the year ended December 31, 2017 or of the year ended December 31, 2016.

Derivative Financial Instruments

Management evaluates the embedded conversion feature within its convertible debt instruments under ASC 815-15 and ASC 815-40 to determine if the conversion feature meets the definition of a liability and, if so, whether to bifurcate the conversion feature and account for it as a separate derivative liability. For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value and is then re-valued at each reporting date, with changes in the fair value reported in the statements of operations. For stock-based derivative financial instruments, management uses a Black Scholes model, in accordance with ASC 815-15 "Derivative and Hedging" to value the derivative instruments at inception and on subsequent valuation dates. The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is evaluated at the end of each reporting period. Derivative instrument liabilities are classified in the balance sheet as current or non-current based on whether net-cash settlement of the derivative instrument could be required within 12 months after the balance sheet date.

Beneficial Conversion Features

The Company evaluates the conversion feature for whether it was beneficial as described in ASC 470-30. The intrinsic value of a beneficial conversion feature inherent to a convertible note payable, which is not bifurcated and accounted for separately from the convertible note payable and may not be settled in cash upon conversion, is treated as a discount to the convertible note payable. This discount is amortized over the period from the date of issuance to the date the note is due using the effective interest method. If the note payable is retired prior to the end of its contractual term, the unamortized discount is expensed in the period of retirement to interest expense. In general, the beneficial conversion feature is measured by comparing the effective conversion price, after considering the relative fair value of detachable instruments included in the financing transaction, if any, to the fair value of the shares of common stock at the commitment date to be received upon conversion.

Fair Value of Financial Instruments

We adopted Financial Accounting Standards Board ("FASB") ASC 820, "Fair Value Measurements and Disclosures", for assets and liabilities measured at fair value on a recurring basis. ASC 820 establishes a common definition for fair value to be applied to existing US GAAP that require the use of fair value measurements which establishes a framework for measuring fair value and expands disclosure about such fair value measurements.

ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Additionally, ASC 820 requires the use of valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. These inputs are prioritized below:

Level 1: Observable inputs such as quoted market prices in active markets for identical assets or liabilities

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data

Level 3: Unobservable inputs for which there is little or no market data, which require the use of the reporting entity's own assumptions.

In addition, FASB ASC 825-10-25 "Fair Value Option" was effective for January 1, 2008. ASC 825-10-25 expands opportunities to use fair value measurements in financial reporting and permits entities to choose to measure many financial instruments and certain other items at fair value.

Income Tax

We record revenues on a gross basis, before deduction for income taxes. We incurred foreign income tax expenses of approximately $101,500 for the year ended December 31, 2017. We did not incur foreign income tax expense in 2016.

Stock-based Compensation

We account for share-based awards issued to employees in accordance with Accounting Standards Codification (ASC) 718, "Compensation-Stock Compensation". Accordingly, employee share-based payment compensation is measured at the grant date, based on the fair value of the award, and is recognized as an expense over the requisite service period, which is normally the vesting period. Share-based compensation to directors is treated in the same manner as share-based compensation to employees, regardless of whether the directors are also employees. We account for share-based compensation to persons other than employees in accordance with FASB ASC 505-50. Equity instruments issued to other than employees are valued at the earlier of a commitment date or upon completion of the services, based on the fair value of the equity instruments and is recognized as expense over the service period. We estimate the fair value of share-based payments using the Black Scholes option-pricing model for common stock options and warrants and the closing price of our common stock for common share issuances.

Recent Accounting Pronouncements

Management has adopted ASU 2016-09, "Improvements to Employee Share-Based Payment Accounting" which amends ASC 718. We account for forfeitures as they occur. Policy election only relates to the service condition aspects of awards; the likelihood of achieving performance conditions will still need to be assessed each period. There was no impact from the adoption of this ASU on our financial statements.

Going Concern

We have an accumulated deficit of approximately $16,549,000 and negative working capital of approximately $4,191,000 as of December 31, 2017. Because of our continuing losses, our working capital deficiency, the uncertainty of future revenue, the possible effect of a judgement against one or more of our subsidiaries for legal fees; our low stock price and the absence of a trading market in our common stock, our ability to raise funds in equity market or from lenders is severely impaired. These conditions raise substantial doubt as to our ability to continue as a going concern. Although we may seek to raise funds and to obtain third party funding for litigation to enforce its intellectual property rights, the availability of such funds in uncertain, and our use of the funds from funding sources relating to the monetization of our intellectual property may not be available for working capital purposes. Our financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Off-balance Sheet Arrangements

We have not entered into any other financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our shares and classified as stockholder's equity or that are not reflected in our consolidated financial statements. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity.

MANAGEMENT

Executive Officers and Directors

Our directors and executive officers are:

Name	Age	Position(s)
Jon C. Scahill	41	Chief executive officer, president, acting chief financial officer, secretary and director
Timothy J. Scahill	50	Chief technology officer and director
Dr. William Ryall Carroll	42	Director

Our amended and restated certificate of incorporation provides for a classified board of directors, with directors being elected to serve for a three-year term. Our classified board of directors has three classes of directors – Class I directors, Class II directors and Class III directors. The Class I director has a term of which expires in 2020, the Class II director has a term which expires in 2018, and the Class III director has a term which expires in 2019. Directors are elected for a term of three years.

Jon C. Scahill, a Class I director, has been president and chief executive officer since January 2014 and a director since 2007. He was appointed secretary in April 2014. He also served as president and chief operating officer from May 2007 to December 2013. From December 2006 to May 2007, Mr. Scahill was founder and managing director of the Urban-Rigney Group, LLC, a private consultancy specializing in new business/new venture development, operations optimization, and strategic analysis. Prior to launching his consultancy business, Mr. Scahill held numerous positions in sales and marketing, technical management, and product development in the consumer products/flexible packaging arena. Mr. Scahill holds a B.S. in chemical engineering from the University of Rochester, an MBA in finance, strategy and operations from Rochester's Simon Graduate School of Business and a JD from Pace Law School. Mr. Scahill is admitted to practice in New York, Florida and the District of Columbia, and he is a registered patent attorney admitted to practice before the United States Patent and Trademark Office.

Timothy J. Scahill, a Class II director, has a director since October 2014 and our chief technology officer since 2007. Mr. Scahill is also currently a managing partner of Managed Services Team LLC, an IT services provider. Prior to Managed Services Team, he was president of Layer 8 Group, Inc. from August 2005 to December 2012, at which time Layer 8 merged with Structured Technologies Inc. to form Managed Services Team LLC. In his roles he has taken the responsibility for business strategy, acquisition, execution, as well as financial management. His entrepreneurial acumen and proven record of successful management with sole discretionary responsibility, demonstrate the scope of his capability and his value to delivering results. He serves on the boards of the Upstate New York Technology Council, is an investor in Greater Rochester Enterprise, Pariemus Rochester and also serves on the Corporate Advisory Board for Habitat for Humanity. He is a member of Greater Rochester Enterprise and CEO Roundtable Chair.

Dr. William Ryall Carroll, a Class III director, has been a director since October 2014. Dr. Carroll has been associate professor and chairman of the marketing department at St. John’s University College of Business since July 2014. From September 2008 until June 2014, Dr. Carroll was an assistant professor in the marketing department of St. John’s University College of Business. Dr. Carroll is founder, chief executive officer and owner of Raiserve Inc., a web-based platform for monetizing non-profit programmatic work in the area of service formed in October 2014. Dr. Carroll’s research focuses on consumer behavior and behavioral decision theory. Dr. Carroll's work has been published in top academic journals including the Journal of Advertising, Marketing Letters, as well in books such as Psycholinguistic Phenomena in Marketing Communications. In addition to his research Dr. Carroll has taught Marketing at the executive, graduate and undergraduate level across in the United States, Europe and Asia. Prior to pursuing his academic career, Dr. Carroll held various marketing positions at NOP Worldwide Marketing Research Company and Ralston Purina Company. Dr. Carroll earned his BA in Economics from the University of Rochester, his MS in Marketing Research from the University of Texas in Arlington, and his PhD from City University of New York – Baruch College.

Timothy J. Scahill and Jon C. Scahill are first cousins.

Code of Ethics

We have not yet adopted a code of ethics that applies to our principal executive officers, principal financial officer, principal accounting officer or controller, or persons performing similar functions, since we have been focusing our efforts on developing our business. We expect to adopt a code as we develop our business.

Committees of the Board of Directors

We do not have any committees of our board of directors.

Executive Compensation

The following summary compensation table sets forth information concerning compensation for services rendered in all capacities during the years ended December 31, 2017 and 2016, earned by or paid to our executive officers.

Name and Principal Position	Year	Salary	Bonus Awards	Stock Awards	Option/ Warrant Awards	Non-Equity Plan Compensation	Non-Qualified Deferred Earnings	All Other Compensation	Total
Jon Scahill,	2017	$ 300,000	-	$ 66,000[1]	-	-	-		$ 366,000
CEO President	2016	300,000	-						300,000

[1] Represents the value of 60,000,000 shares granted to Mr. Scahill in 2017.

Employment Agreement

Pursuant to the restated employment agreement, dated November 30, 2014, we agreed to employ Jon C. Scahill as president and chief executive officer for a term of three years, commencing January 1, 2014, and continuing on a year-to-year basis unless terminated by either party on not less than 90 days’ notice prior to the expiration of the initial term or any one-year extension. The agreement provides for an annual salary of $252,000, which may be increased, but not decreased, by the board or the compensation committee. In March 2016, the board of directors increased Mr. Scahill’s annual salary to $300,000, effective January 1, 2016. Mr. Scahill is entitled to a bonus if we meet or exceed performance criteria established by the compensation committee. In August 2016, the board of directors approved annual bonus compensation to Mr. Scahill equal to 30% of the amount by which our consolidated income before income taxes exceeds $500,000, but, if we are subject to the limitation on deductibility of executive compensation pursuant to Section 162(m) of the Internal Revenue Code, the bonus cannot exceed the amount which would be deductible pursuant to Section 162(m). Mr. Scahill is also eligible to participate in any executive incentive plans which we may adopt. Pursuant to the agreement, we issued to Mr. Scahill warrants to purchase 60,000,000 shares, representing the warrants that had been previously covered in his prior employment agreement but which had never been issued, and we issued to Mr. Scahill a restricted stock grant for 30,000,000 shares which vested on January 15, 2015. In the event that we terminate Mr. Scahill’s employment other than for cause or as a result of his death or disability, we will pay him severance equal to his salary for the balance of the term and, if he received a bonus for the previous year, an amount equal to that bonus, as well as continuation of his insurance benefits. Mr. Scahill also waived accrued compensation of $1,167,705, representing his accrued salary for periods prior to January 1, 2014. The restated employment agreement also includes mutual general releases between Mr. Scahill and us. In March 2016, the board of directors permitted Mr. Scahill to devote a portion of his time on a part-time basis as a contract partner or counsel for a New York City law firm as long as such activities did not interfere with his duties as our president and chief executive officer. Since March 1, 2017, Mr. Scahill no longer performs services at the law firm.

Pension Benefits

We currently have no plans that provide for payments or other benefits at, following, or in connection with retirement of our officers.

2017 Equity Incentive Plan

On November 10, 2017, the board of directors adopted the 2017 Equity Incentive Plan pursuant to which 150,000,000 shares of common stock may be issued. Set forth below is a summary of the plan, as amended, but this summary is qualified in its entirety by reference to the full text of the plan, a copy of which is included as an exhibit to this prospectus.

The 2017 plan provides for the grant of non-qualified options, stock grants and other equity-based incentives to employees, including officers, directors and consultants.

In November 2017, the board of directors granted 60,000,000 shares to Jon C. Scahill and 5,000,000 shares to each of Timothy J. Scahill and Dr. William Ryall Carroll. All shares were fully vested on issuance.

Outstanding Equity Awards at Fiscal Year-End

The following table sets forth information as to the outstanding equity awards granted to and held by the officers named in the Summary Compensation Table as of December 31, 2017.

	Option awards					Stock awards			
Name	**Number of securities underlying unexercised options (#) exercisable**	**Number of securities underlying unexercised options (#) unexercisable**	**Equity incentive plan awards: Number of securities underlying unexercised unearned options (#)**	**Option exercise price ($)**	**Option expiration Date**	**Number of shares or units of stock that have not vested (#)**	**Market value of shares of units of stock that have not vested ($)**	**Equity incentive plan awards: Number of unearned shares, units or other rights that have not vested (#)**	**Equity incentive plan awards: Market or payout value of unearned shares, units or other rights that have not vested ($)**
Jon Scahill	15,000,000(1) 30,000,000(2) 15,000,000(3)			0.004	3/1/2018				

(1) On March 1, 2008, we issued to Mr. Scahill ten-year warrants to purchase 15,000,000 shares of common stock at $0.004 per share. The warrants vested on issuance. The warrants expired unexercised on March 1, 2018.
(2) On March 1, 2011, we issued to Mr. Scahill seven-year warrants to purchase 30,000,000 shares of common stock at $0.004 per share. The warrants vested on issuance. The warrants expired unexercised on March 1, 2018.
(3) On March 1, 2013, we issued to Mr. Scahill five-year warrants to purchase 15,000,000 shares of common stock at $0.004 per share. The warrants vested on issuance. The warrants expired unexercised on March 1, 2018.

