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

FORM 10-Q

☒ Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended: June 30, 2026

OR

☐ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission File Number 33-18099-NY

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

Delaware	**11-2873662**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
411 Theodore Fremd Ave., Suite 206S Rye, NY	**10580-1411**
(Address of principal executive offices)	(Zip code)

(888) 743-7577
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer ☐	Accelerated filer ☐
Non-accelerated filer ☒	Smaller reporting company ☒
	Emerging growth company ☐

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

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

Securities registered pursuant to Section 12(b) of the Act: None

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. 5,331,973 shares of common stock are issued and outstanding as of August 13, 2026.

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FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements regarding our business, financial condition, results of operations and prospects. Words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates" and similar expressions or variations of such words are intended to identify forward-looking statements, but are not deemed to represent an all-inclusive means of identifying forward-looking statements as denoted in this report. Additionally, statements concerning future matters are forward-looking statements.

Although forward-looking statements in this report reflect the good faith judgment of our management, such statements can only be based on facts and factors currently known by us. Consequently, forward-looking statements are inherently subject to risks and uncertainties and actual results and outcomes may differ materially from the results and outcomes discussed in or anticipated by the forward-looking statements. Factors that could cause or contribute to such differences in results and outcomes include, without limitation, those specifically addressed under the headings "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our report on Form 10-K for the year ended December 31, 2025, in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Form 10-Q and in other reports that we file with the SEC. You are urged not to place undue reliance on these forward-looking statements, which speak only as of the date of this report.

We file reports with the SEC. The SEC maintains a website (www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC, including us. You can also read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. You can obtain additional information about the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330.

We undertake no obligation to revise or update any forward-looking statements in order to reflect any event or circumstance that may arise after the date of this report, except as required by law. Readers are urged to carefully review and consider the various disclosures made throughout the entirety of this quarterly report, which are designed to advise interested parties of the risks and factors that may affect our business, financial condition, results of operations and prospects.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

QUEST PATENT RESEARCH CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2026	December 31, 2025
	(unaudited)	
ASSETS		
Current assets		
Cash and cash equivalents	$ 480,606	$ 192,606
Accounts receivable, net of allowance for credit losses of $0 and $0, respectively	413,480	8,251
Other current assets	33,331	6,399
Total current assets	**927,417**	**207,256**
Patents, net of accumulated amortization of $6,004,656 and $4,856,737, respectively	9,082,344	10,230,263
Total assets	**$ 10,009,761**	**$ 10,437,519**
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities		
Accounts payable and accrued liabilities ($10,000 and $10,000 due to related parties, respectively)	$ 290,426	$ 121,938
Loans payable	138,000	138,000
Funding liability	26,319,092	22,263,516
Loan payable - related party	2,796,500	2,796,500
Warrant liability	259,036	219,458
Accrued interest	2,249,828	1,887,441
Total current liabilities	**32,052,882**	**27,426,853**
Non-current liabilities		
Loan payable – SBA	150,000	150,000
Purchase price of patents	53,665	53,665
Total liabilities	**$ 32,256,547**	**$ 27,630,518**
Commitments and contingencies (Note 2 and Note 9)		
Stockholders' deficit:		
Preferred stock, par value $0.00003 per share - authorized 10,000,000 shares - no shares issued and outstanding	—	—
Common stock, par value $0.00003 per share; authorized 30,000,000 at June 30, 2026 and December 31, 2025; 5,331,973 shares issued and outstanding at June 30, 2026 and December 31, 2025	160	160
Additional paid-in capital	17,680,793	17,680,793
Accumulated deficit	(39,927,967)	(34,874,180)
Total Quest Patent Research Corporation stockholders' deficit	**(22,247,014)**	**(17,193,227)**
Non-controlling interest in subsidiary	228	228
Total stockholders' deficit	**(22,246,786)**	**(17,192,999)**
Total liabilities and stockholders' deficit	**$ 10,009,761**	**$ 10,437,519**

See the accompanying notes to the unaudited condensed consolidated financial statements.

QUEST PATENT RESEARCH CORPORATION AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Revenues				
Patent licensing fees	$ 2,000,000	$ —	$ 2,000,000	$ —
Cost of revenue				
Litigation and licensing expenses	2,348,206	4,789	4,058,377	8,285
Gross loss	(348,206)	(4,789)	(2,058,377)	(8,285)
Operating expenses				
Selling, general and administrative expenses	1,141,097	988,850	2,259,060	1,643,156
Total operating expenses	1,141,097	988,850	2,259,060	1,643,156
Loss from operations	(1,489,303)	(993,639)	(4,317,437)	(1,651,441)
Other income (expenses)				
Change in fair value of warrant liability	(112,089)	26,468	(39,578)	26,179
Interest expense, net	(186,058)	(172,620)	(366,772)	(340,914)
Total other income (expenses)	(298,147)	(146,152)	(406,350)	(314,735)
Loss before income tax	(1,787,450)	(1,139,791)	(4,723,787)	(1,966,176)
Income tax expense	(330,000)	—	(330,000)	—
Net loss	$ (2,117,450)	$ (1,139,791)	$ (5,053,787)	$ (1,966,176)
Loss per share - basic and diluted	$ (0.40)	$ (0.21)	$ (0.95)	$ (0.37)
Weighted average shares outstanding - basic and diluted	5,331,973	5,331,973	5,331,973	5,331,973

See the accompanying notes to the unaudited condensed consolidated financial statements.

QUEST PATENT RESEARCH CORPORATION AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Non-controlling Interest in Subsidiaries	Total Stockholders' Deficit
	Shares	Amount				
Balances as of January 1, 2025	5,331,973	$ 160	$ 17,680,793	$ (26,382,672)	$ 228	$ (8,701,491)
Stock-based compensation	—	—	—	—	—	—
Net loss	—	—	—	(826,385)	—	(826,385)
Balances as of March 31, 2025	5,331,973	160	17,680,793	(27,209,057)	228	(9,527,876)
Net loss	—	—	—	(1,139,791)	—	(1,139,791)
Balances as of June 30, 2025	5,331,973	$ 160	$ 17,680,793	$ (28,348,848)	$ 228	$ (10,667,667)

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Non-controlling Interest in Subsidiaries	Total Stockholders' Deficit
	Shares	Amount				
Balances as of January 1, 2026	5,331,973	$ 160	$ 17,680,793	$ (34,874,180)	$ 228	$ (17,192,999)
Net loss		—	—	(2,936,337)	—	(2,936,337)
Balances as of March 31, 2026	5,331,973	160	17,680,793	(37,810,517)	228	(20,129,336)
Net loss	—	—	—	(2,117,450)	—	(2,117,450)
Balances as of June 30, 2026	5,331,973	$ 160	$ 17,680,793	$ (39,927,967)	$ 228	$ (22,246,786)

See the accompanying notes to the unaudited condensed consolidated financial statements.

QUEST PATENT RESEARCH CORPORATION AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended June 30,	
	2026	2025

Cash flows from operating activities:		
Net loss	$ (5,053,787)	$ (1,966,176)
Adjustments to reconcile net loss to net cash used in operating activities:		
Change in fair value of warrant liability	39,578	(26,179)
Amortization of intangible assets	1,147,920	632,258
Changes in operating assets and liabilities:		
Accounts receivable	(405,229)	—
Accrued interest	362,387	336,529
Other current assets	(26,931)	(3,858)
Accounts payable and accrued liabilities	168,486	50,062
Net cash used in operating activities	(3,767,576)	(977,364)
Cash flows from investing activities:		
Purchase of patents	—	(9,000,000)
Net cash used in investing activities	—	(9,000,000)
Cash flows from financing activities:		
Proceeds from funding liability	4,055,576	9,750,000
Net cash provided by financing activities	4,055,576	9,750,000
Net increase (decrease) in cash and cash equivalents	288,000	(227,364)
Cash and cash equivalents at beginning of period	192,606	482,023
Cash and cash equivalents at end of period	$ 480,606	$ 254,659
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Income taxes	$ 330,000	$ —
Interest	$ 4,386	$ 4,386

See the accompanying notes to the unaudited condensed consolidated financial statements.