Directors' Compensation

We do not have any agreements or formal plan for compensating our directors for their service in their capacity as directors, although our board has, and may in the future, award stock grants or options to purchase shares of common stock to our directors.

The following table provides information concerning the compensation of each member of our board of directors whose compensation is not included in the Summary Compensation Table for his services as a director for 2017. The value attributable to any stock grants is computed in accordance with ASC Topic 718.

Name	**Fees Earned or Paid in Cash**	**Stock Awards**	**Total**
Timothy J. Scahill	$ 0	$ 5,500[1]	$ 5,500
Dr. William Ryall Carroll	0	5,500[1]	5,500

1 Represents the value of 5,000,000 shares granted pursuant to the 2017 Equity Incentive Plan.

PRINCIPAL STOCKHOLDERS

The following table provides information as to shares of common stock beneficially owned as of April 30, 2018, by:

- Each director;
- Each current officer named in the summary compensation table;
- Each person owning of record or known by us, based on information provided to us by the persons named below, at least 5% of our common stock; and
- All directors and officers as a group

For purposes of the following table, "beneficial ownership" means the sole or shared power to vote, or to direct the voting of, a security, or sole or shared investment power with respect to a security, or any combination thereof, and the right to acquire such power (for example, through the exercise of warrants granted by us) within 60 days of April 30, 2018

Name and Address (1) of Beneficial Owner	**Amount and Nature of Beneficial Ownership**	**% of Class**
Jon C. Scahill	91,000,000	23.8%
Andrew C. Fitton(2) 515 Congress Avenue, Suite 1850 Austin, TX 78701	71,533,334	17.2%
Intelligent Partners, LLC (3) 515 Congress Avenue, Suite 1850 Austin, TX 78701	33,333,334	8.0%
Michael R. Carper (4)		

515 Congress Avenue, Suite 1850 Austin, TX 78701	48,333,334	11.6%
Tomas Arce 3463 State Street Suite 327 Santa Barbara, CA 93105	25,700,000	6.7%
Dr. William Ryall Carroll	5,484,633	1.4%
Timothy J. Scahill	5,105,000	1.3%
All officers and directors as a group (three individuals)	101,589,633	26.5%

(1) The address of Mr. Jon C. Scahill, Dr. Carroll and Mr. Timothy J. Scahill is c/o Quest Patent Research Corporation, 411 Theodore Fremd Ave., Suite 206S, Rye, New York 10580-1411.

(2) Represents (a) 38,000,000 shares owned by Mr. Fitton, (b) 200,000 owned by Tele Tech Investments Limited, with respect to which Mr. Fitton has sole power to vote and dispose of the shares, and (c) 33,333,334 shares issuable upon exercise of an option held by Intelligent Partners.

(3) Represents 33,333,334 shares of common stock issuable upon exercise of options held by Intelligent Partners. Andrew C. Fitton and Michael R. Carper, as the members of Intelligent Partners, have the right to vote and dispose of the shares owned by Intelligent Partners. The option, which was granted to United Wireless pursuant to the securities purchase agreement with United Wireless, was transferred by United Wireless to Intelligent Partners, which is an affiliate of United Wireless.

(4) Represents (a) 15,000,000 shares owned by Mr. Carper and (b) 33,333,334 shares issuable upon exercise of an option held by Intelligent Partners.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

As a result of the sale to United Wireless of 50,000,000 shares of common stock, representing 13.0% of our common stock and its right to name a director, United Wireless is a related party as of December 31, 2017. United Wireless had no relationship with us prior to the closing of the securities purchase agreement and related agreements in October 2015. United Wireless transferred its shares to its principals, Andrew C. Fitton and Michael R. Carper, and it transferred its option to Intelligent Partners LLC, of which Mr. Fitton and Mr. Carper are the members. See “Business – Agreements with United Wireless” for information concerning our agreements with and obligations to United Wireless.

Managed Services Team LLC, an entity for which Timothy Scahill, our chief technology officer and a director, is a managing partner, provides information technology services to us. We are obligated to pay for these services at usual and customary rates. In 2017, the cost of these services was approximately $1,054.

DESCRIPTION OF CAPITAL STOCK

Our authorized capital stock consists of 10,000,000,000 shares of common stock, par value $0.00003 per share, and 10,000,000 shares of preferred stock, par value $0.00003 per share. Holders of our common stock are entitled to equal voting rights, consisting of one vote per share on all matters submitted to a stockholder vote. Holders of common stock do not have cumulative voting rights. Therefore, holders of a majority of the shares of common stock voting for the election of directors can elect all of the directors. The presence, in person or by proxy duly authorized, of the holders of one-third of the outstanding shares of stock entitled to vote are necessary to constitute a quorum at any meeting of our stockholders. A vote by the holders of a majority of our outstanding shares is required to effectuate certain fundamental corporate changes such as liquidation, merger or an amendment to our articles of incorporation. In the event of liquidation, dissolution or winding up of our company, either voluntarily or involuntarily, each outstanding share of the common stock is entitled to share equally in our assets.

Holders of our common stock have no pre-emptive rights, no conversion rights and there are no redemption provisions applicable to our common stock. They are entitled to receive dividends when and as declared by our board of directors, out of funds legally available therefore. We have not paid cash dividends in the past and do not expect to pay any within the foreseeable future.

Preferred Stock

Our articles of incorporation give our board of directors the power to issue shares of preferred stock in one or more series without stockholder approval. Our board of directors has the discretion to determine the rights, preferences, privileges and restrictions, including voting rights, dividend rights, conversion rights, redemption privileges and liquidation preferences, of each series of preferred stock. The purpose of authorizing our board of directors to issue preferred stock and determine its rights and preferences is to eliminate delays associated with a stockholder vote on specific issuances. The issuance of preferred stock, while providing desirable flexibility in connection with possible acquisitions and other corporate purposes, could have the effect of making it more difficult for a third party to acquire, or could discourage a third party from acquiring, a majority of our outstanding voting stock. The rights granted to the holders of a series of preferred stock could restrict payment of dividends on the common stock, dilute the voting power of the common stock, impair the liquidation rights of the holders of the common stock and delay or prevent a change in control without further action by stockholders. We have no present plans to issue any shares of preferred stock, and our agreements with United Wireless prohibit us from issuing preferred stock without its consent.

Other Provisions of our Certificate of Incorporation

As described under “Management – Executive Officers and Directors” our board of directors is a classified board, with three classes of directors and directors being elected for a term of three years.

Our certificate of incorporation provides that we shall indemnify our officers and directors and others whom we are permitted to indemnify to the maximum extent permitted by Delaware law. Section 145 of the Delaware General Corporation Law gives a corporation broad power to indemnify directors, officers and other persons. Our by-laws include a provision which provides that we will indemnify our officers and directors to the maximum extent permitted by law, and have authorization provisions which conform with the provisions of Section 145. We also have indemnification agreements with our directors which are consistent with our certificate of incorporation and bylaws.

Our certificate of incorporation provides that no director shall be personally liable to us or our stockholders for monetary damages for any breach of fiduciary duty subject to certain exceptions as provided in the Delaware General Corporation Law, and, if the General Corporation Law is amended to authorize further elimination or limitation of the liability of directors, these additional provisions shall apply to our directors.

Our certificate of incorporation provides that where, in connection with a compromise or arrangement between us and any class of creditors or stockholders, if a majority in number and three-fourth in value of the creditors or stockholders or class of creditors or stockholders, as the case may be, approve a compromise or arrangement which is sanctioned by the court, it is binding on all of the creditors or class of creditors or stockholders or class of stockholders.

Delaware Law Provisions Relating to Business Combinations with Related Persons

We are subject to the provisions of Section 203 of the Delaware General Corporation Law statute. Section 203 prohibits a publicly-held Delaware corporation from engaging in a "business combination" with an "interested stockholder" for a period of three years after the person became an interested stockholder, unless the business combination is approved in a prescribed manner. A "business combination" includes mergers, asset sales and other transactions resulting in a financial benefit to the interested stockholder. Subject to certain exceptions, an "interested stockholder" is a person who, together with affiliates and associates, owns, or within the prior three years did own, 15% or more of the corporation's voting stock.

SEC Policy on Indemnification for Securities Act liabilities

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers or persons controlling us pursuant to the foregoing provisions, we have been informed that in the opinion of the Securities and Exchange Commission, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

Penny-Stock Rules

The SEC has adopted regulations which generally define a "penny stock" to be any equity security that has a market price (as defined) of less than $5.00 per share, subject to certain exceptions, and is not listed on the a registered stock exchange or the Nasdaq Stock Market (although the $5.00 per share requirement may apply to Nasdaq listed securities) or has net tangible assets in excess of $2,000,000, if the issuer has been in continuous operation for at least three years, or $5,000,000, if the issuer has been in continuous operation for less than three years, or has average revenue of at least $6,000,000 for the last three years.

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As a result, our common stock may be subject to rules that impose additional sales practice requirements on broker-dealers who sell such securities to persons other than established customers and accredited investors (generally those with assets in excess of $1,000,000 or annual income exceeding $200,000, or $300,000 together with their spouse). For transactions covered by these rules, the broker-dealer must make a special suitability determination for the purchase of such securities and have received the purchaser's written consent to the transaction prior to the purchase. Additionally, for any transaction involving a penny stock, unless exempt, the rules require the delivery, prior to the transaction, of a risk disclosure document mandated by the SEC relating to the penny stock market. The broker-dealer must also disclose the commission payable to both the broker-dealer and the registered representative, current quotations for the securities and, if the broker-dealer is the sole market maker, the broker-dealer must disclose this fact and the broker-dealer's presumed control over the market. Finally, monthly statements must be sent disclosing recent price information for the penny stock held in the account and information on the limited market in penny stocks. Consequently, the "penny stock" rules may restrict the ability of broker-dealers to sell our securities and may affect your ability to sell our securities in the secondary market and the price at which you can sell our common stock.

According to the SEC, the market for penny stocks has suffered in recent years from patterns of fraud and abuse. Such patterns include:

- Control of the market for the security by one or a few broker-dealers that are often related to the promoter or issuer;
- Manipulation of prices through prearranged matching of purchases and sales and false and misleading press releases;
- "Boiler-room" practices involving high pressure sales tactics and unrealistic price projections by inexperienced sales persons;
- Excessive and undisclosed bid-ask differentials and markups by selling broker-dealers; and

The wholesale dumping of the same securities by promoters and broker-dealers after prices have been manipulated to a desired level, along with the inevitable collapse of those prices with consequent losses to investors.

Purchasers of penny stocks may have certain legal remedies available to them in the event the obligations of the broker-dealer from whom the penny stock was purchased violates or fails to comply with the above obligations or in the event that other state or federal securities laws are violated in connection with the purchase and sale of such securities. Such rights include the right to rescind the purchase of such securities and recover the purchase price paid for them.

Since our stock is a "penny stock" we do not have the safe harbor protection under federal securities laws with respect to forward-looking statements.

Transfer Agent

The transfer agent for the common stock is Continental Stock Transfer & Trust Company, One State Street, 30th floor, New York, New York 10004-1561.

LEGAL MATTERS

The validity of the common stock offered hereby will be passed upon for us by Ellenoff Grossman & Schole LLP, New York, New York.

EXPERTS

Our consolidated financial statements included in this prospectus as of December 31, 2017 and 2016 and for the years then ended have been included in reliance on the report of MaloneBailey LLP, an independent registered public accounting firm, given on the authority of such firm as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the Securities and Exchange Commission a registration statement on Form S-1 under the Securities Act of 1933 with respect to the common stock offered by this prospectus. This prospectus does not contain all of the information set forth in the registration statement and the exhibits to the registration statement. For further information with respect to our company and our common stock offered hereby, reference is made to the registration statement and the exhibits filed as part of the registration statement. We file periodic reports with the Securities and Exchange Commission, including annual reports which include our audited financial statements and quarterly reports although we are not currently required to make such filings pursuant to the Securities Exchange Act. We also plan to include our SEC filings on our website. The registration statement, including exhibits thereto, and all of our periodic reports may be inspected without charge at the Securities and Exchange Commission's principal office in Washington, DC, and copies of all or any part thereof may be obtained from the Public Reference Section of the Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549. You may obtain additional information regarding the operation of the Public Reference Section by calling the Securities and Exchange Commission at 1-800-SEC-0330. The Securities and Exchange Commission also maintains a website which provides online access to reports, registration statements and other information regarding registrants that file electronically with the Securities and Exchange Commission at the address: http://www.sec.gov. Our SEC filings are also available on our website at http://qprc.com/InvestorRelations/SECFilings.aspx.

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INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

QUEST PATENT RESEARCH CORPORATION

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and board of directors of
Quest Patent Research Corporation

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Quest Patent Research Corporation and its subsidiaries (collectively, the "Company") as of December 31, 2017 and 2016, and the related consolidated statements of operations, stockholders' deficit, and cash flows for the years then ended, and the related notes (collectively referred to as 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, 2017 and 2016, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Going Concern Matter

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has suffered recurring losses from operations and has a net capital deficiency that raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. 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 the 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 entity'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.

/s/ MaloneBailey, LLP
www.malonebailey.com
We have served as the Company's auditor since 2013.
Houston, Texas
April 2, 2018

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Quest Patent Research Corporation and Subsidiaries
Consolidated Balance Sheets

	December 31, 2017	December 31, 2016
ASSETS		
Current assets		
Cash and cash equivalents	$ 165,546	$ 208,324
Accounts receivable	2,846	54,994
Other current assets	2,522	2,490
Total current assets	170,914	265,808
Patents, net of accumulated amortization of $650,559 and $319,284, respectively	2,463,338	2,056,947
Total assets	$ 2,634,252	$ 2,322,755
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities		
Accounts payable and accrued liabilities	$ 147,356	$ 123,803

Loans payable – third party	163,000	163,000
Purchase price of patents, current portion, net of unamortized discount of $0 and $80,528	100,000	919,472
Loan payable – related party, net of unamortized discount and debt issuance costs of $517,182 and $616,176	3,510,169	2,001,889
Accrued interest – loans payable related party	85,757	62,348
Accrued interest - loans payable third party	265,214	248,913
Derivative liability	90,000	140,000
Total current liabilities	4,361,496	3,659,425
Non-current liabilities		
Purchase price of patents, net of unamortized discount of $175,243 and $0, respectively	699,757	-
Total liabilities	5,061,253	3,659,425
Stockholders' deficit		
Preferred stock, par value $0.00003 per share – authorized 10,000,000 shares – no shares issued and outstanding		-
Common stock, par value $0.00003 per share; authorized 10,000,000,000 and 1,250,000,000 at December 31, 2017 and December 31, 2016, respectively; shares issued and outstanding 383,038,334 and 313,038,334, at December 31, 2017 and December 31, 2016, respectively	11,491	9,391
Additional paid-in capital	14,107,782	14,032,882
Accumulated deficit	(16,549,493)	(15,381,430)
Total Quest Patent Research Corporation deficit	(2,430,220)	(1,339,157)
Non-controlling interest in subsidiary	3,219	2,487
Total stockholders' deficit	(2,427,001)	(1,336,670)
Total liabilities and stockholders' deficit	$ 2,634,252	$ 2,322,755

See accompanying notes to consolidated financial statements

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Quest Patent Research Corporation and Subsidiaries
Consolidated Statements of Operations

	Year Ended December 31, 2017	Year Ended December 31, 2016
Revenues		
Licensed packaging sales	$ 14,201	$ 18,391
Patent licensing fees	1,196,250	385,000
Management fees	21,196	860,823
	1,231,647	1,264,214
Operating expenses		
Cost of revenues:		
Cost of sales	2,435	4,842
Royalties	807,614	350,204
Management support services	27,908	818,922
Selling, general and administrative expenses	939,408	766,963
Total operating expenses	1,777,365	1,940,931
Loss from operations	(545,718)	(676,717)
Other expense		
Gain on derivative liability	50,000	60,000
Interest expense	(565,608)	(337,216)
Total other expense	(515,608)	(277,216)
Net loss before income tax	(1,061,326)	(953,933)
Income tax	(106,005)	(2,159)
Net loss	(1,167,331)	(956,092)
Net income (loss) attributable to non-controlling interest in subsidiary	(732)	110
Net Loss Attributable to Quest Patent Research Corporation	$ (1,168,063)	$ (955,982)
Net loss per share – Basic and Diluted	$ (0.00)	$ (0.00)
Weighted average shares outstanding – Basic and Diluted	322,819,156	313,038,334

See accompanying notes to consolidated financial statements

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Quest Patent Research Corporation and Subsidiaries
Consolidated Statements of Changes in Stockholders' Deficit

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Deficit	Non-controlling Interest in Subsidiaries	Total Stockholders' Deficit
Balances as of December 31, 2015	313,038,334	$ 9,391	$ 14,232,882	$ (14,425,448)	$ 2,597	$ (180,578)
Reclassification of fair value of stock options to derivative liability	-	-	(200,000)	-	-	(200,000)
Net loss	-	-	-	(955,982)	(110)	(956,092)
Balances as of December 31, 2016	313,038,334	9,391	14,032,882	(15,381,430)	2,487	(1,336,670)

Compensation expense relating to restricted stock grant	70,000,000	2,100	74,900	-	-	77,000
Net loss	-	-	-	(1,168,063)	732	(1,167,331)
Balances as of December 31, 2017	383,038,334	$ 11,491	$ 14,107,782	$ (16,549,493)	$ 3,219	$ (2,427,001)

See accompanying notes to consolidated financial statements

Quest Patent Research Corporation and Subsidiaries
Consolidated Statements of Cash Flows

	Year Ended December 31, 2017	2016
Cash flows from operating activities:		
Net loss	(1,167,331)	$ (956,092)
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization of debt discount	206,801	164,819
Loss on monetization agreement	59,811	-
Gain on derivative liability	(50,000)	(60,000)
Share-based compensation	77,000	-
Depreciation and amortization	331,275	261,784
Interest accrued but not paid	282,695	156,100
Changes in operating assets and liabilities		
Accounts receivable	52,148	(13,442)
Other current assets	(32)	3,434
Accounts payable and accrued expenses	39,855	70,215
Net cash used in operating activities	(167,778)	(373,182)
Cash flows from financing activities:		
Proceeds from loans	125,000	250,000
Net cash from financing activities	125,000	250,000
Net decrease in cash and cash equivalents	(42,778)	(123,182)
Cash and cash equivalents at beginning of year	208,324	331,506
Cash and cash equivalents at end of year	**$ 165,546**	**$ 208,324**
Non Cash Investing and Financing Activities		
Accounts payable for patent purchase, net of imputed interest of $202,522	$ 772,478	$ -
Reclassification of fair value of stock options to derivative liability	-	200,000
Loan proceeds paid directly from lender to seller of patents	1,025,000	1,000,000
Supplemental disclosure of cash flow information		
Cash paid during the year for:		
Income taxes, including foreign taxing authorities withheld taxes of $101,500 and $0 during the years ended December 31, 2017, and 2016 respectively.	$ 106,005	$ 2,159
Interest	-	-

See accompanying notes to consolidated financial statements

Quest Patent Research Corporation and Subsidiaries
Notes to Consolidated Financial Statements

NOTE 1 – DESCRIPTION OF BUSINESS

The Company is a Delaware corporation, incorporated on July 17, 1987 and has been engaged in the intellectual property monetization business since 2008.

As used herein, the "Company" refers to Quest Patent Research Corporation and its wholly and majority-owned and controlled operating subsidiaries unless the context indicates otherwise. All intellectual property acquisition, development, licensing and enforcement activities are conducted by the Company's wholly and majority-owned and controlled operating subsidiaries.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation and financial statement presentation

The consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles ("US GAAP") and present the consolidated financial statements of the Company and its wholly owned and majority owned subsidiaries as of December 31, 2017 and 2016.

The consolidated financial statements include the accounts and operations of:

Quest Patent Research Corporation ("The Company")
Quest Licensing Corporation (NY) (wholly owned)

Quest Licensing Corporation (DE) (wholly owned)
Quest Packaging Solutions Corporation (90% owned)
Quest Nettech Corporation (wholly owned)
Semcon IP, Inc. (wholly owned)
Mariner IC, Inc. (wholly owned)
IC Kinetics, Inc. (wholly owned)
CXT Systems, Inc. (wholly owned)
Photonic Imaging Solutions Inc. (wholly owned)

The operations of Wynn Technologies Inc. are not included in the Company's consolidated financial statements as there are significant contingencies related to its control of Wynn Technologies Inc. The sole asset of Wynn Technologies Inc. is US Patent No. RE38,137E. Wynn Technologies Inc. cannot transfer, assign, sell, hypothecate or otherwise encumber US Patent No. RE38,173E without the express written consent of Sol Li, owner of 35% of Wynn Technologies Inc., unless, as of the date of such transfer, assignment, sale, hypothecation or other encumbrance, Mr. Li has received a total of at least $250,000.

The Company accounts for its 65% interest in Wynn Technologies, Inc. under the equity method whereby the investment accounts are increased for contributions by the Company plus its 60% share of income pursuant to the contractual agreement which provide that Sol Li retains 40% of the income, and reduced for distributions and its 60% share of losses incurred, respectively, with the restriction whereby the account balances cannot go below zero.

Significant intercompany transaction and balances have been eliminated in consolidation.

Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments with original maturity dates of three months or less when purchased, to be cash equivalents.

Accounts Receivable

Accounts receivable, which generally relate to management fees, are presented on the balance sheet net of estimated uncollectible amounts. The Company records an allowance for estimated uncollectible accounts in an amount approximating anticipated losses. Individual uncollectible accounts are written off against the allowance when collection of the individual accounts appears doubtful. The Company recorded an allowance for doubtful accounts of $0 as of December 31, 2017 and December 31, 2016, respectively.

Intangible Assets

Intangible assets consist of patents which are amortized using the straight-line method over their estimated useful lives or statutory lives whichever is shorter and are reviewed for impairment upon any triggering event that may give rise to the assets ultimate recoverability as prescribed under the guidance related to impairment of long-lived assets. Costs incurred to acquire patents, including legal costs, are also capitalized as long-lived assets and amortized on a straight-line basis with the associated patent.

Patents include the cost of patents or patent rights (hereinafter, collectively "patents") acquired from third-parties or acquired in connection with business combinations. Patent acquisition costs are amortized utilizing the straight-line method over their remaining economic useful lives, ranging from one to ten years. Certain patent application and prosecution costs incurred to secure additional patent claims, that based on management's estimates are deemed to be recoverable, are capitalized and amortized over the remaining estimated economic useful life of the related patent portfolio.

Impairment of long-lived assets

Long-lived assets, including intangible assets with a finite life, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable through the estimated undiscounted cash flows expected to result from the use and eventual disposition of the assets. Whenever any such impairment exists, an impairment loss will be recognized for the amount by which the carrying value exceeds the fair value. No impairment was recorded for the years ended December 31, 2017 and 2016.

Derivative Financial Instruments

The Company evaluates the embedded conversion feature within its convertible debt instruments under ASC 815-15 and ASC 815-40 to determine if the conversion feature meets the definition of a liability and, if so, whether to bifurcate the conversion feature and account for it as a separate derivative liability. For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value and is then re-valued at each reporting date, with changes in the fair value reported in the statements of operations. For stock-based derivative financial instruments, the Company uses a Black Scholes model, in accordance with ASC 815-15 "Derivative and Hedging" to value the derivative instruments at inception and on subsequent valuation dates. The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is evaluated at the end of each reporting period. Derivative instrument liabilities are classified in the balance sheet as current or non-current based on whether net-cash settlement of the derivative instrument could be required within 12 months after the balance sheet date.

Beneficial Conversion Features

The Company evaluates the conversion feature for whether it was beneficial as described in ASC 470-30. The intrinsic value of a beneficial conversion feature inherent to a convertible note payable, which is not bifurcated and accounted for separately from the convertible note payable and may not be settled in cash upon conversion, is treated as a discount to the convertible note payable. This discount is amortized over the period from the date of issuance to the date the note is due using the effective interest method. If the note payable is retired prior to the end of its contractual term, the unamortized discount is expensed in the period of retirement to interest expense. In general, the beneficial conversion feature is measured by comparing the effective conversion price, after considering the relative fair value of detachable instruments included in the financing transaction, if any, to the fair value of the shares of common stock at the commitment date to be received upon conversion.

Fair value of financial instruments

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. A fair value hierarchy is used which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. See Note 4 for information about derivative liabilities.

The fair value hierarchy based on the three levels of inputs that may be used to measure fair value are as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are financial instruments whose values are determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant judgment or estimation.

The carrying value reflected in the consolidated balance sheets for cash and cash equivalents, accounts receivable, accounts payable and accrued expenses and short-term borrowings approximate fair value due to the short-term nature of these items.

Revenue Recognition

The Company recognizes revenue in accordance with ASC Topic 605, “Revenue Recognition.” Revenue is recognized when (i) persuasive evidence of an arrangement exists, (ii) all obligations have been substantially performed pursuant to the terms of the arrangement, (iii) amounts are fixed or determinable and, (iv) the collectability of amounts is reasonable assured. Revenues are based on the terms of a contract which has commercial substance, is approved by both parties, the rights are identifiable and the payment terms are identifiable.

The Company considers our licensing and enforcement activities as one unit of accounting under ASC 605-25, “Multiple-Element Arrangements” as the delivered items do not have value to customers on a standalone basis, there are no undelivered elements and there is no general right of return relative to the license. Under ASC 605-25, the appropriate recognition of revenue is determined for the combined deliverables as a single unit of accounting and revenue is recognized upon delivery of the final elements, including the license for past and future use and the release. Also, due to the fact that the settlement element and license element for past and future use are the major central business, we do not present these two elements as different revenue streams in its statement of operations. The Company does not expect to provide licenses that do not provide some form of settlement or release.