QUEST PATENT RESEARCH CORPORATION AND SUBSIDIARIES
NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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, “we”, “us”, “our”, the “Company” refer to Quest Patent Research Corporation and its wholly and majority-owned 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.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. (GAAP) for interim financial information and with the instructions to Form 10-Q and Rule 8-03 of Regulation S-X. Accordingly, these interim financial statements do not include all of the information and notes required by GAAP for complete financial statements. All adjustments (consisting of normal recurring items) necessary to present fairly the Company’s consolidated financial position have been included. These interim financial statements should be read in conjunction with the consolidated financial statements and accompanying notes included in the Company’s annual report on Form 10-K for the year ended December 31, 2025. Operating results for the interim periods presented herein are not necessarily indicative of the results that may be expected for any other interim period or for the entire year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation and Financial Statement Presentation

The condensed consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles (“US GAAP”) and present the condensed consolidated financial statements of the Company and its wholly owned and majority owned subsidiaries as of June 30, 2026.

The condensed consolidated financial statements include the Company and 24 subsidiaries of which 8 are active and 16 are inactive. All of the active subsidiaries are wholly owned. Intercompany transactions and balances have been eliminated in consolidation.

The non-controlling interests are presented in the unaudited condensed consolidated balance sheets, separately from equity attributable to the stockholders of the Company. During the three and six months ended June 30, 2026 and 2025, none of the Company’s net loss was attributable to non-controlling interests.

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. The Company had no cash equivalents as of June 30, 2026 and December 31, 2025.

Accounts Receivable

Accounts receivable, which generally relate to licensed sales, 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 did not record an allowance for credit losses at June 30, 2026 and December 31, 2025.

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. In determining the relevant useful lives the Company considers several factors including the age of the acquired patent portfolio, the statutory lives of the patents acquired, whether the Company has already identified potential litigation under the patent portfolio, and the expected timeline to monetize the asset.

Intangible assets 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. In determining whether a trigger event has occurred, the Company contemplates several factors including the status and stage of litigation, whether a portfolio has received any unfavorable litigation outcomes determined to final and non-appealable, changes in legal factors or market conditions for patent assets, and whether the ultimate costs to continue to litigate a patent would exceed potential returns. In the event that management decides to no longer allocate resources to a patent portfolio, an impairment loss equal to the remaining carrying value of the asset is recorded. 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 allocated equally across the patents in force at the time of acquisition. Patent acquisition costs are amortized utilizing the straight-line method over their remaining economic useful lives, ranging from one to fifteen 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 in accordance with Accounting Standards Codification (“ASC”) 360, “Property, Plant, and Equipment” 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.

There were no impairments of long-lived assets for the six months ended June 30, 2026 and 2025.

Warrant Liability

The Company records a warrant liability with respect to warrants for which the number of shares underlying the warrants is not fixed until the date of the initial exercise. The amount of the liability is determined at the end of each fiscal period and the period-to-period change in the amount of warrant liability is reflected as a change in fair value of the warrant liability and is included in other income (expense) in the accompanying condensed consolidated statements of operations.

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 5 for information about our warrant liability.

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 unaudited condensed 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. The carrying value of long-term debt approximates fair value since the related rates of interest approximate current market rates. The fair value of warrant liabilities are classified as Level 3 in the fair value hierarchy.

Commitments and Contingencies

In connection with the acquisition of certain patents and patent rights, certain of the Company’s operating subsidiaries may execute 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 applicable 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 provide 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 and are included in cost of revenue as litigation and licensing expenses in the accompanying condensed consolidated statements of operations. 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.

Revenue Recognition

Patent Licensing Fees

The Company recognizes revenue in accordance with ASC Topic 606, "Revenue from Contracts with Customers". Revenue is recognized 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. Under Topic 606, revenue is recognized when there is a contract which has commercial substance which is signed by both parties and identifies the rights of the parties and the payment terms.

Revenue contracts executed by the Company primarily provide for the payment of contractually determined, one-time, paid-up license fees in consideration for the grant of certain intellectual property rights for patented technologies owned or controlled by the Company's operating subsidiaries as part of the settlement of litigation commenced by the Company's subsidiaries. Intellectual property rights granted included the following, as applicable: (i) the grant of a non-exclusive, retroactive and future license to manufacture and/or sell products covered by patented technologies, (ii) a covenant-not-to-sue, (iii) the release of the licensee from certain claims, and (iv) the dismissal of any pending litigation. The intellectual property rights granted were perpetual in nature, extending until the legal expiration date of the related patents. The individual intellectual property rights are not accounted for as separate performance obligations, as (a) the nature of the promise, within the context of the contract, is to transfer combined items to which the promised intellectual property rights are inputs and (b) the Company's promise to transfer each individual intellectual property right described above to the customer is not separately identifiable from other promises to transfer intellectual property rights in the contract.

Since the acquired intellectual property rights are not individually distinct, the Company combined each individual IP right in the contract into a bundle of IP rights that is distinct, and accounted for all of the intellectual property rights promised in the contract as a single performance obligation. The intellectual property rights granted were "functional IP rights" that have significant standalone functionality. The Company's subsequent activities do not substantively change that functionality and do not significantly affect the utility of the IP to which the licensee has rights. The Company's subsidiaries have no further obligation with respect to the grant of intellectual property rights, including no express or implied obligation to maintain or upgrade the technology, or provide future support or services. The contracts provide for the grant (i.e., transfer of control) of the licenses, covenants-not-to-sue, releases, and other significant deliverables upon execution of the contract. Licensees legally obtain control of the intellectual property rights upon execution of the contract. As such, the earnings process is complete and revenue is recognized, at a point in time, upon the execution of the contract, when collectability is probable and all other revenue recognition criteria have been met. Revenue contracts generally provide for payment of contractual amounts within 30 to 90 days of execution of the contract. Contractual payments made by licensees are generally non-refundable. The Company does not have any significant payment terms, as payment is received shortly after goods are delivered or services are provided, therefore there is no significant financing component or consideration payable to the customer in these transactions.

The Company's revenue for the three and six months ended June 30, 2026, all of which was generated during the second quarter, was generated from licenses pursuant to the settlement of one patent infringement lawsuit. The Company did not generate any revenue during the three and six months ended June 30, 2025.

Cost of Revenue

Cost of revenue mainly includes expenses incurred in connection with our patent enforcement activities, such as legal fees, consulting costs, patent maintenance, royalty fees for acquired patents and other related expenses. Cost of revenue does not include expenses related to patent amortization, integration or support, as these expenses are included in selling, general and administrative expenses.

Inventor Royalties, Litigation Funding Fees and Contingent Legal Expenses.

In connection with the investment in or acquisition of certain patents and patent rights, certain of the Company's operating subsidiaries may grant 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 provide 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.

Income Taxes

During the three and six months ended June 30, 2026, the Company incurred foreign income tax expense of $330,000, respectively associated with the settlement proceeds from the litigation against Samsung Electronics Co in Korea.

Stock-Based Compensation

The Company recognizes stock-based compensation for employees and non-employees pursuant to ASC 718, "Compensation — Stock Compensation," which prescribes accounting and reporting standards for all stock-based payment transactions. Transactions include incurring liabilities, or issuing or offering to issue shares, options and other equity instruments. Stock-based payments to employees, including grants of employee stock options, are recognized as compensation expense in the financial statements based on their fair values estimated using a Black-Scholes option pricing model. That expense is recognized over the period during which an employee is required to provide services in exchange for the award, known as the requisite service period (usually the vesting period).

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. All of the Company's revenue for the three and six months ended June 30, 2026, was derived from the patent infringement suit settled against Samsung Electronics Co. from our Koyo Portfolio. In addition, approximately 98% of our accounts receivable at June 30, 2026 is a receivable from Samsung pursuant to the settlement agreement.

Net Loss Per Share

The Company calculates net loss per share by dividing losses allocated to the Company's stockholders by the weighted average number of shares of common stock outstanding for the period. Diluted weighted average shares is computed using basic weighted average shares plus any potentially dilutive securities outstanding during the period using the treasury-stock-type method and the if-converted method, except when their effect is anti-dilutive. As the Company incurred losses for the three and six months ended June 30, 2026 and 2025, potentially dilutive securities would be anti-dilutive, and therefore, the diluted net loss per share is the same as the basic net loss per share. The Company's potentially dilutive securities include 962,463 potential shares of common stock issuable upon exercise of warrants granted to QPRC Finance LLC ("QFL") in connection with the Purchase Agreement, described in Note 4 and 1,500,000 shares of common stock issuable upon exercise of stock options granted to officers and consultants.