Patent Licensing Fees

Generally, the agreements provide for the grant of the licenses, covenants-not-to-sue, releases, and other significant deliverables upon execution of the agreement, or upon receipt of the minimum upfront payment for term agreement renewals. As such, the earnings process is complete and revenue is recognized upon the execution of the agreement, when collectability is reasonably assured, or upon receipt of the minimum upfront fee for the term agreement renewals, and when all other revenue recognition criteria have been met.

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Certain of the Company’s revenue arrangements provide for future royalties or additional required payments based on future licensee activities. Additional royalties are recognized in revenue upon resolution of the related contingency provided that all revenue recognition criteria, as described above, have been met. Amounts of additional royalties due under these license agreements, if any, cannot be reasonably estimated by management.

Amounts related to revenue arrangements that do not meet the revenue recognition criteria described above are deferred until the revenue recognition criteria are met.

The Company assesses the collectability of fees receivable based on a number of factors, including past transaction history and credit-worthiness of licensees. If it is determined that collection is not reasonably assured, the fee is recognized when collectability becomes reasonably assured, assuming all other revenue recognition criteria have been met, which is generally upon receipt of cash.

Management Fees

Generally, the agreements provide for payment of the management fee within 7 days of the due date on the invoice. As such, the earnings process is complete and revenue is recognized upon the execution of the agreement, when collectability is reasonably assured, or upon receipt of the invoiced amount, and when all other revenue recognition criteria have been met.

The Company assesses the collectability of fees receivable based on a number of factors, including past transaction history and credit-worthiness of licensees. If it is determined that collection is not reasonably assured, the fee is recognized when collectability becomes reasonably assured, assuming all other revenue recognition criteria have been met, which is generally upon receipt of cash.

Licensed Packaging Sales

The Company’s packaging operation customers are end users. Shipment terms are generally FOB shipping point. Revenues from packaging sales, less reserves for returns, are recognized upon shipment to the customer.

Cost of Revenues

Cost of revenues include the costs and expenses incurred in connection with our patent licensing and enforcement activities, including inventor royalties paid to original patent owners, contingent litigation funding fees, contingent legal fees paid to external patent counsel, other patent-related legal expenses paid to external patent counsel, licensing and enforcement related research, consulting and other expenses paid to third-parties and the amortization of patent-related investment costs. These costs are included under the caption “Cost of revenues” in the accompanying consolidated statements of operations. No such fees are recognized as cost of revenue to the extent that the Company has no obligation with respect to such fees prior to a settlement or license.

Inventor Royalties, Litigation Funding Fees and Contingent Legal Expenses.

In connection with the investment in certain patents and patent rights, certain of the Company’s operating subsidiaries may execute related agreements which grant to the inventors and/or former owners of the respective patents or patent rights, the right to receive a percentage of future net revenues (as defined in the respective agreements) generated as a result of licensing and otherwise enforcing the respective patents or patent portfolios.

The Company’s operating subsidiaries may retain the services of law firms that specialize in patent licensing and enforcement and patent law in connection with their licensing and enforcement activities. These law firms may be retained on a contingent fee basis whereby such law firms are paid a percentage of any negotiated fees, settlements or judgments awarded.

The Company's operating subsidiaries may engage with funding sources that specialize in providing financing for patent licensing and enforcement. These litigation finance firms may be engaged on a non-recourse basis whereby such litigation finance firms are paid a percentage of any negotiated fees, settlements or judgments awarded in exchange for providing funding for legal fees and out of pocket expenses incurred as a result of the licensing and enforcement activities.

The economic terms of the inventor agreements, operating agreements, contingent legal fee arrangements and litigation financing agreements associated with the patent portfolios owned or controlled by the Company's operating subsidiaries, if any, including royalty rates, contingent fee rates and other terms, vary across the patent portfolios owned or controlled by such operating subsidiaries. Inventor/former owner royalties, payments to non-controlling interests, contingent legal fees expenses and litigation finance expenses fluctuate period to period, based on the amount of revenues recognized each period, the terms and conditions of revenue agreements executed each period and the mix of specific patent portfolios with varying economic terms and obligations generating revenues each period. Inventor/former owner royalties, contingent legal fees expenses and litigation finance expenses will continue to fluctuate and may continue to vary significantly period to period, based primarily on these factors.

Research and development

Research and development costs are expensed as incurred. We did not incur any research and development costs in the years ended December 31, 2017 and 2016.

Income Taxes

Deferred income tax assets and liabilities are recognized for the expected future income tax consequences of events that have been included in the consolidated financial statements or income tax returns. Deferred income tax assets and liabilities are determined based on differences between the financial statement and tax bases of assets and liabilities using tax rates in effect for the years in which the differences are expected to reverse.

In evaluating the ultimate realization of deferred income tax assets, management considers whether it is more likely than not that the deferred income tax assets will be realized. Management establishes a valuation allowance if it is more likely than not that all or a portion of the deferred income tax assets will not be utilized. The ultimate realization of deferred income tax assets is dependent on the generation of future taxable income, which must occur prior to the expiration of the net operating loss carryforwards.

The Company also follows the guidance related to accounting for income tax uncertainties. In accounting for uncertainty in income taxes, the Company recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more likely than not threshold, the amount recognized in the consolidated financial statements is the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant tax authority. No liability for unrecognized tax benefits was recorded as of December 31, 2017 and 2016.

The Company records revenues on a gross basis, before deduction for income taxes. The Company incurred foreign income tax expenses of approximately $105,000 for the year ended December 31, 2017. The Company did not incur foreign income tax expense in the comparable period in 2016.

Share-based compensation

The Company accounts for share-based awards issued to employees in accordance with Accounting Standards Codification (ASC) 718, "Compensation-Stock Compensation". Accordingly, employee share-based payment compensation is measured at the grant date, based on the fair value of the award, and is recognized as an expense over the requisite service period, which is normally the vesting period. Share-based compensation to directors is treated in the same manner as share-based compensation to employees, regardless of whether the directors are also employees. The Company accounts for share-based compensation to persons other than employees in accordance with FASB ASC 505-50. Equity instruments issued to other than employees are valued at the earlier of a commitment date or upon completion of the services, based on the fair value of the equity instruments and is recognized as expense over the service period. The Company estimates the fair value of share-based payments using the Black Scholes option-pricing model for common stock options and warrants and the closing price of the Company's common stock for common stock issuances.

Earnings (loss) per share

Basic earnings per share is calculated by dividing net income available to common stockholders by the weighted average number of shares of the Company's common stock outstanding during the period. Diluted earnings per share reflects the potential dilution that could occur if our share-based awards and convertible securities were exercised or converted into common stock. The dilutive effect of our share-based awards is computed using the treasury stock method, which assumes all share-based awards are exercised and the hypothetical proceeds from exercise are used to purchase common stock at the average market price during the period. The incremental shares (difference between shares assumed to be issued versus purchased), to the extent they would have been dilutive, are included in the denominator of the diluted earnings per share calculation. Because the Company incurred losses in all period covered by the financial statements and would be anti-dilutive, the diluted earnings per shares is the same as the basic earnings per share. The 115,000,000 shares of common stock issuable upon exercise of outstanding warrants and options are excluded from the computation of loss per share because the result would have been antidilutive.

Concentration of credit risk

The Company maintains its cash in bank deposit accounts, which at times, may exceed federally insured limits. The Company has not experienced any such losses in these accounts. Approximately 2% of revenues for 2017 and approximately 68% of revenues for 2016 represented management fees received from the funding source relating to certain intellectual property infringement actions.

Segment reporting

The Company reports each material operating segment in accordance with ASC 280, "Segment Reporting." Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The Company's chief operating decision maker is the chief executive officer. The Company operates in two operational segments; intellectual property licensing and licensed packaging sales. Licensed packaging sales segment is not reported separately as revenue constitutes less than 10% of the combined revenue of all segments, reported profit is less than the combined profit of all operating segments that did not report a loss, and assets are less than 10% of the combined assets of all operating segments. Certain corporate expenses are not allocated to segments.

Recent Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update No. 2014-09 (Topic 606) "Revenue from Contracts with Customers." Topic 606 supersedes the revenue recognition requirements in Topic 605 "Revenue Recognition" (Topic 605), and requires entities to recognize revenues when control of the promised goods or services is transferred to customers at an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. The Company will adopt Topic 606 as of January 1, 2018 using the modified retrospective transition method. The Company does not believe it will have a material impact.

The Company is currently evaluating ASC 842 "Leases" for future adoption. Other than those pronouncements, management does not believe that there are any other recently issued, but not effective, accounting standards which, if currently adopted, would have a material effect on the Company's financial statements.

Going Concern

During the period from 2008, when the Company changed its business to become an intellectual property management company, through 2017, the Company generated a cumulative loss of approximately $16,549,000. The Company's total current assets were approximately $171,000 at December 31, 2017. At December 31, 2017, the Company had a working capital deficiency of approximately $4,191,000, and it had negative working capital at December 31, 2017 and 2016. The Company requires funding for its operations. Because of the Company's continuing losses, the working capital deficiency, the uncertainty of future revenue, the Company's low stock price and the absence of a trading market in its common stock, the ability of the Company to raise funds in equity market or from lenders is severely impaired, and there exists substantial doubt about the ability of the Company to continue as a going concern. Although the Company may seek to raise funds and to obtain third party funding for litigation to enforce its intellectual property rights, the availability of such funds in uncertain. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

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NOTE 3 – SHORT TERM DEBT AND LONG-TERM LIABILITIES

The following table shows the Company's debt at December 31, 2017 and 2016.

	December 31, 2017	December 31, 2016
Short-term debt:		
Loans payable – third party	$ 163,000	$ 163,000
Loans payable – related party		
Gross	4,027,351	2,618,065
Accrued interest	85,757	62,348
Unamortized discount	(517,182)	(616,176)
Net loans payable – related party	$ 3,595,926	$ 2,064,237

Short-term debt

The loan payable – third party is a demand loan made by former officers and directors, now unrelated third parties, and shareholders in the amount of $163,000. The loans are payable on demand plus accrued interest at 10% per annum.

The loan payable – related party at December 31, 2017 represents the principal amount of the Company's 10% note to United Wireless Holdings, Inc. ("United Wireless") in the amount of $4,027,351 pursuant to securities purchase agreement dated October 22, 2015. On March 16, 2017, the Company received a letter from counsel to United Wireless claiming that the Company is in violation of the requirements of the registration rights agreement dated October 22, 2015 on the grounds that the Company did not update the registration statement in November 2016. The Company disputed the claim that it was in breach of the registration rights agreement. On June 12, 2017, the Company entered into a standstill agreement with United Wireless pursuant to which the Company agreed (i) to increase its authorized common stock to 10,000,000,000 shares, (ii) to file by June 30, 2017, a post-effective amendment to the registration statement covering the sale of the shares of common stock initially issued to United Wireless pursuant to the Securities Purchase Agreement and the shares of common stock issuable upon the option granted to United Wireless pursuant to the Securities Purchase agreement, (iii) if the existing warrant held by the Company's chief executive officer is not exercised prior to its expiration date, any re-issuance will not have an exercise price less than the current exercise price and the existing warrants will not be amended to lower the exercise price, and (iv) United Wireless no longer has any obligation to purchase any note pursuant to the Securities Purchase Agreement other than the $1,000,000 note related to the final payment to Intellectual Ventures which was made in November 2017, except in connection with the potential acquisition by the Company of patent rights which triggered a $25,000 loan in connection with the acquisition, and the Company can require United Wireless to make $125,000 working capital loans to the Company, at the Company's sole discretion, on December 31, 2017, March 31, 2018 and June 30, 2018 pursuant to securities purchase agreement dated October 22, 2015 more fully described in the Company's Annual Report on Form 10-K for the year ended December 31, 2016, and, in such event, United Wireless would have a 7½% net proceeds percentage interest in the net proceeds from such patent. On June 15, 2017, the Company amended its certificate of incorporation to increase its authorized common stock to 10,000,000,000 shares. On June 30, 2017, the Company filed a post-effective amendment to the registration statement covering the sale of the shares of common stock initially issued to United Wireless pursuant to the Securities Purchase Agreement and the shares of common stock issuable upon the option granted to United Wireless pursuant to the Securities Purchase agreement. The registration statement was declared effective on July 6, 2017. United Wireless made a $25,000 loan to the Company to purchase intellectual property from Intellectual Ventures Assets 34 LLC and Intellectual Ventures Assets 37 LLC ("IV 34/37"), for which the Company issued to its 10% promissory note due September 30, 2020 in the principal amount of $25,000 to United Wireless. The payment was made directly to IV 34/37. In connection with the loan, the Company entered into a monetization agreement with United Wireless pursuant to which the Company agreed to pay United Wireless 7½% of the net monetization proceeds from the patents acquired by CXT from IV 34/37. This obligation was 7 ½% of the purchase price of the patents, approximately $59,000, is recorded as an expense related to obtaining the standstill agreement and is reflected in interest expenses. CXT's obligations under the monetization proceeds agreement are secured by a security interest in the proceeds (from litigation or otherwise) from the CXT Portfolio. The security interest in the proceeds from the CXT Portfolio is junior to the security interest held by IV 34/37 in the CXT Portfolio and proceeds thereof. The note payable to United Wireless has been classified as a current liability as of December 31, 2017.