Recent Accounting Pronouncements

In November 2024, the FASB issued ASU 2024-03, *Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses* ("ASU 2024-03"), which requires disclosure about the types of costs and expenses included in certain expense captions presented on the income statement. The new disclosure requirements are effective for the Company's annual periods beginning after December 15, 2026, and interim periods beginning after December 15, 2027, with early adoption permitted. The Company is currently in the process of evaluating the impact of this pronouncement on our related disclosures.

In December 2025, the FASB issued ASU No. 2025-11, *Interim Reporting (Topic 270): Narrow-Scope Improvements*. The guidance clarifies the current interim disclosure requirements and their applicability. The ASU is intended to address feedback from stakeholders that the current guidance is difficult to navigate. The amendments do not change the fundamental nature or expand or reduce the disclosure requirements of interim reporting. The ASU creates a comprehensive list of interim disclosures required under U.S. GAAP and incorporates a disclosure principle that requires disclosures at interim periods when an event or change that has a material effect on an entity has occurred since the previous year end. The new guidance will become effective for the Company beginning on January 1, 2028, can be adopted using either a prospective or retrospective method, and early adoption is permitted. Management is currently evaluating the impact of the new standard on the Company's unaudited financial statements.

Going Concern

The Company has an accumulated deficit of $39,927,967 and negative working capital of approximately $31,125,000 as of June 30, 2026. The Company has a history of losses, including a loss of $5,053,787 on $2,000,000 revenues for the six months ended June 30, 2026 and can give no assurance that it will generate income in the future. Because of the Company's history of losses, its working capital deficiency, the uncertainty of future revenue, its obligations to QPRC Finance, Intelligent Partners and QF3, the low stock price of the Company's common stock and the absence of an active trading market in its common stock, the Company's ability to raise funds in the equity market or from lenders is severely impaired. These conditions, as well as any adverse consequences which would result from the Company's failure to meet the continued listing requirements of the OTCQB, raise substantial doubt as to the Company's ability to continue as a going concern. The Company's revenue is generated exclusively from license fees generated from litigation seeking damages for infringement of its intellectual property rights. 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 is uncertain. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

3. INTANGIBLE ASSETS

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

	June 30, 2026	December 31, 2025
Patents	$ 15,087,000	$ 15,087,000
Less: accumulated amortization	(6,004,656)	(4,856,737)
Net value of intangible assets	$ 9,082,344	$ 10,230,263
Weighted Average Amortization Period (Years)	3.80	4.24

Intangible assets are comprised of patents with estimated useful lives. The intangible assets at June 30, 2026 represent:

- patents acquired in October 2021 from Aawaaz Inc. ("AI") for a purchase price of $550,000 pursuant to which the Company retains an amount equal to the purchase price plus any fees incurred out of net proceeds, as defined in the agreement, after which AI is entitled to a percentage of further net proceeds realized, if any. The useful lives of the patents, at the date of acquisition, was approximately 11 years.

- patents acquired in July 2022 pursuant to an assignment from AI for a purchase price of $92,000. The useful lives of the patents, at the date of purchase, was approximately 2-4 years.

- patents acquired July 2022 pursuant to an agreement with Hewlett Packard Enterprise Development LP and Hewlett Packard Enterprise Company for a purchase price of $350,000. The useful lives of the patents, at the date of purchase, was approximately 2-9 years.

- patents acquired March 2023 from Tower for a purchase price of $3,300,000 pursuant to which the Company retains an amount equal to the purchase price plus a negotiated return and any fees out of net proceeds, as defined in the agreement, after which Tower is entitled to a percentage of further net proceeds realized, if any. The useful lives of the patents, at the date of purchase, was approximately 5-15 years.

- patents acquired in August 2023 pursuant to an agreement with Koji Yoden for a purchase price of $30,000. The useful lives of the patents, at the date of purchase, was approximately 9-10 years.

- patents acquired in April 2025 from Monterey Research LLC for a purchase price of $9,000,000. The useful lives of the patents, at the date of purchase, was approximately 5 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.

The Company assesses intangible assets for any impairment to the carrying values. As of June 30, 2026 and December 31, 2025, management concluded that there was no impairment to the intangible assets.

Amortization expense for patents was approximately $575,000 and $1,148,000 for the three and six months ended June 30, 2026, respectively. Amortization expense for patents was approximately $495,000 and $632,000 for the three and six months ended June 30, 2025, respectively. Amortization expense is included in selling, general and administrative expenses in the accompanying condensed consolidated statements of operations. Future amortization of intangible assets is as follows:

Year Ended December 31,	
Remainder of 2026	$ 1,152,145
2027	2,264,786
2028	2,202,277
2029	1,997,425
2030	720,867
Thereafter	744,844
Total	$ 9,082,344

4. SHORT-TERM DEBT AND LONG-TERM LIABILITIES

Short-Term Debt

Loans Payable

The loans payable represents demand loans made by former officers and directors, who are third parties and stockholders whose holdings were insignificant at June 30, 2026 and December 31, 2025, in the amount of $138,000. The loans are payable on demand plus accrued interest at 10% per annum. Accrued interest at June 30, 2026 and December 31, 2025 was approximately $344,000 and $337,000, respectively.

Funding Liabilities

The following table shows the Company's funding liabilities to QPRC Finance and QF3 at June 30, 2026 and December 31, 2025:

	June 30, 2026	**December 31, 2025**
Funding liability – QF3	$ 7,634,381	$ 7,634,381
Funding liability – QPRC Finance	18,684,711	14,629,135
Funding liabilities	$ 26,319,092	$ 22,263,516

Funding Liabilities - QF3

The QF3 funding liabilities of $7,634,381 at each of June 30, 2026 and December 31, 2025, represent the principal amount of the Company's obligations to QF3 pursuant to a purchase agreement ("QF3 Purchase Agreement") dated March 12, 2023 between the Company and QF3, as described below. As of June 30, 2026, the Company has made no repayments on this funding liability. The obligation to QF3 has no repayment term since the payment is due from net proceeds generated from the monetization of the Company's intellectual property and has been classified as a current liability as of June 30, 2026 and December 31, 2025. Accrued interest related to this funding liability as of June 30, 2026 and December 31, 2025 was approximately $1,903,000 and $1,545,000, respectively.

On March 12, 2023, the Company and its wholly-owned subsidiary, Harbor Island Dynamic LLC ("HID"), entered into a series of agreements, all dated March 12, 2023, with QF3, a non-affiliated party, including a prepaid forward purchase agreement (the "Purchase Agreement QF3"), a security agreement (the "QF3 Security Agreement"), a patent security agreement (the "QF3 Patent Security Agreement" together with the QF3 Security Agreement, the QF3 Patent Security Agreement, and the QF3 Purchase Agreement, the "QF3 Investment Documents"):

(i) Pursuant to the QF3 Purchase Agreement, QF3 agreed to make available to the Company a financing facility of: (a) up to $4,334,000 for operating expenses, of which the Company has requested and received $4,334,000 as of December 31, 2025; (b) $3,300,000 to fund the cash payment portion of the purchase of a patent portfolio from Tower Semiconductor Ltd. ("Tower"); and (c) up to an additional $25,000,000 for the acquisition of mutually agreed patent rights that the Company intends to monetize, of which no amounts have been requested or received as of December 31, 2025 and June 30, 2026. In return, the Company transferred to QF3 a right to receive a portion of net proceeds generated from the monetization of those patents.

(ii) On March 17, 2023, the Company used $3,300,000 of proceeds from the QF3 financing as the cash payment portion of the purchase of a seven-patent portfolio from Tower (the "HID Portfolio").

(iii) Pursuant to the QF3 Security Agreement and QF3 Patent Security Agreement, payment of the Company's obligations under the QF3 Purchase Agreement with QF3 are secured by (a) the value of anything received from the monetization of the intellectual property rights covered by the Security Agreement; (b) the patents (as defined in the Security Agreement); (c) all general intangibles now or hereafter arising from or related to the foregoing (a) and (b); and (d) proceeds (including, without limitation, cash proceeds and insurance proceeds) and products of the foregoing (a)-(c).

In connection with the agreements with QF3, the Company, HID and the Subsidiary Guarantors entered into an intercreditor agreement with QF3 and Intelligent Partners which sets forth the priority of QF3 in the collateral under the Investment Documents.

Funding Liabilities – QPRC Finance

On April 11, 2025, the Company and its newly-formed wholly-owned subsidiary, MR Licensing LLC, a Texas limited liability company ("MR"), entered into a series of agreements, all dated April 11, 2025, with QPRC Corporate Finance Alpha LLC and QPRC Corporate Finance Bravo LLC, both of which are not affiliated with the Company and who are collectively referred to as "QPRC Finance." The agreements are (i) a prepaid forward purchase agreement (the "QPRC Finance Purchase Agreement"), (ii) a security agreement (the "QPRC Finance Security Agreement"), (iii) a patent security agreement (the "QPRC Finance Patent Security Agreement"), (iv) an intercreditor agreement and subordination agreement (the "Subordination Agreement") among the Company, MR, other subsidiaries of the Company and Intelligent Partners, (v) an irrevocable letter of instructions to Fabricant LLP, the law firm that is to represent MR in the litigation relating to the monetization of the patents to be purchased with the proceeds of the financing from QPRC Finance (the "Law Firm") as to the disposition of any funds generated from the proceeds of the financing, (the "Letter of Instructions"), (vi) a waterfall agreement among the Company, MR, QPRC Finance and the Law Firm as to allocation of proceeds of such monetization (the "Waterfall Agreement" and, together with the QPRC Finance Purchase Agreement, the QPRC Finance Security Agreement, the QPRC Finance Patent Security Agreement, the Subordination Agreement and the Letter of Instructions, the "QPRC Finance Investment Documents"). On April 17, 2025, Intelligent Partners executed the Subordination Agreement.

Pursuant to the QPRC Finance Purchase Agreement, QPRC Finance agreed to make available to the Company a financing facility of: (a) up to $3,000,000 for operating expenses, of which approximately $2,762,000 has been drawn down as of June 30, 2026; (b) up to $9,000,000 to fund the purchase by MR of certain patent assets from Monterey Research LLC ("Monterey") pursuant to the agreement between MR and Monterey (the "Monterey Agreement") and (c) up to $7,500,000 for patent enforcement costs, including legal fees subject to budget limitations to be agreed upon, of which approximately $6,848,000 has been drawn down as of June 30, 2026. In return, we transferred to QPRC Finance the right to receive a portion of net proceeds generated from the monetization of those patents.

On April 18, 2025, MR took down $9,000,000 of proceeds from the QPRC Finance financing to purchase the patent portfolio from Monterey, which consisted of more than 2,500 United States patents, foreign patents and patent applications, pursuant to the Monterey Agreement. These patents relate to data storage device security and semiconductor circuitry. The payment was made directly from QPRC Finance to Monterey in accordance with instructions from the Company and MR. The Monterey Agreement provides that after MR has received an amount equal to 200% of the sum of the purchase price plus other money deployed to the monetization of the assigned patents, the next $7,000,000 is paid to Monterey and thereafter Monterey is to receive 20% of net licensing revenues.

Pursuant to the Purchase Agreement, the Company and MR transferred to QPRC Finance the right to receive a portion of net proceeds generated from the monetization of those patents covered by the Security Agreement, during which time the Company and MR do not receive any portion of the net proceeds. The Waterfall Agreement sets forth the details of the order of payment. Pursuant to the Waterfall Agreement, (i) 100% of the net proceeds is paid to QPRC Finance until QPRC Finance has received its initial recovery amount; (ii) 90% of the net proceeds are distributed to QPRC Finance and 10% to the Company and MR until QPRC Finance has received an amount determined pursuant to the Purchase Agreement, and (iii) any net proceeds remaining after the foregoing distributions are paid to the Company and MR and the Law Firm in accordance with the Waterfall Agreement, in view of the plan to pay the Law Firm pursuant to a budget from the distribution allocated to patent enforcement costs. Any contingent payments due Monterey in addition to the $9,000,000 paid from the initial distribution from QPRC Finance shall be paid from the funds paid to the Company and MR pursuant to the Waterfall Agreement. Except in an Event of Default, as defined therein, all payment obligations by the Company and MR to QPRC Finance pursuant to the Purchase Agreement are non-recourse and shall be paid only from net proceeds from monetization, if any, of the patent rights owned or acquired by the Company or MR utilizing the QPRC Finance facility.

Loan Payable Related Party

The loan payable – related party at June 30, 2026 and December 31, 2025 represents the current amount of a non-interest bearing total monetization proceeds obligation (the "TMPO") due to Intelligent Partners of $2,796,500, pursuant to an original agreement dated February 22, 2021. The Restructure Agreement provided for the payment to Intelligent Partners of $1,750,000 from the proceeds from the Company's agreements with QFL. As part of the restructure of the Company's agreements with Intelligent Partners, the Company amended the existing MPAs and granted Intelligent Partners certain rights in the monetization proceeds from any new intellectual property the Company acquires, as described above. Under these MPAs, Intelligent Partners participates in the monetization proceeds the Company receives with respect to new patents after QFL and QF3 have received a negotiated rate of return. Because of the beneficial ownership percentage of its principals, Intelligent Partners is treated as a related party.

Long-Term Liabilities

Loan Payable – SBA

The loans payable – SBA balance at June 30, 2026 and December 31, 2025 of $150,000 represents the total amount due under a secured Economic Injury Disaster Loan from the U.S. Small Business Administration ("SBA") in the aggregate amount of $150,000, pursuant to Section 7(b) of the Small Business Act as part of the COVID-19 relief effort. The Company's obligations on the loan are set forth in the Company's note dated May 14, 2020 which matures on May 14, 2050 and bears interest at a rate of 3.75% per annum, payable monthly commencing on November 14, 2022. The Note may be prepaid by the Company at any time prior to maturity with no prepayment penalties. As of June 30, 2026, the Company has not made any principal payments on the loan payable. During the three and six months ended June 30, 2026, the Company incurred $1,402 and $2,789, respectively of interest expense and has accrued interest of $3,057 at June 30, 2026.

Purchase Price of Patents

The purchase price of patents balance at June 30, 2026 and December 31, 2025 of $53,665 represents:

The non-current portion of our obligations under the unsecured non-recourse funding agreement with a third-party funder entered into in May 2020 whereby the third-party agreed to provide acquisition funding in the amount of $95,000 for the Company's acquisition of the audio messaging portfolio, which is held by an inactive subsidiary. Under the funding agreement, the third-party funder is entitled to a priority return of funds advanced from net proceeds, as defined, recovered until the funder has received $53,665. The Company did not make any payments with respect to this obligation in 2025 or in the first six months of 2026. The Company has no other obligation to the third-party and has no liability to the funder in the event that the Company does not generate sufficient net proceeds. Pursuant to ASC 470, the Company recorded this monetization obligation as debt and the difference between the purchase price and total obligation as a discount to the debt and fully expensed to interest during the period.

5. WARRANT LIABILITY

On February 22, 2021, the Company issued warrants to purchase 962,463 shares of common stock to QFL (see Note 4) in connection with its funding agreement. If on the date of initial exercise the aggregate number of warrant shares purchasable upon exercise of the warrant would yield less than an amount equal to 10% of the aggregate number of outstanding shares of capital stock of the Company (determined on a fully diluted basis), then the number of warrant shares shall be increased to an amount equal to 10% of the aggregate number of outstanding shares of capital stock of the Company (determined on a fully diluted basis), and therefore the number of shares underlying the warrants is not fixed until the date of the initial exercise. As such, the warrant issued to QFL requires classification as a liability pursuant to ASC Topic 480, Distinguishing Liabilities from Equity and is valued at its fair value as of the grant date and re-measured at each balance sheet date with the period-to-period change in the fair value of the warrant liability reflected as a gain or loss in warrant liability and included under other income (expense).

As of June 30, 2026 and December 31, 2025, the aggregate fair value of the outstanding warrant liability was approximately $259,000 and $219,000, respectively.

The Company estimated the fair value of the warrant liability using the Black-Scholes option pricing model using the following key assumptions as of June 30, 2026 and December 31, 2025:

	As of	
	June 30, 2026	December 31, 2025
Volatility	461%	441%
Exercise price	$ 0.54	$ 0.54

Risk-free interest rate	4.19%	3.67%
Expected dividends	—%	—%
Expected term	4.7	5.1

The following schedule summarizes the valuation of financial instruments at fair value in the balance sheets as of June 30, 2026 and December 31, 2025:

	Fair Value Measurements as of					
	June 30, 2026			December 31, 2025		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Liabilities						
Warrant liability	—	—	$ 259,036	—	—	$ 219,458
Total liabilities measured at fair value	$ —	$ —	$ 259,036	$ —	$ —	$ 219,458

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

	Fair Value
Balance at December 31, 2025	$ 219,458
Gain on subsequent measurement	(72,511)
Balance at March 31, 2026	146,947
Loss on subsequent measurement	112,089
Balance at June 30, 2026	$ 259,036

6. STOCKHOLDERS' EQUITY

Issuance of 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 ($)	Weighted Average Grant Date Fair Value ($)	Weighted Average Remaining Contractual Life (Years)
Balance - December 31, 2025	1,500,000	3.00	1.20	5.15
Granted	—	—	—	—
Exercised	—	—	—	—
Expired	—	—	—	—
Cancelled	—	—	—	—
Balance - June 30, 2026	1,500,000	3.00	1.20	4.65
Options exercisable at end of period	700,000	1.86	1.20	4.65

The outstanding options do not have an intrinsic value as of June 30, 2026 or December 31, 2025.