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Interest on all notes issued pursuant to the securities purchase agreement, accrues through September 30, 2018, with accrued interest being added to principal on September 30, 2016, 2017 and 2018. Accordingly, the accrued interest is included in loans payable, related party. During the year ended December 31, 2017, accrued interest of $259,286 had been capitalized.

Because of its right to elect a director of the Company, United Wireless is treated as a related party. Prior to the stock purchase agreement with United Wireless, the Company had no relationship with United Wireless.

Pursuant to the securities purchase agreement and the related agreements that were executed contemporaneously with the securities purchase agreement:

- The Company borrowed a total of $1,150,000 and $1,250,000 from United Wireless in 2017 and 2016, respectively, for which the Company issued its 10% promissory note due September 30, 2020. Notes in the amount of $1,000,000 were issued on October 22, 2015, September 30, 2016 and November 15, 2017 to pay Intellectual Ventures Assets 16, LLC ("Intellectual Ventures") on account of the three installments of the purchase price of the patents purchased from Intellectual Venture (see Note 6), and the balance was paid in cash to the Company for working capital.

- The Company sold United Wireless 50,000,000 shares of common stock for $250,000.

- The Company granted United Wireless an option to purchase 50,000,000 shares of common stock at varying exercise prices. See Note 5.

- United Wireless agreed to make up to an additional $250,000 for working capital.

- The Company entered into a monetization proceeds agreement pursuant to which United Wireless received the right to receive 15% of the net monetization proceeds received from (a) the patents acquired by the Company from Intellectual Ventures and (b) the patents in the Company's mobile data and financial data intellectual property portfolios.

- The Company's obligations under the agreements with United Wireless, including the notes and the monetization proceeds agreement, are secured by a pledge of the stock of the three subsidiaries that hold the patents acquired from Intellectual Ventures and by the proceeds from the intellectual property represented by (i) the patents acquired from Intellectual Ventures and (ii) the intellectual property in the mobile data and financial data portfolios.

- Although the notes have no conversion rights, if a Conversion Eligible Event of Default occurs, the notes become convertible at a conversion price equal to 90% of the closing sale price of the Company's common stock on the principal market on which the common stock is trading on the trading day immediately preceding the date the holder gives notice of conversion. Management has evaluated the conversion feature for derivative accounting consideration under ASC Topic 815-40, Derivatives and Hedging – Contracts in Entity's Own Stock and concluded that it meets the criteria for classification in stockholders' equity. The note contains a limitation on conversion whereby it is convertible except to the extent that the number of shares of the Company's common stock to be issued upon such conversion exceeds the number of authorized but unissued shares of Common Stock; provided, that the Company shall then promptly seek stockholder approval of an amendment to the Company's Certificate of Incorporation increasing its authorized Common Stock to at least the sum of the number of shares of Common Stock outstanding plus the Required Reserve Amount. As a result of the potential inability to have sufficient available authorized common stock due to the reserve requirement, certain other outstanding instruments have been accounted for as derivative liabilities since January 22, 2016 (see Note 4). As a result of fluctuations in the Company's stock price, from time to time, but never for a period exceeding 135 days, the Company had insufficient authorized shares of common stock necessary for United Wireless to convert its notes and exercise its options. On June 15, 2017, the Company amended its certificate of incorporation to increase its authorized common stock to 10,000,000,000 shares.

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- The Company has agreed that, as long as United Wireless' stockholding in the Company exceed 10%, United has the right to designate one member of the board of directors and at such time and for as long as United's stockholdings exceed 24.9%, United may nominate a second director to the board. Unless a Conversion Eligible Event of Default shall have occurred, United Wireless agreed not to seek to elect a majority of the board for a period of at least three years from the closing date. Although United Wireless transferred the shares of common stock to its stockholders as a dividend and transferred the options to an affiliate, United Wireless advised the Company that it did not assign the right to designate directors. The Company agreed that the size of the board would not exceed five.

- The holders of the notes also have the right to demand redemption of the notes at 110% of the principal amount of the note in the event of a change of control of the Company.

The fair value of the options (see Note 5) granted to United Wireless was $220,000.

Management has evaluated the option for derivative accounting consideration under ASC Topic 815-40, Derivatives and Hedging – Contracts in Entity's Own Stock and concluded that the option meets the criteria for classification in stockholders' equity. Therefore, derivative accounting is not applicable for the option.

The fair value of the investment proceeds was allocated among the notes, common stock, and options as follows:

Relative fair value of options	$	191,860
Relative fair value of stock	$	218,024
Relative fair value of note payable	$	1,090,116

In connection with the funding which the Company obtained from United Wireless to purchase the patents, the Company entered into a monetization agreement with United Wireless pursuant to which the Company agreed to pay United Wireless 15% of the net monetization proceeds from the patents acquired in October 2015 and the intellectual property in the Company's mobile data and financial data portfolios. This obligation was recorded as 15% of the purchase price of the patents, or $450,000, and is reflected as net monetization obligations. The Company granted to United Wireless a security interest in the stock of the three subsidiaries which own the patents acquired in October 2015 and the proceeds from these patents and the intellectual property in the Company's mobile data and financial data portfolios as s security for the Company's obligations to United Wireless.

The allocation of proceeds resulted in a discount from the note payable of $188,023. In addition, the Company recognized a discount associated with the monetization agreement of $450,000. These discounts and debt issuance costs of $60,958, total $698,981, will be amortized and charged to interest expense over the life of the notes using the effective interest rate method. As of December 31, 2017 and December 31, 2016, $181,799 and $82,805 of the discount and debt issuance cost have been amortized, respectively. The effective interest rate on the notes, including the discount, is 33%.

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Long term liabilities

The purchase price of patents at December 31, 2017 represents the non-current portion of minimum payments due under the agreement between CXT Systems, Inc. ("CXT"), a wholly owned subsidiary, and Intellectual Ventures Assets 34, LLC and Intellectual Ventures 37, LLC ("IV 34/37") pursuant to which at closing CXT acquired by assignment all right, title, and interest in a portfolio of thirteen United States patents (the "CXT Portfolio"). Under the agreement, CXT will distribute 50% of net recoveries, as defined, to IV 34/37. CXT advanced $25,000 to IV 34/37 at closing, and agreed, pursuant to an amendment dated January 26, 2018, that in the event that, on December 31, 2018, December 31, 2019 and December 31, 2020, cumulative distributions to IV 34/37 total less than $100,000, $375,000 and $975,000, respectively, CXT shall pay the difference necessary to achieve the applicable minimum payment amount within ten days after the applicable date; with any advances being credited toward future distributions to IV 34/36. No affiliate of CXT has guaranteed the minimum payments. CXT's obligations under the agreement are secured by a security interest in the proceeds (from litigation or otherwise) from the CXT Portfolio.

NOTE 4 –DERIVATIVE LIABILITIES

Because there is not a fixed conversion price, remaining compliant with the reserve requirement under the United Wireless note is outside of the control of the Company. As a result of this, the Company has a potential inability to have sufficient available authorized common shares to settle certain outstanding instruments beginning with the date that the reserve requirement went into effect on January 22, 2016. There is no limit on the number of shares issuable under the note, and absent an increase in the stock price or an increase in authorized shares, there are potentially not enough authorized shares to satisfy the exercise of the options, thus the Company determined the options qualify as derivative liabilities under ASC Topic 815. On January 22, 2016, the Company reclassified all non-employee warrants and options as derivative liabilities and revalued them at their fair values at each balance sheet date. Any change in fair value was recorded as non-operating, non-cash income or expense for each reporting period at each balance sheet date.

As of December 31, 2017, and December 31, 2016, the aggregate fair value of the outstanding derivative liability was approximately $90,000 and $140,000, respectively.

The Company estimated the fair value of the derivative liability using the Black-Scholes option pricing model using the following key assumptions during the period ended December 31, 2017:

	Period Ended December 31, 2017
Volatility	426 % - 471%
Risk-free interest rate	1.36%
Expected dividends	-%
Expected term	2.75 - 4.70 years

The following schedule summarizes the valuation of financial instruments that are remeasured on a recurring basis at fair value in the balance sheets as of December 31, 2017 and 2016:

	Fair Value Measurements as of					
	December 31, 2017			December 31, 2016		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets						
None	-	-	-	-	-	-
Total assets	-	-	-	-	-	-
Liabilities						
Conversion option derivative liability	-	-	90,000	-	-	140,000
Total liabilities	$ -	$ -	$ 90,000	$ -	$ -	$ 140,000

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The following table sets forth a reconciliation of changes in the fair value of derivative liabilities classified as Level 3 in the fair value hierarchy:

	Significant Unobservable Inputs (Level 3) as of December 31, 2017
Balance - December 31, 2015	$ 0
Fair value on date of initial recognition of derivative	200,000
Change in fair value	(60,000)
Balance – December 31, 2016	140,000
Change in fair value	(50,000)
Balance - December 31, 2017	$ 90,000

NOTE 5 -STOCKHOLDERS' EQUITY

Increase in Authorized Common Stock

On June 15, 2017, the Company amended its certificate of incorporation to increase its authorized common stock to 10,000,000,000 shares.

Issuance of Common Stock

On November 10, 2017, the board of directors adopted the 2017 Equity Incentive Plan pursuant to which we can issue up to 150,000,000 shares of common stock pursuant to non-qualified stock options, restricted stock grants and other equity-based incentives. On November 10, 2017, the board granted restricted stock grants to its three directors for services rendered to the Company, of which 60,000,000 shares were issued to Jon C. Scahill and 5,000,000 shares were issued to each of Dr. William Ryall Carroll and Timothy J. Scahill. The right to the shares vested upon the grant. During the year ended December 31, 2017, we recognized compensation expense of $77,000, representing closing price of the common stock on the grant date. The issuance of the shares was exempt from registration under the Securities Act pursuant to Section 4(a)(2) of the Securities Act as a transaction not involving a public offering.

As of December 31, 2017, there was no unamortized option expense associated with compensatory options.

A summary of the status of the Company's stock options and changes is set forth below:

	Number of Options (#)	Weighted Average Exercise Price ($)	Weighted Average Remaining Contractual Life (Years)
Balance - December 31, 2015	50,000,000	0.03	4.75
Granted	-	-	-
Cancelled	-	-	-
Expired	-	-	-
Exercised	-	-	-
Balance - December 31, 2016	50,000,000	0.03	3.75
Granted	-	-	-
Cancelled	-	-	-
Expired	-	-	-
Exercised	-	-	-
Balance - December 31, 2017	50,000,000	0.03	2.75
Options exercisable at end of year	33,333,334	0.02	-

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Warrants

Pursuant to the restated employment agreement with the Company's chief executive officer, the Company granted to the chief executive office warrants to purchase 60,000,000 shares at $0.004 per share, representing the warrants that had been previously covered in his prior employment agreement dated January 1, 2014. These warrants are deemed to have been outstanding since January 1, 2014. The warrants expired unexercised on March 1, 2018.

As of December 31, 2017, there was no unamortized warrant expense.

A summary of the status of the Company's stock warrants and changes is set forth below:

	Number of Warrants (#)	Weighted Average Exercise Price ($)	Weighted Average Remaining Contractual Life (Years)
Balance - December 31, 2015	65,000,000	0.004	2.17
Granted	-	-	-
Cancelled	-	-	-
Expired	-	-	-
Exercised	-	-	-
Balance - December 31, 2016	65,000,000	0.004	1.17
Granted	-	-	-
Cancelled	-	-	-
Expired	-	-	-
Exercised	-	-	-
Balance - December 31, 2017	65,000,000	0.004	0.17
Warrants exercisable at end of year (1)	65,000,000	0.004	-

(1) All outstanding warrants expired unexercised on March 1, 2018.

NOTE 6 – INTANGIBLE ASSETS

Intangible assets include patents purchased and are recorded based at their acquisition cost. Intangible assets consisted of the following:

	December 31, 2017	December 31, 2016	Weighted average amortization period (years)
Patents	$ 4,000,000	$ 3,000,000	9.8
Less: net monetization obligations	(509,811)	(450,000)	
Imputed interest	(376,291)	(173,769)	
Subtotal	3,113,898	2,376,231	
Less: accumulated amortization	(650,559)	(319,284)	
Net value of intangible assets	$ 2,463,338	$ 2,056,947	8.15

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Intangible assets are comprised of patents with estimated useful lives. The intangible assets at December 31, 2017 represent: (1) patents acquired in October 2015 for a purchase price of $3,000,000, the useful lives of the patents, at the date of purchase, was 6-10 years, and (2) patents acquired in July 2017 pursuant to an obligation to pay 50% of net revenues to IV 34/37, against which $25,000 was paid in July 2017 and provided that in the event that, on December 31, 2018, December 31, 2019 and December 31, 2020, cumulative distributions of 50% of net revenues to IV 34/37 total less than $100,000, $375,000 and $975,000, respectively, CXT shall pay the difference necessary to achieve the applicable minimum payment amount within ten days after the applicable date; with any advances being credited toward future distributions to IV 34/36; the useful lives of the patents, at the date of acquisition, was 5-6 years. The Company amortizes the costs of intangible assets over their estimated useful lives on a straight-line basis. Costs incurred to acquire patents, including legal costs, are also capitalized as long-lived assets and amortized on a straight-line basis with the associated patent. Amortization of patents is included as a selling, general and administrative expense as reflected in the accompanying consolidated statements of operations.