As of June 30, 2026, there was approximately $960,000 of unrecognized compensation expense related to nonvested stock option awards which will be expensed if and when the performance conditions underlying those options becomes probable.

Issuance of Warrants

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

	Number of Warrants (#)	Weighted Average Exercise Price ($)	Weighted Average Remaining Contractual Life (Years)
Balance - December 31, 2025	962,463	0.54	5.14
Granted	—	—	—
Exercised	—	—	—
Expired	—	—	—
Cancelled	—	—	—
Balance - June 30, 2026	962,463	0.54	4.64

The warrants contain certain minimum ownership percentage antidilution rights pursuant to which the aggregate number of shares of common stock purchasable upon the initial exercise of the warrant shall not be less than 10% of the aggregate number of outstanding shares of capital stock of the Company (determined on a fully diluted basis). The outstanding warrants do not have an intrinsic value as of June 30, 2026 or December 31, 2025.

7. NON-CONTROLLING INTEREST

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

	June 30, 2026	December 31, 2025
Balance, beginning of period	$ 228	$ 228
Net loss attributable to non-controlling interest	—	—
Balance, end of period	$ 228	$ 228

8. RELATED PARTY TRANSACTIONS

During the three and six months ended June 30, 2026 and 2025, the Company contracted with a law firm more than 10% owned by the chief executive officer. The firm is engaged as counsel in connection with general corporate matters, diligence and maintenance of the Company's patent portfolio. In connection with the engagement, the Company recorded patent service costs of approximately $49,000 and $138,000 for the three and six months ended June 30, 2026, respectively, and $68,000 and $116,000 for the three and six months ended June 30, 2025, respectively. Patent service costs were recorded as part of selling, general and administrative expenses in the accompanying condensed consolidated statements of operations. Amounts due to the related party were $10,000 at each of June 30, 2026 and December 31, 2025 and are included within accounts payable and accrued expense on the accompanying condensed consolidated balance sheets.

During the three and six months ended June 30, 2026 and 2025, the Company contracted with a law firm more than 10% owned, but not controlled, by the father-in-law of the chief executive officer. The firm is engaged as litigation counsel and serves as escrow agent to the Company in connection with monetization of the Company's patents relating to the litigation. For the three and six months ended June 30, 2026, the cost of these services was approximately $0 and $1,710,000, respectively. For the three and six months ended June 30, 2025, the cost of these services was $0. These costs were recorded as part of litigation and licensing expenses, which is a cost of revenue, in the condensed consolidated statements of operations.

9. COMMITMENTS AND CONTINGENCIES

SEP IRA Plan

Pursuant to the SEP IRA plan adopted by the Company in March 2020, the Company deposited into a SEP IRA account of each of its participating employees a percentage of the employee's compensation, subject to statutory limitations on the amount of the contribution all as set forth in the IRS Form 5305-SEP. For the six months ended June 30, 2026 and the year ending December 31, 2025, the percentage was set at 12%. The Company's chief executive officer and chief technology officer are the only participants and during the three and six months ended June 30, 2026, approximately $0 and $35,500 was deposited into the chief executive officer's SEP IRA account, respectively, and approximately $0 and $3,550 was deposited into the chief technology officer's SEP IRA account, respectively. During the three and six months ended June 30, 2025, approximately $0 and $35,000 was deposited into the chief executive officer's SEP IRA account, respectively and approximately $0 and $3,500 was deposited into the chief technology officer's SEP IRA account, respectively.

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 the 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.

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 impair the Company's operating results and financial position and could result in a default under the Company's obligations to QF3. 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 judgment may result in the bankruptcy of the subsidiary and/or the loss of the patents, which are the subsidiaries' only assets.

10. SEGMENT INFORMATION

The Company manages its business activities on a consolidated basis and operates as a single reporting segment: Intellectual Property Management. The Company derives all of its revenue from the licensing of its patents resulting from litigation commenced by the Company. The accounting policies are described in Note 2 – Summary of Significant Accounting Policies.

The Company's Chief Executive Officer is the Chief Operating Decision Maker ("CODM"). The CODM uses Net Loss, as reported on the accompanying condensed consolidated statements of operations, in evaluating performance of the Intellectual Property Management segment and determining how to allocate resources of the Company as a whole, including investing in future patent portfolios.

Significant expenses within income (loss) from operations, as well as within net income, include litigation and licensing expenses and selling, general and administrative expenses, which are each presented separately on the accompanying condensed consolidated statements of operations. Other segment items within net (loss) income include change in fair value of warrant liability, interest expense, net, and income tax expense.

The CODM reviews the position of total assets available to assess if the Company has sufficient resources available to discharge its liabilities. The CODM regularly reviews details of cash and liquid resources available to the Company. Additionally, the CODM reviews the status of the funding liability to assess if these are in line with expected amounts owed under any potential settlements.

11. SUBSEQUENT EVENTS

The Company evaluated subsequent events and transactions that occurred after the balance sheet date up to the date that the unaudited condensed consolidated financial statements were issued and determined that there have been no events that have occurred that would require adjustments to the disclosures in the unaudited condensed consolidated financial statements.

Item 2. Management's Discussion and Analysis of 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 condensed consolidated unaudited financial statements and related notes included elsewhere in this report. This discussion contains forward-looking statements that involve risks, uncertainties and assumptions. See "Forward-Looking Statements." Our actual results could differ materially from those anticipated in the forward-looking statements.

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 twenty-four intellectual property portfolios, of which we are currently seeking or may seek monetization with respect to seven, which principally consist of patent rights. 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. We anticipate that our primary source of revenue will come from the grant of licenses to use our intellectual property, including licenses granted as part of the settlement of patent infringement lawsuits.

Market and Economic Conditions

Macroeconomic trends may result in adverse impacts on our business, and we continue to monitor these potential impacts, including potential economic recession, the effects of tariffs by the United States and counter-tariffs by other countries, whether threatened or implemented; changes in the Federal Reserve's monetary policy, as well as geopolitical risks, including the war with Iran and actions taken by the United States and Iran which effectively block traffic through the Strait of Hormuz, Russian invasion of Ukraine and the potential resolution of the war and its effect on Europe; the continuing hostilities between Israel and Hamas, Hezbollah and Iran and any further intensification of hostilities with others. We cannot predict the timing, strength, or duration of any future economic slowdown or any subsequent recovery generally, or in any industry. A significant downturn in economic conditions may adversely affect the intellectual property licensing market including the financial condition of financing sources and the willingness of potential financing sources to provide funding for our litigation; a law firm's ability and willingness to provide us with legal services on acceptable contingent fee terms; and the financial condition and prospects of defendants and potential defendants, which could make it less likely that they would be willing to settle our claim.

Further, to the extent that holders of intellectual property rights see these and other macroeconomic factors, they may be reluctant to sell intellectual property to us on terms which are acceptable to us, if at all, and defendants in actions commenced by us may be reluctant to enter into a settlement agreement with us.

We seek to generate revenue from 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. All of the revenue for the three and six months ended June 30, 2026 was from patent licensing fees from the settlement of one litigation in the second quarter of 2026, of which approximately 80% was paid or is payable for taxes, to the patent seller, funding sources and legal counsel pursuant to our agreements with patent sellers, funding sources and legal counsel.

Revenue contracts executed by the Company primarily provide for the payment of contractually determined, one-time, paid-up license fees in consideration for the grant of certain intellectual property rights for patented technologies owned or controlled by the Company's operating subsidiaries as part of the settlement of litigation commenced by the Company's subsidiaries. Although we would prefer to develop portfolios of intellectual property rights that provide us a continuing stream of revenue, to date we have not been successful in doing so, and we do not anticipate 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 revenue can, and is likely to, vary significantly from quarter to quarter and year to year. Our gross profit from license fees reflects the payment of any royalties due in connection with our license.

To date, it has been necessary for us 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. Because we cannot fund litigation ourselves, we need to enter into an agreement with a third-party funding source. Our agreements with the funding sources typically provide that the funding source pays the litigation costs and that the funding source receives a percentage of the recovery, thus reducing our recovery in connection with any settlement of the litigation. 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. To the extent that we have agreements with counsel and/or litigation funding sources pursuant to which payments made to them represent a portion of the gross recovery, and such payment is contingent upon a recovery, our revenue from litigation reflects the gross recovery from litigation as licensing fees, and payments to counsel and/or litigation funding sources are reflected as cost of revenue.

Agreements with QPRC Finance

On April 11, 2025, we and our newly-formed wholly-owned subsidiary, MR Licensing LLC, a Texas limited liability company, ("MR"), entered into a series of agreements, all dated April 11, 2025, with QPRC Finance. The agreements are (i) the QPRC Finance Purchase Agreement, (ii) the Security Agreement, the QPRC Finance Patent Security Agreement, (iii) the Subordination Agreement, (iv) the Letter of Instructions to Fabricant LLP, the law firm that is to represent MR in the litigation relating to the monetization of the patents purchased with the proceeds of the financing from QPRC Finance (the "Law Firm") as to the disposition of any funds generated from the proceeds of the financing, (the "Letter of Instructions"), (v) the Waterfall Agreement among us, MR, QPRC Finance and the Law Firm as to allocation of proceeds of such monetization.

Pursuant to the QPRC Finance Purchase Agreement, QPRC Finance agreed to make available to us a financing facility of: (a) up to $3,000,000 for operating expenses, of which approximately $2,762,000 has been drawn down as of June 30, 2026; (b) up to $9,000,000 to fund the purchase by MR of certain patent assets from Monterey Research LLC ("Monterey") pursuant to the agreement between MR and Monterey (the "Monterey Agreement") and (c) up to $7,500,000 for patent enforcement costs, including legal fees subject to budget limitations to be agreed upon, of which approximately $6,848,000 has been drawn down as of June 30, 2026. In return, we transferred to QPRC Finance the right to receive a portion of net proceeds generated from the monetization of those patents.

On April 18, 2025, MR took down $9,000,000 of proceeds from the QPRC Finance financing to purchase the patent portfolio from Monterey, which consisted of more than 2,500 United States patents, foreign patents and patent applications, pursuant to the Monterey Agreement. These patents relate to data storage device security and semiconductor circuitry. The payment was made directly from QPRC Finance to Monterey in accordance with instructions from the Company and MR. The Monterey Agreement provides that after MR has received an amount equal to 200% of the sum of the purchase price plus other money deployed to the monetization of the assigned patents, the next $7,000,000 is paid to Monterey and thereafter Monterey is to receive 20% of net licensing revenues.

Pursuant to the Purchase Agreement, the Company and MR transferred to QPRC Finance the right to receive a portion of net proceeds generated from the monetization of those patents covered by the Security Agreement, during which time the Company and MR do not receive any portion of the net proceeds. The

Waterfall Agreement sets forth the details of the order of payment. Pursuant to the Waterfall Agreement, (i) 100% of the net proceeds is paid to QPRC Finance until QPRC Finance has received its initial recovery amount; (ii) 90% of the net proceeds are distributed to QPRC Finance and 10% to the Company and MR until QPRC Finance has received an amount determined pursuant to the Purchase Agreement, and (iii) any net proceeds remaining after the foregoing distributions are paid to the Company and MR and the Law Firm in accordance with the Waterfall Agreement, in view of the plan to pay the Law Firm pursuant to a budget from the distribution allocated to patent enforcement costs. Any contingent payments due Monterey in addition to the $9,000,000 paid from the initial distribution from QPRC Finance shall be paid from the funds paid to the Company and MR pursuant to the Waterfall Agreement. Except in an Event of Default, as defined therein, all payment obligations by the Company and MR to QPRC Finance pursuant to the Purchase Agreement are non-recourse and shall be paid only from net proceeds from monetization, if any, of the patent rights owned or acquired by the Company or MR utilizing the QPRC Finance facility.

Agreements with QF3, QFL and Intelligent Partners

On March 12, 2023, we entered into a funding agreement with QF3.

Pursuant to the Purchase Agreement with QF3, QF3 agreed to make available to us a financing facility of: (a) up to $25,000,000 for the acquisition of mutually agreed patent rights that we intend to monetize, of which no amounts have been requested or received as of June 30, 2026; (b) up to $4,334,000 for operating expenses, of which we have requested and received $4,334,000 as of June 30, 2026; and (c) $3,300,000 to fund the cash payment portion of the purchase price of a patent portfolio acquired from Tower. In return we transferred to QF3 a right to receive a portion of net proceeds generated from the monetization of those patents. We used $3,300,000 proceeds from the QF3 financing as the cash payment portion of the purchase price of a portfolio acquired from Tower. Our obligations to QF3 are secured by the proceeds from the patents acquired with their funding, the patents and all general intangibles now or hereafter arising from or related to the foregoing and the proceeds and products of the foregoing.

On February 22, 2021, we entered into a funding agreement with QFL and a restructure agreement with Intelligent Partners.

Pursuant to the Purchase Agreement with QFL, QFL made available to us a total of $6,402,000, consisting of (a) $2,653,000 for the acquisition of mutually agreed patent rights that we intended to monetize; (b) $2,000,000 for operating expenses; and (iii) $1,750,000 to fund the cash payment portion of the restructure of our obligations to Intelligent Partners. In return we transferred to QFL a right to receive a portion of net proceeds generated from the monetization of those patents. On May 2, 2024 the funding agreement with QFL was amended and restated to terminate QFL's funding obligation. During the year ended December 31, 2024 we repaid the full outstanding principal balance of $1,525,502. No further advances are to be made pursuant to the Purchase Agreement. In connection with the QFL purchase agreement, we granted QFL a ten-year warrant to purchase a total of up to 962,463 shares of our common stock, with an exercise price of $0.54 per share which may be exercised through February 18, 2031 on a cash or cashless basis, subject to certain limitations on exercisability. The warrant also contains certain minimum ownership percentage antidilution rights pursuant to which the aggregate number of shares of common stock purchasable upon the initial exercise of the Warrant shall not be less than 10% of the aggregate number of outstanding shares of our capital stock (determined on a fully diluted basis). A portion of any gain from sale of the shares, net of taxes and costs of exercise, realized prior to the completion of all monetization activities shall be credited against the total return due to QFL pursuant to the Purchase Agreement. We also agreed to take all commercially reasonable steps necessary to regain compliance with the OTCQB eligibility standards as soon as practicable, but in no event later than 12 months from the closing date, and we regained compliance on May 7, 2021. We granted QFL registration rights with respect to the common stock issuable upon exercise of the warrants. We also granted QFL certain board observation rights. Pursuant to the Purchase Agreement, all of the net proceeds from the monetization of the intellectual property acquired with funds from QFL are paid directly to QFL. After QFL has received a negotiated rate of return, we and QFL share net proceeds equally until QFL achieves its investment return, as defined in the agreement. Thereafter, we retain 100% of all net proceeds. Except in an Event of Default, as defined therein, all payments to be paid by us to QFL pursuant to the Purchase Agreement are non-recourse and shall be paid only if and after net proceeds from monetization of the patent rights owned or acquired by us are received, or to be received.

Contemporaneously with the execution of the agreements with QFL, we entered into a restructure agreement with Intelligent Partners to eliminate any obligations we had with respect to the outstanding notes and the securities purchase agreement. As part of the restructure of our agreements with Intelligent Partners, we amended the existing MPAs and granted Intelligent Partners certain rights in the monetization proceeds from any new intellectual property we acquire. Under these MPAs, Intelligent Partners receives a 60% interest in the proceeds from our intellectual property owned by the eight Subsidiary Guarantors. Intelligent Partners also participates in the monetization proceeds from new intellectual property that we acquire until the total payments under all the monetization participation agreements equal $2,805,000, as follows: for net proceeds between $0 and $1,000,000, Intelligent Partners receives 10% of the net proceeds realized from new patents, except that if, in any calendar quarter, net proceeds realized by us exceed $1,000,000, Intelligent Partners' entitlement for that quarter only shall increase to 30% on the portion of net proceeds in excess of $1,000,000 but less than $3,000,000. If in the same calendar quarter, net proceeds exceed $3,000,000, Intelligent Partners' entitlement for that quarter only shall increase to 50% on the portion of net proceeds in excess of $3,000,000. The payments with respect to the new patents terminate once total payments to Intelligent Partners under all monetization participation agreements reach $2,805,000. The payments to Intellectual Partners with respect new patents are payable from the proceeds which are allocated to us under the QFL and QF3 agreements, which start after QFL and QF3 have received a negotiated rate of return. In connection with the restructure agreement with Intelligent Partners, we entered into a board observation rights agreement with Intelligent Partners, and Intelligent Partners has exercised its board observation rights. On April 17, 2025, Intelligent Partners notified us that it plans to exercise its rights under the board observation rights agreement.