The Company assesses intangible assets for any impairment to the carrying values. As of December 31, 2017, management concluded that there was no impairment to the acquired assets. At December 31, 2017, the book value of the Company's intellectual property was $2,463,338.

Amortization expense for patents comprised $331, 275 and $261,784 for the year ended December 31, 2017 and 2016, respectively. Future amortization of intangible assets is as follows:

Year ended December 31,	
2018	$ 417,719
2019	417,719
2020	417,719
2021	413,658
2022 and thereafter	796,523
Total	$ 2,463,338

As discussed in Note 3, 15% of the proceeds from the patents acquired from Intellectual Ventures in October 2015 will be paid to our lender, United Wireless. This monetization obligation was recognized as a discount to the loan and will be amortized over the life of the loan using the effective interest method. In addition, the Company entered into a monetization agreement with United Wireless pursuant to which the Company agreed to pay United Wireless 7.5% of the net monetization proceeds from the patents acquired by CXT in July 2017. This obligation was recorded as an expense and is reflected in operating expenses.

The Company granted IV 34/37 a security interest in the patents transferred to the Company as security for the payment of the balance of the purchase price. The security interest of IV 34/37 is senior to the security interest of United Wireless in the proceeds derived from such patents.

The balance of the purchase price of the patents is reflected as follows:

Current Liabilities:	2017		2016
Purchase price of patents, current portion	100,000	$	1,000,000
Unamortized discount			(80,528)
Non-current liabilities:			
Purchase price of patents, long term	875,000	$	-
Unamortized discount	(175,243)		-
Total current and non-current	799,757		919,472
Effective interest rate of Amortized over 2 years			9.2-9.6%

Because the non-current minimum payment obligations of $875,000 are due over the next three years, the Company imputed interest of 10% and the interest will be accreted up to the maturity date.

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NOTE 7 – NON-CONTROLLING INTEREST

The following table reconciles equity attributable to the non-controlling interest related to Quest Packaging Solutions Corporation.

	December 31,			
	2017		2016	
Balance, beginning of year	$	2,487	$	2,597
Net income (loss) attributable to non-controlling interest	$	732	$	(110)
Balance, end of year	$	3,219	$	2,487

NOTE 8 – INCOME TAXES

The Company uses the liability method, where deferred tax assets and liabilities are determined based on the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial and income tax reporting purposes. The Tax Cuts and Jobs Act was signed into law on December 22, 2017, and changed many aspects of US corporate income taxation. The deferred tax asset and valuation allowance was adjusted to reflect the new tax rate. As of December 31, 2017, the Company has generated approximately $5,524,067 of net operating loss ("NOL") carry forwards which will expire in the years 2024 and beyond. Internal Revenue Code section 382 ("Section 382") restricts the use of these net operating losses in future periods if the Company has a "substantial change in ownership" as defined by Section 382. The Company has had significant equity transactions in both the current and prior periods. Due to this equity activity and the restrictions resulting under Section 382, most of the Company's NOLs may not be available to offset future taxable income. Therefore, the Company has fully reserved the deferred tax asset resulting from the net operating loss carry forwards.

Deferred tax asset consisted primarily of the following:

	December 31,			
	2017		2016	
Net operating loss carry forward	$	1,436,257	$	1,868,607
Intangible Assets		101,023		53,100
Valuation allowance	$	(1,537,280)	$	(1,921,707)
Balance, end of year	$	-	$	-

Tax expense consisted primarily of the following:

	December 31,			
	2017		2016	
Federal	$	-	$	-
State		4,500		2,159
Foreign		101,505		
Deferred		-		-
Total	$	106,005	$	2,159

The Company's tax expense does not reflect the statutory rate since the Company's deferred tax asset is fully offset by a valuation allowance. The statute of limitations is open for the tax years ending December 31, 2014 and thereafter.

The Company's foreign tax expense reflects the tax withheld by the foreign jurisdiction on investment income received by the Company and not exempt under the United States tax treaty, if any, with the respective foreign jurisdiction.

NOTE 9 – RELATED PARTY TRANSACTIONS

The Company has at various times entered into transactions with related parties, including officers, directors and major shareholders, wherein these parties have provided services, advanced or loaned money, or both, to the Company needed to support its daily operations. The Company discloses all related party transactions.

See Notes 3 and 5 in connection with transactions with United Wireless.

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See Note 10 with respect to the employment agreement with the Company's president and chief executive officer.

During 2017, the Company contracted with an entity owned by the chief technology officer for the provision of information technology services to the Company. In 2017, the cost of these services was approximately $1,054.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Employment Agreements

Pursuant to a restated employment agreement, dated November 30, 2014, with the Company's president and chief executive officer, the Company agreed to employ him as president and chief executive officer for a term of three years, commencing January 1, 2014, and continuing on a year-to-year basis unless terminated by either party on not less than 90 days' notice prior to the expiration of the initial term or any one-year extension. The agreement provides for an initial annual salary of $252,000, which may be increased, but not decreased, by the board or the compensation committee. In March 2016, the Company's board of directors increased the chief executive officer's annual salary to $300,000, effective January 1, 2016. The chief executive officer is entitled to a bonus if we meet or exceed performance criteria established by the compensation committee. In August 2016, the Company's board of directors approved annual bonus compensation equal to 30% of the amount by which our consolidated income before income taxes exceeds $500,000, but, if the Company is subject to the limitation on deductibility of executive compensation pursuant to Section 162(m) of the Internal Revenue Code, the bonus cannot exceed the amount which would be deductible pursuant to Section 162(m). The chief executive officer is also eligible to participate in any executive incentive plans which the Company may adopt.

Inventor Royalties, Contingent Litigation Funding Fees and Contingent Legal Expenses

In connection with the investment in certain patents and patent rights, certain of the Company's operating subsidiaries executed agreements which grant to the former owners of the respective patents or patent rights, the right to receive inventor royalties based on future net revenues (as defined in the respective agreements) generated as a result of licensing and otherwise enforcing the respective patents or patent portfolios.

The Company's operating subsidiaries may engage third party funding sources to provide funding for patent licensing and enforcement. The agreements with the third party funding sources may provide that the funding source receive a portion of any negotiated fees, settlements or judgments. In certain instances, these third party funding sources are entitled to receive a significant percentage of any proceeds realized until the third party funder has recouped agreed upon amounts based on formulas set forth in the underlying funding agreement, which may reduce or delay and proceeds due to the Company.

The Company's operating subsidiaries may retain the services of law firms in connection with their licensing and enforcement activities. These law firms may be retained on a contingent fee basis whereby the law firms are paid on a scaled percentage of any negotiated fees, settlements or judgments awarded based on how and when the fees, settlements or judgments are obtained.

Depending on the amount of any recovery, it is possible that all the proceeds from a specific settlement may be paid to the funding source and legal counsel.

The economic terms of the inventor agreements, funding agreements and contingent legal fee arrangements associated with the patent portfolios owned or controlled by the Company's operating subsidiaries, if any, including royalty rates, proceeds sharing rates, contingent fee rates and other terms, vary across the patent portfolios owned or controlled by the operating subsidiaries. Inventor royalties, payments to noncontrolling interests, payments to third party funding providers and contingent legal fees expenses fluctuate period to period, based on the amount of revenues recognized each period, the terms and conditions of revenue agreements executed each period and the mix of specific patent portfolios with varying economic terms and obligations generating revenues each period. Inventor royalties, payments to third party funding sources and contingent legal fees expenses will continue to fluctuate and may continue to vary significantly period to period, based primarily on these factors.

In March 2014, the Company entered into a funding agreement whereby a third party agreed to provide funds to us to enable us to implement a structured licensing program, including litigation if necessary, for the Mobile Data. Under the funding agreement, the third party receives an interest in the proceeds from the program, and we have no other obligation to the third party. In April and June 2014, as part of a structured licensing program for the Mobile Data portfolio, Quest Licensing Corporation brought patent infringement suits in the U.S. District for the District of Delaware against Bloomberg LP et. al., FactSet Research Systems Inc., Interactive Data Corporation, SunGard Data Systems Inc. and The Charles Schwab Corporation et. al. These cases have been consolidated for trial. In June and August 2016, Quest Licensing Corporation entered into a settlement agreement with SunGard Data Systems Inc. and FactSet Research Systems Inc. As of December 31, 2017, the third-party litigation has advanced approximately $3,000,000 in litigation fees, costs and expenses. Under the terms of the funding agreement, the third-party funder is entitled to a priority return of funds advanced from any proceeds recovered. The Company's management fees and management support services expenses relate to this agreement.

Patent Enforcement and Other Litigation

Certain of the Company's operating subsidiaries are engaged in litigation to enforce their patents and patent rights. In connection with these patent enforcement actions, it is possible that a defendant may request and/or a court may rule that an operating subsidiary has violated statutory authority, regulatory authority, federal rules, local court rules, or governing standards relating to the substantive or procedural aspects of such enforcement actions. In such event, a court may issue monetary sanctions against the Company or its operating subsidiaries or award attorney's fees and/or expenses to a defendant(s), which could be material, and if required to be paid by the Company or its operating subsidiaries, could materially harm the Company's operating results and financial position. Since the operating subsidiaries do not have any assets other than the patents, and the Company does not have any available financial resources to pay any judgment which a defendant may obtain against a subsidiary, such a judgement may result in the bankruptcy of the subsidiary and/or the loss of the patents, which are the subsidiaries' only assets.

On January 19, 2017, the court in the Mobile Data Portfolio litigation granted the defendants' motion for summary judgment of non-infringement, which Quest Licensing Corporation has appealed. Following the court's decision granting the defendant's motion for summary judgment, the defendants moved for an award of attorneys' fees under Section 285 of the patent act which provides that "the court in exceptional cases may award reasonable attorney fees to the prevailing party." Such a motion, if granted, would result in a judgment against Quest Licensing Corporation, which does not have the financial resources to enable it to pay any judgment which may be rendered against it, and, the defendants may seek to enforce their judgment by seeking to foreclose on the patents owned by the subsidiary or seek to force the subsidiary into bankruptcy and purchase the patents in the bankruptcy proceeding, either of which could result in a default under the Company's agreement with United Wireless. The possible amount of any judgment cannot be estimated and the funding source for the litigation will not provide the Company with funds to pay an adverse judgment. On June 29, 2017, the defendants' motion for attorney fees in the Mobile Data litigation was denied, without prejudice. Defendants may renew their motion thirty days from the decision of the appellate court on Quest Licensing Corporation's appeal.

NOTE 11 – SUBSEQUENT EVENTS

On January 26, 2018, CXT entered into an agreement with Intellectual Ventures Assets 62 LLC and Intellectual Ventures Assets 71 LLC "(IV 62/71") pursuant to which CXT advanced IV 62/71 $10,000 at closing and IV 62/71 assigned to CXT all right, title, and interest in a portfolio of sixteen United States patents and three pending applications. Under the agreement, CXT will distribute 50% of net proceeds, as defined, to IV 62/71, from the assigned patents; with any advances being credited toward future distributions to IV 62/71. CXT's obligations under the agreement are secured by a security interest in the proceeds (from litigation or otherwise) from the patents acquired from IV 62/71. The Company agreed to modify the monetization proceeds agreement between CXT and United Wireless to include the patents acquired from IV 62/71.

On January 26, 2018, Photonic Imaging Solutions Inc. ("PIS"), a wholly-owned subsidiary, entered into an agreement with Intellectual Ventures Assets 64 LLC ("IV 64") pursuant to which PIS advanced $10,000 to IV 64 at closing and IV 64 assigned to PIS all right, title, and interest in the eleven United States patents and sixteen foreign patents ("CMOS Portfolio"). Under the agreement, PIS will distribute to IV 64 (a) 70% of the first $1,500,000 of revenue, as defined in the agreement, (b) 30% of the next $1,500,000 of revenue and (c) 50% of revenue in excess of $3,000,000; with any advances being credited toward future distributions to IV 64. PIS' obligations under the monetization proceeds agreement are secured by a security interest in the proceeds (from litigation or otherwise) from the portfolio.

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PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION. (1)

Nature of Expense:	Amount
SEC Registration Fee	$ 50.35
Accounting fees and expenses	1,800.00
Legal fees and expenses	22,000.00
Printing	600.00
Miscellaneous	549.65
Total	$ 25,000.00

(1) All expenses, except the SEC registration fee, are estimated.

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Section 145 of the Delaware General Corporation Law gives us broad authority to indemnify our officers and directors. under certain prescribed circumstances and subject to certain limitations against certain costs and expenses, including attorney's fees actually and reasonably incurred in connection with any action, suit or proceeding, whether civil, criminal, administrative or investigative, to which a person is a party by reason of being a director or officer if it is determined that such person acted in accordance with the applicable standard of conduct set forth in such statutory provisions. Our certificate of incorporation provides that we shall indemnify our officers and directors and others whom we are permitted to indemnify to the maximum extent permitted by Delaware law. Our by-laws have broad indemnification provisions for our board of directors, consistent with Section 145 of the Delaware General Corporation Law. We also have indemnification agreements with our directors which are consistent with our certificate of incorporation and bylaws.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers or persons controlling us pursuant to the foregoing provisions, or otherwise, we have been advised that in the opinion of the Securities and Exchange Commission, such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES

(a) Pursuant to the Company's restated employment agreement with Jon C. Schahill, its chief executive officer, on October 30, 2014, the Company issued 30,000,000 shares of common stock to Mr. Scahill. Pursuant to the agreement, Mr. Scahill's rights to the stock vested on January 15, 2015; provided that if he is not employed by the Company at such date other than as a result of his death or disability, his rights to the shares shall be forfeited, although the chief executive officer had the right to vote the shares immediately upon issuance. These shares vested on January 15, 2015. The value of the shares, $63,000, is reflected as stock-related compensation during the nine months ended September 30, 2015. The issuance of the shares is exempt from registration pursuant to Section 4(a)(2) of the Securities Act as a transaction not involving a public offering.

(b) On October 22, 2015, pursuant to a securities purchase agreement among the Company, certain of its subsidiaries, and United Wireless Holdings, Inc., we issued to United Wireless:

(i) 50,000,000 shares of common stock for $250,000.

(ii) An option to purchase 50,000,000 shares of common stock, with exercise prices of $0.01 per share as to 16,666,667 shares, which may be exercised from September 30, 2016 through September 30, 2020, $0.03 per share as to 16,666,667 shares, which may be exercised from September 30, 2017 through September 30, 2020, and $0.05 per share as to 16,666,666 shares, which may be exercised from September 30, 2018 through September 30, 2020.

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(iii) A promissory note in the principal amount of $1,250,000, which becomes convertible upon the occurrence of certain events of defaults.

In addition, United Wireless agreed to make additional loans to the Company in the aggregate amount of $3,000,000, at the times and under the conditions set forth in the securities purchase agreement.

The issuance of the securities to United Wireless was exempt from registration pursuant to Section 4(a)(2) as a transaction not involving a public offering. No underwriter or broker was involved in the issuance of the securities to United Wireless.

(c) In November 2017, the Company granted 60,000,000 shares to Jon C. Scahill and 5,000,000 shares to each of Timothy J. Scahill and Dr. William Ryall Carroll, each of whom is a director of the Company. The shares were issued pursuant to the Company's 2017 Long Term Incentive Plan, and the issuance of the shares is exempt from registration pursuant to Section 4(a)(2) of the Securities Act as a transaction not involving a public offering.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

Exhibit Number	Description
3.1	Amended and Restated Articles of Incorporation of the Company[5]
3.1.1	Certificate of amendment to the Company's amended and restated certificate of incorporation[7]
3.2	Bylaws of the Company[3]
5.1	Opinion of Ellenoff Grossman & Schole LLP[4]
10.1	Restated Employment Agreement dated as of November 30, 2014 between the issuer and between the Company and Jon C. Scahill.[1]
10.2	Separation Agreement and Mutual General Release dated October 10, 2014 between the Company and Burton Goldstein.[1]
10.3	Separation Agreement and Mutual General Release dated October 10, 2014 between the Company and Herbert Reichlin.[1]
10.4	Restricted Stock Grant dated October 30, 2014 between the Company and Jon C. Scahill.[1]
10.5	License Agreement dated March 26, 2008 between the Company and Emerging Technologies Trust.[1]

10.6	Licensing Services Agreement dated July10, 2008 between the Company and Balthaser Online, Inc.[1]
10.7	Patent Purchase Agreement dated December 21, 2009 between Company and Intertech Holdings, LLC.[1]
10.8	Consulting Agreement dated August 11, 2010 between the Company and Alex W. Hart.[1]
10.9	Agreement dated February 8, 2011 between the Company and Sol Li.[1]
10.10	Agreement dated June 26, 2013 between the Company and The Betting Service Ltd. and Neil Riches.[1]
10.11	Funding Agreement dated March 13, 2014 between the Company and Longford Capital Fund I, LP, (subject to order granting confidential treatment).[1]
10.12	Agreement dated April 1, 2014 between the Company and Allied Standard Limited.[1]
10.13	Form of warrant issued to Messrs. Goldstein and Reichlin.[1]
10.14	Form of warrant issued to Mr. Jon C. Scahill.[1]
10.15	Form of indemnification agreement.[1]
10.16	Securities Purchase Agreement, dated as of October 22, 2015 among the Company, Quest Licensing Corporation, Wynn Technologies, Inc., Mariner IC Inc., Semcon IP Inc., IC Kinetics Inc. and United Wireless Holdings, Inc.[2]
10.17	Promissory note due September 30, 2020 issued by the Company in the principal amount of $1,250,000.[2]
10.18	Monetization Proceeds Agreement, dated as of October 22, 2015 among the Company, Quest Licensing Corporation, Wynn Technologies, Inc., Mariner IC Inc., Semcon IP Inc., IC Kinetics Inc. and United Wireless Holdings, Inc.[2]

10.19	Patent Proceeds Security Agreement, dated as of October 22, 2015 among the Company, Quest Licensing Corporation, Wynn Technologies, Inc., Mariner IC Inc., Semcon IP Inc., IC Kinetics Inc. and United Wireless Holdings, Inc.[2]
10.20	Pledge and Security Agreement, dated as of October 22, 2015 between the Company and United Wireless Holdings, Inc.[2]
10.21	Registration Rights Agreement, dated as of October 22, 2016 between the Company and United Wireless Holdings, Inc.[2]
10.22	Patent Sale Agreement, effective July 8, 2015 between Intellectual Ventures Assets 16 LLC and the Company.[2]
10.23	Indemnification agreement, dated December 8, 2014, between the Company and Jon C. Scahill.[4]
10.24	Indemnification agreement, dated December 8, 2014, between the Company and Timothy J. Scahill.[4]
10.25	Indemnification agreement, dated December 8, 2014, between the Company and Dr. William Ryall Carroll.[4]
10.26	Standstill agreement, dated June 12, 2017, between the Company, certain subsidiaries and United Wireless.[6]
10.27	Monetization Proceeds Agreement dated as of July 31, 2017 among CXT Systems, Inc. and United Wireless Holdings, Inc.[8]
10.28	2017 Equity Incentive Plan[8]
23.1	Consent of independent registered public accounting firm[6]
23.2	Consent of counsel (included in Exhibit 5.1).

1 Filed as an exhibit to the Company's report on Form 10-K for the year ended December 31, 2012, which was filed with the SEC on December 15, 2014 and incorporated herein by reference.
2 Filed as an exhibit to the Company's Form 8-K, which was filed with the SEC on October 28, 2015 and incorporated herein by reference.
3 Filed as an exhibit to the Company's report on Form 10-K for the year ended December 31, 2013, which was filed with the SEC on April 10, 2015 and incorporated herein by reference.
4 Filed as exhibit to Amendment No. 1 to the Company's registration statement on Form S-1, which was filed with the SEC on February 3, 2016, and incorporated herein by reference.
5 Filed as an exhibit to the Company's Form 8-K, which was filed with the SEC on January 26, 2016 and incorporated herein by reference.
6 Filed herewith
7 Filed as an exhibit to the Company's Form 8-K, which was filed with the SEC June 16, 2017 and incorporated herein by reference.
8 Filed as an exhibit to the Company's Form 10-K for the year ended December 31, 2017, which was filed with the SEC on April 2, 2018, and incorporated hereby by reference.

ITEM 17. UNDERTAKINGS.

We hereby undertake:

(a)(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement.

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

(2) That, for the purpose of determining any liability under the Securities Act of 1933, to any purchaser, each prospectus filed by the registrant pursuant to Rule 424(b)(3) and (h) of this chapter shall be deemed to be part of the registration statement as of the date the filed prospectus was deemed part of and included in the registration statement:

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(b) If the registrant is subject to Rule 430C, each prospectus filed pursuant to Rule 424(b) as part of a registration statement relating to an offering, other than registration statements relying on Rule 430B or other than prospectuses filed in reliance on Rule 430A, shall be deemed to be part of and included in the registration statement as of the date it is first used after effectiveness. Provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date of first use.

(c) Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Company pursuant to the foregoing provisions, or otherwise, the Company has been advised that in the opinion of the Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than director, officer or controlling person in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Company will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by the Company is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned hereunto duly authorized in Rye, New York this 4th day of May, 2018.

QUEST PATENT RESEARCH CORPORATION

By: /s/ Jon C. Scahill
Jon C. Scahill,
Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, as amended, this registration statement has been signed below by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Jon C. Scahill Jon C. Scahill	Chief Executive Officer, Chief Financial Officer and Director (principal executive and financial officer)	May 4, 2018
/s/ Timothy J. Scahill Timothy J. Scahill	Director	May 4, 2018
/s/ Dr. William Ryall Carroll Dr. William Ryall Carroll	Director	May 4, 2018

EX-10.26 2 posam2017a2ex10-26_quest.htm STANDSTILL AGREEMENT, DATED JUNE 12, 2017, BETWEEN THE COMPANY, CERTAIN SUBSIDIARIES AND UNITED WIRELESS

Exhibit 10.26

STANDSTILL AGREEMENT

This STANDSTILL AGREEMENT (this "**Agreement**"), dated as of June 12, 2017, to and under the Securities Purchase Agreement referenced below, is among **Quest Patent Research Corporation**, a Delaware corporation (the "**Company**"), **Quest Licensing Corporation**, a Delaware corporation, **Wynn Technologies, Inc.**, a New York corporation, **Mariner IC Inc.**, a Texas corporation, **Semcon IP Inc.**, a Texas corporation and **IC Kinetics Inc.**, a Texas corporation, **United Wireless Holdings, Inc.**, a Delaware corporation (the "**Buyer**"), and **Andrew C. Fitton** and **Michael R. Carper** (together, the "**Buyer's Transferees**").

RECITALS:

A. The parties hereto entered into that certain Securities Purchase Agreement dated October 22, 2015 (the "**Securities Purchase Agreement**").

B. The Buyer has asserted and continues to assert that the following Events of Default (the "**Alleged Defaults**") known to the Buyer have occurred and are continuing:

(i) An Event of Default under Section 4(a)(i) of each Note as a result of the Registration Statement ceasing to be effective or being unavailable to the holder of the Notes or sale of all of such holder's Registrable Securities commencing on or about November 11, 2016, due to the audited consolidated balance sheet of the Company contained therein being as of a date more than 16 months prior to such date, and the related Maintenance Failure as such term as defined in Section 2(f) of the Registration Rights Agreement.

(ii) An Event of Default under Section 4(a)(iv) of each Note as a result of the Company's failure to pay the applicable Registration Delay Payments and accrued interest thereon when due as provided in Section 2(f) of the Registration Rights Agreement.

(iii) An Event of Default under Section 4(a)(ix) of each Note as a result of the Company's failure to comply with the requirements of Sections 10 and 13(k) of each Note and of Section 4(j)(ii) of the Securities Purchase Agreement, which the Buyer asserts constitutes one or more Conversion Eligible Events of Default that have occurred and are continuing.

(iv) An Event of Default under Section 4(a)(xiv) of each Note as a result of each of the foregoing.

C. The Buyer asserts that as a result of the Alleged Defaults, the Buyer has the right to exercise certain rights and remedies under the Securities Purchase Agreement and the other Transaction Documents. (This statement shall in no way be construed as an acknowledgement or agreement by the Company that any of the Alleged Defaults does exist or is continuing, which Company disputes and continues to dispute.)

D. The Company disputes that here has been any material breach by the Company under any of the provisions recited above. (This statement shall in no way be construed as an acknowledgement or agreement by the Buyer that any of the Alleged Defaults does not exist or is not continuing, which Buyer continues to assert.)

E. The Buyer, Company and each SPA Subsidiary have agreed to enter into this Agreement to provide the opportunity to resolve the disputes regarding the Alleged Defaults in an amicable manner and to facilitate the continued functioning of the Company and the SPA Subsidiaries in its normal course of business during the Standstill Period with each party retaining its rights related to the Alleged Defaults.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

Section 1. **<u>Definitions</u>**. Each capitalized term used herein but not otherwise defined herein has the meaning given to such term in the Securities Purchase Agreement or another Transaction Document.

"Effective Date" means the date on which the parties execute this Agreement.

"**Required Actions**" means the actions under Section 2.1(b), Section 2.1(e) (only if CTX and the IV Parties execute and deliver to one another the New PSA), Section 2.1(f), and Section 2.1(g).

"Standstill Period" means the period commencing on the Effective Date and ending on the date that is the earliest of (i) June 30, 2017 (or if the Company is complying with its obligations under Section 2.1(f) below, September 15, 2017); (ii) completion of all of the Required Actions (as defined above)), or (iii) the occurrence of any breach of this Agreement or any Event of Default other than the Alleged Defaults.

Section 2. **<u>Buyer, Company and SPA Subsidiary Agreements and Acknowledgements</u>.**

2.1 <u>Agreements</u>.