Portfolio Activity

In February 2024, HID brought a patent infringement suit in the U.S. District for the Eastern District of Texas against Samsung Electronics Co., Ltd. et al. ("Samsung"). In August 2024, Harbor Island Dynamic brought a patent infringement suit in the U.S. District for the Eastern District of Texas against NXP Semiconductors NV et. al. In September 2024, Samsung requested inter partes review of U.S. Patent 7,745,886, U.S. Patent 9,147,609, U.S. Patent 7,772,673 and U.S. Patent 9,245,826. The petitions for review were granted in April 2025. In February and March 2026, the Patent Trial and Appeal Board issued final written decisions canceling all claims of the four patents. HID has appealed the decision with respect to U.S. Patent 7,772,673 and requested director review of the decisions with respect to U.S. Patent 9,147,609 and U.S. Patent 9,245,826. Both petitions for director review were denied.

In April 2025, MR brought patent infringement suits in the U.S. District for the Eastern District of Texas against Renesas Electronics Corporation, Denso Corporation and Denso International America. In July 2025, Renesas requested Ex parte reexamination by the USPTO of U.S. Patent 6,243,300, U.S. Patent 7,089,133, and U.S. Patent 7,825,688. In March 2026 the reexaminations commenced.

In July 2025, MR was joined as a plaintiff to a patent infringement suit filed in April 2024 by Monterey Research, LLC in the U.S. District for the Eastern District of Texas against Renesas Electronics Corporation, Denso Corporation and Denso International America.

In June 2025, MR brought patent infringement suits in the U.S. District for the Eastern District of Texas against Seagate Technology Holdings Plc, Seagate Singapore International Headquarters Pte. Ltd, Seagate Technology International, Seagate Technology (Thailand) Limited, and Seagate Technology (Netherlands) BV.

In August 2025, MR brought a patent infringement suit in the U.S. District for the Eastern District of Texas against Texas Instruments, Inc.

In December 2025, Koyo brought patent infringement suits in the U.S. District for the Eastern District of Texas against Samsung Electronics Co., Ltd. et al. The action against Samsung was settled during the second quarter of 2026 and revenue for the three and six months ended June 30, 2026 represents revenue from the

settlement.

In January 2026, MR brought a second patent infringement suit in the U.S. District for the Eastern District of Texas against Renesas Electronics Corporation.

In January 2026, Flash Uplink LLC, a wholly-owned subsidiary, brought a patent infringement suit in the U.S. District for the Eastern District of Texas against Lenovo Group Limited et. al.

In February 2026, Flash Uplink LLC, brought a patent infringement suit in the U.S. District for the Eastern District of Texas against QNAP Systems Inc.

In May 2026, Taasera Licensing LLC, a wholly-owned subsidiary, brought a patent infringement suit in the U.S. District for the Eastern District of Texas against Bitdefender Holding BV et.al.

The actions by HID, MR, Flash and Taasera are pending.

Results of Operations

Three and Six months ended June 30, 2026 and 2025

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Revenues (patent licensing fees)	$ 2,000,000	$ —	$ 2,000,000	$ —
Cost of revenue (litigation and licensing expenses)	2,348,206	4,789	4,058,377	8,285
Selling, general and administrative expenses	1,141,097	988,850	2,259,060	1,643,156
Loss from operations	(1,489,303)	(993,639)	(4,317,437)	(1,651,441)
Other income (expenses)				
Change in fair value of warrant liability	(112,089)	26,468	(39,578)	26,179
Interest expense, net	(186,058)	(172,620)	(366,772)	(340,914)
Total other income (expenses)	(298,147)	(146,152)	(406,350)	(314,735)
Loss before income tax	(1,787,450)	(1,139,791)	(4,723,787)	(1,966,176)
Income tax expense	(330,000)	—	(330,000)	—
Net loss	$ (2,117,450)	$ (1,139,791)	$ (5,053,787)	$ (1,966,176)

During the three and six months ended June 30, 2026 we generated revenue from licenses pursuant to the settlement of patent infringement lawsuits by Koyo Licensing LLC, a wholly-owned subsidiary ("Koyo"), portfolio. The total settlement recovery is included in revenue and the associated costs are deducted as cost of revenue. We did not generate any revenue for the three and six months ended June 30, 2025. Cost of revenue for the three months ended June 30, 2026 and 2025 relating to patent service costs was approximately $2,348,000 and $5,000, respectively. Cost of revenue for the six months ended June 30, 2026 and 2025 relating to patent service costs was approximately $4,058,000 and $8,000, respectively. The substantial increase in cost of revenues is primarily due to increased litigation and licensing expenses associated with the MR portfolio which were funded from advances to fund litigation pursuant to the QPRC Finance financing along with the associated costs of the Koyo settlement recovery. The timing and amount of our revenue is dependent upon the results of litigation seeking to enforce our intellectual property rights, and we cannot predict when or whether we will have a recovery and how much of the recovery will be received by us after payments to legal counsel, to our funding sources, to inventors/former patent owners and to Intelligent Partners, all of whom or may have an interest in our share of the recovery from certain patent portfolios after deducting payments due to counsel and the litigation funding source.

Selling, general, and administrative expenses for the three months ended June 30, 2026 increased by approximately $152,000, or approximately 15%, compared to the three months ended June 30, 2025, primarily due to increased amortization expense related to the Monterey portfolio and increased professional fees. Selling, general, and administrative expenses for the six months ended June 30, 2026 increased by approximately $616,000, or approximately 37% compared to the six months ended June 30, 2025, primarily due to increased amortization expense related to the Monterey portfolio and increased professional fees. Our principal operating expenses for the three and six months ended June 30, 2026 were amortization of patents of approximately $575,000 and $1,148,000, respectively, compensation expense of approximately $180,000 and $360,000, respectively, professional fees of approximately $257,000 and $435,000, respectively and travel related expenses of approximately $18,000 and $76,000, respectively. Our principal operating expenses for the three and six months ended June 30, 2025 were amortization of patents of approximately $495,000 and $632,000, respectively, compensation expense of approximately $180,000 and $360,000, respectively, professional fees of approximately $210,000 and $382,000, respectively and travel related expenses of approximately $55,000 and $78,000, respectively.

Other income and expense for the three and six months ended June 30, 2026 included a loss on change in fair value of warrant liability of approximately $112,000 and $40,000, respectively. We recognized a gain on change in fair value of warrant liability of approximately $26,000 and $26,000 for the three and six months ended June 30, 2025, respectively. The fair value of the warrant liability is affected by the price of our common stock, so the liability increases as the stock price goes up, resulting in an expense, and decreases as the stock price goes down resulting in income from change in warrant liability. Other expense also reflects interest expense of approximately $186,000 and $367,000, respectively for the three and six months ended June 30, 2026 and approximately $173,000 and $341,000 for the three and six months ended June 30, 2025, respectively.

During the three and six months ended June 30, 2026, we had foreign income tax expense of $330,000 associated with the settlement recovery from the Koyo portfolio.

As a result of the foregoing, we incurred net loss of approximately $2,117,000, or $0.40 per share (basic and diluted) for the three months ended June 30, 2026 and net loss of approximately $5,054,000 or $0.95 per share (basic and diluted) for the six months ended June 30, 2026 compared to net loss of approximately $1,140,000, or $0.21 per share (basic and diluted) for the three months ended June 30, 2025 and net loss of approximately $1,966,000, or $0.37 per share (basic and diluted) for the six months ended June 30, 2025.