(a) The Buyer shall immediately provide to the Company the fixed stock sale price and information regarding the selling stockholders required for the filing by the Company of a Post-Effective Amendment No. 1 to the S-1 Registration Statement (file No. 333-208536) as required by the Registration Rights Agreement, along with the Buyer's consent to file such Post-Effective Amendment and to request acceleration of the effectiveness of such Post-Effective Amendment.

(b) Subject to Buyer's obligations under 2.1 (a) above, the Company shall immediately thereafter file such Post-Effective Amendment with the SEC and use its commercially reasonable efforts to cause it to become effective as soon as practicable. The parties understand and acknowledge that the registration statement may not become effective until sometime after June 30, 2017.

(c) The Buyer shall immediately execute, and deliver to the Company for execution, a Consent to Patent Sale Agreement letter, dated as of the Effective Date, relating to the Patent Sale Agreement (the "**<u>New PSA</u>**") by and between Intellectual Ventures Assets 37 LLC, a Delaware limited liability company, Intellectual Assets Ventures 34 LLC, a Delaware limited liability company (collectively the "**<u>IV Parties</u>**") and CTX Systems, Inc., a Texas corporation and wholly owned subsidiary of the Company ("**<u>CTX</u>**") in substantially the form Attached hereto as <u>Exhibit A</u>.

(d) Subject to Section 2.1 (e) below, the Buyer shall not be obligated to purchase any Additional Notes under Section 1(b)(iii) of the Securities Purchase Agreement (including, for avoidance of doubt, the Additional Note that would have been purchased on March 31, 2017, and with respect to which the Company withdrew its Additional Note Purchase Notice).

(e) If CTX and the IV Parties execute and deliver to one another the New PSA, then:

(i) within three (3) Business Days of execution and delivery of the New PSA, the Buyer shall purchase from the Company under the Securities Purchase Agreement, and the Company shall execute and deliver to the Buyer, a Note in the principal amount of $25,000, in the form of Exhibit A to the Securities Purchase Agreement (the "**<u>New Note</u>**"), and the New Note shall be a "Note" for all purposes under the Securities Purchase Agreement and the other Transaction Documents;

(ii) the Company shall immediately apply the proceeds of the New Note to make the initial payment due to the IV Parties under the New PSA (or direct the Buyer to pay the proceeds thereof directly to the IV Parties for such purpose) and cause the patents to be acquired thereunder to be assigned to CTX;

(iii) the Company and CTX shall promptly thereafter enter into a separate agreement with the Buyer pursuant to which they will grant the Buyer a 7.5% Net Proceeds Percentage interest in the Net Proceeds of the patents to be acquired pursuant to the New PSA on substantially the same terms as the Assigned Rights under the Monetization Proceeds Agreement, provided that upon the first Additional Note Failure, the Net Proceeds Percentage in the patents to be acquired pursuant to the New PSA will be reduced to zero (0%); and

(iv) upon completion of the actions set forth in Sections 2.1 (e) (i) through (iii), then notwithstanding Section 2.1 (d) above, the Buyer will be obligated to purchase Additional Notes under Section 1(b)(iii) of the Securities Purchase Agreement beginning with the Additional Note Closing Date of December 31, 2017, and thereafter, each on the terms and conditions provided therein.

(f) The Company shall within the term of the Standstill Period hold a meeting of its stockholders for (and the Company's Board of Directors shall recommend to its stockholders) approval of the increase of authorized shares of Common Stock of the Company to 10,000,000,000 shares in the manner described in the Company's Annual report on Form 10-K filed with the SEC on April 17, 2017 (the "**<u>Authorized Increase</u>**"). In the event the stockholders decline to approve the Authorized Increase by June 30, 2017, the Company agrees to promptly notice and hold successive meetings of its stockholders for (and the Company's Board of Directors shall recommend to its stockholders) approval of the Authorized Increase until such time as the Authorized Increase is approved. Buyer's Transferees, by their signatures below, hereby agree to vote 100% of their shares in favor of the Authorized Increase at the meeting or meetings of shareholders described in this paragraph.

(g) Provided delivery occurs by June 23, 2017, within seven (7) days after the delivery to the Company's transfer agent by the Buyer of an opinion of CKR Law LLP or other legal counsel reasonably acceptable to the Company that the restrictive legend can be removed from the shares of Common Stock purchased by the Buyer under the Securities Purchase Agreement (and now held by the Buyer's Transferees) (the "**<u>Buyer Shares</u>**"), the Company shall direct the transfer agent for the Common Stock to accept such opinion and issue new certificates for the Buyer Shares without such legends.

(h) The Company agrees that in the event that the existing warrants to the Company's Chief Executive Officer and Board Member Jon Scahill are not exercised by the date of their expiration, the Company shall not re-issue those warrants (or issue new warrants in an amount to equal or replace those warrants) at a strike price below the existing strike price contained in those warrants, nor shall it amend any such warrants to have a strike price below the existing strike price.

(i) If delivery occurs after June 23, 2017, within seven (7) days after the delivery to the Company's transfer agent by the Buyer of an opinion of CKR Law LLP or other legal counsel reasonably acceptable to the Company that the restrictive legend can be removed from the Buyer Shares, the Company shall direct the transfer agent for the Common Stock to accept such opinion and issue new certificates for the Buyer Shares without such legends.

Section 3. Standstill; Waiver.

3.1 Standstill in Respect of Alleged Defaults**.** In reliance upon the agreements, representations, warranties and covenants of the Buyer, Company and the SPA Subsidiaries contained in this Agreement, and subject to the terms and conditions of this Agreement, the Buyer, the Company and each SPA Subsidiary agrees to forbear during the Standstill Period from exercising any rights and remedies it may have under the SPA, the Transaction Documents or applicable law or otherwise in respect of or arising out of the Alleged Defaults.

3.2 Modifications to Standstill. Any modification to this Agreement to extend the Standstill Period must be set forth in writing and signed by all parties.

3.3 Tolling of Statute of Limitations. The Buyer, Company and each SPA Subsidiary acknowledges and agrees that the running of any statutes of limitation or doctrine of laches applicable to any claims or causes of action that the Buyer or Holders, the Company or any SPA Subsidiary may be entitled to take or bring in order to enforce their rights and remedies against the Buyer or Holders, the Company or any SPA Subsidiary (or any of their respective assets) is, to the fullest extent permitted by law, tolled and suspended during the Standstill Period.

3.4 Limitation on and Inapplicability of Standstill. The Buyer, the Company and each SPA Subsidiary acknowledges and agrees that, notwithstanding the agreement of the Buyer, the Company and each SPA Subsidiary to forbear as described in Section 3.1 hereof, nothing contained in this Agreement shall be construed to limit or affect the right of the Buyer or Holders, the Company or the SPA Subsidiaries to bring or maintain during the Standstill Period any action to enforce or interpret any term or provision of this Agreement or the Transaction Documents, or to file or record instruments of public record (or take other action) to perfect or further protect the liens and security interests granted by Transaction Documents.

3.5 Enforcement Actions after Applicable Standstill Period. Subject to Section 3.6 below, the Buyer, the Company and each SPA Subsidiary acknowledges and agrees that, upon the expiration or termination of the Standstill Period, the agreement of the Buyer, the Company and the SPA Subsidiaries to forbear contained in Section 3.1 hereof shall cease and be of no further force or effect, and the Buyer, the Company and the SPA Subsidiaries shall be entitled to immediately exercise their rights and remedies under the Transaction Documents or applicable law or otherwise in respect of or arising out of the Alleged Defaults or any other Event of Default not waived or then existing, without further notice or demand.

3.6 Waiver and Release. If each of the Required Actions is completed by the termination of the Standstill Period, (a) the Buyer agrees that it shall have, upon such termination, forever waived, released and discharged each Alleged Default existing on the date of this Agreement (including the alleged applicable Registration Delay Payments and alleged accrued interest thereon) and shall have no rights or remedies under the SPA, Transaction Documents or applicable law or otherwise in respect of or arising out of such Alleged Defaults, (b) the Company and each SPA Subsidiary agrees that it shall have, upon such termination, forever waived, released and discharged any and all defaults, breaches and non-compliances by the Buyer or any Buyer's Transferee (and any intermediate transferee of the Buyer Shares) that may exist or be alleged to exist under the SPA or any other Transaction Document on the date of this Agreement and shall have no rights or remedies under the SPA, Transaction Documents or applicable law or otherwise in respect of or arising out of any such actual or alleged defaults, breaches or non-compliances and (c) the Company shall promptly execute and deliver to the Buyer a counterpart of the Assignment and Transfer Agreement in the form of Exhibit B attached hereto. Notwithstanding the foregoing, the Company's inability to complete any Required Action as a result of Buyer's failure to perform under any of Section 2.1(a), Section 2.1(c), and/or Section 2.1(g) hereof or Buyer's Transferees' failure to vote 100% of their shares in favor of the Authorized Increase shall have no effect on the Buyer's waiver and release under Section 3.6(a) or the Company and SPA Subsidiaries' waiver and release under Section 3.6(b).

Section 4. No Waiver or Course of Dealing.

4.1 No Waiver. Except as specifically provided in Section 3.6 hereof, any forbearance provision contained in this Agreement shall not be construed as a consent or waiver by the Buyer or the Holders to or of, and neither the Buyer nor any Holder has consented to or waived or intends to consent to or waive, any defaults or Events of Default (including any Alleged Default) that may exist or that may occur in the future under the Transaction Documents. Similarly, any forbearance provision contained in this Agreement shall not be construed as a consent or waiver by the Company or any SPA Subsidiary to or of, and neither the Company nor any SPA Subsidiary has consented to or waived or intends to consent to or waive, any breach by the Buyer that may exist or that may occur in the future under the Transaction Documents. Nothing contained in this Agreement shall directly or indirectly in any way whatsoever amend or alter any provision of any of the Transactions Documents or any other contract or instrument, or waive, limit or postpone the Buyer's, the Company's or any SPA Subsidiary's obligations under the Transaction Documents or otherwise.

4.2 No Course of Dealing. This Agreement shall not, and shall not be deemed to, establish a custom or course of dealing (including, without limitation, the establishment of a custom or course of dealing requiring the Buyer or Holders to notify the Company or any SPA Subsidiary of (a) any default or Event of Default, (b) its obligations under the Transaction Documents, or (c) the exercise of any rights of the Buyer or Holders under the any of the Transaction Documents, or at law or in equity). Any discussions (whether written or oral) that have occurred or may occur, and any actions taken or not taken by the Buyer or Holders, the Company or any SPA Subsidiary, are not and shall not be deemed to be a waiver, limitation or postponement of any provision of, or any obligation of the Buyer or Holder, the Company or any SPA Subsidiary under, or any right, privilege, remedy, claim or cause of action of the Buyer or Holders, the Company or any SPA Subsidiary under, the Transaction Documents or at law or in equity, all of which rights and remedies are hereby expressly reserved.

Section 5. Miscellaneous

5.1 Confirmation. All of the terms and provisions of the Transaction Documents are, and shall remain, in full force and effect following the Effective Date.

5.2 Counterparts. This Agreement may be executed by one or more of the parties hereto in any number of separate counterparts, and all of such counterparts taken together shall be deemed to constitute one and the same instrument. Delivery of an executed counterpart by facsimile or electronic mail shall be effective as delivery of a manually executed counterpart hereof.

5.3 Governing Law, Jurisdiction, Etc. Sections 8(a), (c) through (h) and (j) through (p) of the Securities Purchase Agreement shall be incorporated herein *mutatis mutandis*.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first written above.

COMPANY:
QUEST PATENT RESEARCH CORPORATION

By: /s/ Jon C. Scahill
Name: Jon C. Scahill
Title: CEO

SPA SUBSIDIARIES:
QUEST LICENSING CORPORATION

By: /s/ Jon C. Scahill
Name: Jon C. Scahill
Title: CEO

WYNN TECHNOLOGIES, INC.

By: /s/ Jon C. Scahill
Name: Jon C. Scahill
Title: CEO

MARINER IC INC.

By: /s/ Jon C. Scahill
Name: Jon C. Scahill
Title: CEO

SEMCON IP INC.

By: /s/ Jon C. Scahill
Name: Jon C. Scahill
Title: CEO

IC KINETICS INC.

By: /s/ Jon C. Scahill
Name: Jon C. Scahill
Title: CEO

BUYER:
UNITED WIRELESS HOLDINGS, INC.

By: /s/ Andrew Fitton
Name: Andrew Fitton
Title: CEO

BUYER'S TRANSFEREES:

/s/ Andrew Fitton
Andrew C. Fitton

/s/ Michael Carper
Michael R. Carper

EX-23.1 3 posam2017a2ex23-1_quest.htm CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the inclusion in this Post-Effective Amendment No. 2 to the Registration Statement on Form S-1 of our report dated April 2, 2018 with respect to the audited consolidated financial statements of Quest Patent Research Corporation for the years ended December 31, 2017 and 2016. Our report contains an explanatory paragraph regarding the Company’s ability to continue as a going concern.

We also consent to the references to us under the heading “Experts” in such Registration Statement.

/s/ MaloneBailey, LLP
www.malonebailey.com
Houston, Texas
May 4, 2018