Liquidity and Capital Resources

At June 30, 2026, we had current assets of approximately $927,000 and current liabilities of approximately $32,053,000. Our current liabilities include funding liabilities

to QF3 and QPRC Finance of approximately $26,319,000 which are only payable from money generated from the monetization of intellectual property, loans payable of approximately $2,796,000, a warrant liability of approximately $259,000, accounts payable and accrued liabilities of approximately $290,000, and accrued interest of approximately $2,250,000. As of June 30, 2026, we have an accumulated deficit of approximately $39,928,000 and a negative working capital of approximately $31,125,000. Other than salary and pension benefits to our chief executive officer, we do not contemplate any other material operating expense requiring cash in the near future other than normal general and administrative expenses and legal fees, including expenses relating to our status as a public company filing reports with the SEC.

The following table shows the summary cash flows for the six months ended June 30, 2026 and 2025:

	Six Months Ended June 30,	
	2026	**2025**
Cash flows used in operating activities	$ (3,767,576)	$ (977,364)
Cash flows used in investing activities	-	(9,000,000)
Cash flows provided by financing activities	4,055,576	9,750,000
Net increase (decrease) in cash	288,000	(227,364)
Cash and cash equivalents at beginning of period	192,606	482,023
Cash and cash equivalents at end of period	$ 480,606	$ 254,659

We cannot assure you that we will be successful in generating future revenues, in obtaining any third-party funding in connection with any of our intellectual property portfolios or operating expenses or that we will receive any of the proceeds of any litigation settlements after making all required payments to counsel and funding sources and payments to Intelligent Partners, operating expenses, debt or equity financing or that any debt or equity financing will be available on terms acceptable to us. We have no credit facilities. Although our agreement with QF3 provides for QF3 to provide us with funding to acquire intellectual property rights, subject to QF3's approval, it does not provide for financing the litigation necessary for the monetization of the intellectual property rights and we cannot assure you that it will provide financing for any intellectual property acquisition. We do not have any credit facilities or any arrangements for us to finance the litigation necessary to monetize our intellectual property rights other than contingent fee arrangements with counsel with respect to our pending litigation and our agreement with QPRC finance. If we do not secure contingent representation or obtain litigation financing, we may be unable to monetize our intellectual property.

We cannot predict the success of any pending or future litigation. Typically, our agreements with the funding sources provide that the funding sources will participate in any recovery which is generated. We believe that our financial condition, our history of losses and negative cash flow from operations, absence of recurring revenue and our low stock price make it difficult for us to raise funds in the debt or equity markets.

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. 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.

Management believes the following critical accounting policies affect the significant judgments and estimates used in the preparation of our financial statements.

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. In determining the relevant useful lives the Company considers several factors including the age of the acquired patent portfolio, the statutory lives of the patents acquired, whether the Company has already identified potential litigation under the patent portfolio, and the expected timeline to monetize the asset.

Intangible assets are reviewed for impairment upon any triggering event that may give rise to the asset's ultimate recoverability as prescribed under the guidance related to impairment of long-lived assets. In determining whether a trigger event has occurred, the Company contemplates several factors including the status and stage of litigation, whether a portfolio has received any unfavorable litigation outcomes determined to final and non-appealable, changes in legal factors or market conditions for patent assets, and whether the ultimate costs to continue to litigate a patent would exceed potential returns. In the event that management decides to no longer allocate resources to a patent portfolio, an impairment loss equal to the remaining carrying value of the asset is recorded. 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 allocated equally across the patents in force at the time of acquisition. 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.

Warrant Liability

We reflect a warrant liability with respect to warrants for which the number of shares underlying the warrants is not fixed until the date of the initial exercise. The amount of the liability is determined at the end of each fiscal period by using a Black-Scholes option pricing model to estimate the fair value. The period to period change in the amount of warrant liability is reflected as a gain or loss in warrant liability and is included under other income (expense).

Stock-Based Compensation

We account for stock-based compensation for employees and non-employees pursuant to ASC 718, "Compensation — Stock Compensation," which prescribes accounting and reporting standards for all stock-based payment transactions. Transactions include incurring liabilities, or issuing or offering to issue shares, options and other equity instruments. Stock-based payments to employees, including grants of employee stock options, are recognized as compensation expense in the financial statements based on their fair values estimated using a Black-Scholes option pricing model. That expense is recognized over the period during which an employee is required to provide services in exchange for the award, known as the requisite service period (usually the vesting period).

Recent Accounting Pronouncements

See Note 2 to the condensed consolidated financial statements for information regarding recent accounting pronouncements.

Going Concern

We have an accumulated deficit of approximately $39,928,000 and negative working capital of approximately $31,125,000 as of June 30, 2026. We have a history of losses, including a loss of $5,053,787 on revenues of $2,000,000 for the six months ended June 30, 2026 and a loss of $8,491,508 on no revenue for the year ended December 31, 2025, and can give no assurance that we will generate income in the future. Because of the Company's history of losses, our working capital deficiency, the uncertainty of future revenue, our obligations to QPRC Finance, Intelligent Partners and QF3, the low stock price of our common stock and the absence of an active trading market in its common stock, our ability to raise funds in the equity market or from lenders is severely impaired. These conditions, as well as any adverse consequences which would result from our failure to meet the continued listing requirements of the OTCQB, raise substantial doubt as to our ability to continue as a going concern. Our revenue is generated exclusively from license fees generated from litigation seeking damages for infringement of its intellectual property rights and the amount and timing of revenue is dependent upon the success of litigation seeking to enforce our intellectual property rights. Although we may seek to raise funds and to obtain third-party funding for litigation to enforce our intellectual property rights, the terms and availability of such funds is uncertain. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Off-Balance Sheet Arrangements

We do not have any material off balance sheet arrangements that have or are reasonably likely to have a material future effect on our results of operations or financial condition.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and are not required to provide the information under this item.

Item 4. Controls and Procedures.

Management's Conclusions Regarding Effectiveness of Disclosure Controls and Procedures

We conducted an evaluation of the effectiveness of our "disclosure controls and procedures" ("Disclosure Controls"), as defined by Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of June 30, 2026, the end of the period covered by this Quarterly Report on Form 10-Q. The Disclosure Controls evaluation was done under the supervision and with the participation of management, including our chief executive officer and acting chief financial officer, which positions are held by the same person. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based upon this evaluation, our chief executive officer and acting chief financial officer concluded that, due to the material weaknesses in our internal control over financial reporting, our disclosure controls and procedures were not effective as of June 30, 2026, such that the information required to be disclosed by us in reports filed under the Securities Exchange Act of 1934 is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) accumulated and communicated to the chief executive officer and acting chief financial officer, as appropriate to allow timely decisions regarding disclosure.

Changes in Internal Control over Financial Reporting

During the period ended June 30, 2026, there were no changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. We plan to enhance our processes to identify and appropriately apply applicable accounting requirements to better evaluate and understand the nuances of the complex accounting standards that apply to our financial statements keeping in mind the limitation resulting from our limited resources and our not having a full-time chief financial officer with an accounting background. As previously disclosed, management has determined that our internal control over financial reporting contains material weaknesses due to the absence of segregation of duties, as well as lack of qualified accounting personnel and excessive reliance on third-party consultants for accounting, financial reporting and related activities. The lack of any separation of duties, with the same person, who is our only full time employee, serving as both chief executive officer and acting chief financial officer, and who does not have an accounting background, makes it unlikely that we will be able to implement effective internal controls over financial reporting in the near future.

Item 5. Other Information

During the three months ended June 30, 2026, no officer or director adopted or terminated any contract, instruction or written plan for the purchase or sale of securities of the Company intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any non-Rule 10b5-1 trading arrangement.

Item 6. Exhibits.

31.1	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	Inline XBRL Instance Document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

SIGNATURES

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

Date: August 14, 2026

QUEST PATENT RESEARCH CORPORATION

By: /s/ Jon C. Scahill
Jon C. Scahill
Chief Executive Officer and
Acting Chief Financial Officer

EX-31.1 2 ea030139001ex31-1.htm CERTIFICATION

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE AND FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002

I, Jon C. Scahill, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Quest Patent Research Corporation;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;

   d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

   a. all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Dated: August 14, 2026

By: /s/ Jon C. Scahill
Chief Executive Officer and Acting
Chief Financial Officer
(Principal Executive and Accounting Officer)

EX-32.1 3 ea030139001ex32-1.htm CERTIFICATION

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Quest Patent Research Corporation (the "Company") on Form 10-Q for the period ended June 30, 2026 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jon C. Scahill, chief executive officer and acting chief financial officer of the Company, certify, pursuant to 18 U.S.C. section 1350 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 14, 2026

By: /s/ Jon C. Scahill
Chief Executive Officer and Acting
Chief Financial Officer
(Principal Executive and Accounting Officer)