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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2022

or

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

For the transition period from________ to ________

Commission File Number 1-37649

MINIM, INC.
(Exact Name of Registrant as Specified in its Charter)

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

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

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes ☒ No ☐

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

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

The number of shares outstanding of the registrant's Common Stock, $.01 par value, as of August 19, 2022, was 46,504,232 shares.

MINIM, INC. AND SUBSIDIARIES
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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

MINIM, INC. AND SUBSIDIARIES
Consolidated Balance Sheets

		June 30, 2022 (Unaudited)		December 31, 2021
ASSETS				
Current assets				
Cash and cash equivalents	$	4,217,110	$	12,570,445
Restricted cash		500,000		500,000
Accounts receivable, net of allowance of doubtful accounts of $231,004 and $236,819 as of June 30, 2022 and December 31, 2021, respectively		6,269,645		4,880,663
Inventories, net		34,340,864		33,891,287
Prepaid expenses and other current assets		446,533		587,885
Total current assets		45,774,152		52,430,280
Equipment, net		713,335		762,818
Operating lease right-of-use assets, net		253,575		241,626
Goodwill		58,872		58,872
Intangible assets, net		201,559		262,698
Other assets		635,036		544,738
Total assets	$	47,636,529	$	54,301,032
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities				
Bank credit line	$	5,554,063	$	5,065,074
Accounts payable		11,353,680		12,458,246
Current maturities of government loan		—		34,237
Current maturities of operating lease liabilities		159,324		143,486
Accrued expenses		4,779,033		5,279,917
Deferred revenue, current		560,124		291,296
Total current liabilities		22,406,224		23,272,256
Operating lease liabilities, less current maturities		94,251		98,811
Deferred revenue, noncurrent		542,441		443,452
Total liabilities		23,042,916		23,814,519
Commitments and Contingencies (Note 6)				
Stockholders' equity				
Preferred Stock, authorized: 2,000,000 shares at $0.01 par value; 0 shares issued and outstanding		—		—
Common Stock, authorized: 60,000,000 shares at $0.01 par value; issued and outstanding: 46,315,958 shares at June 30, 2022 and 45,885,043 shares at December 31, 2021, respectively		463,158		458,850
Additional paid-in capital		90,381,124		89,313,273
Accumulated deficit		(66,250,669)		(59,285,610)
Total stockholders' equity		24,593,613		30,486,513
Total liabilities and stockholders' equity	$	47,636,529	$	54,301,032

See accompanying notes to consolidated financial statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	**2021**	**2022**	**2021**
Net sales	$ 12,863,768	$ 14,893,145	$ 26,163,023	$ 29,910,719
Cost of goods sold	10,325,007	10,415,427	19,433,025	20,329,211
Gross profit	2,538,761	4,477,718	6,729,998	9,581,508
Operating expenses:				
Selling and marketing	3,831,608	3,209,247	7,483,634	6,383,196
General and administrative	1,618,613	1,326,493	3,069,645	2,403,861
Research and development	1,374,408	1,386,358	2,916,990	2,774,530
Total operating expenses	6,824,629	5,922,098	13,470,269	11,561,587
Operating loss	(4,285,868)	(1,444,380)	(6,740,271)	(1,980,079)
Other income (expense):				
Interest expense, net	(89,972)	(78,041)	(168,070)	(106,362)
Gain on forgiveness of debt (Note 5)	—	—	—	20,000
Total other expense	(89,972)	(78,041)	(168,070)	(86,362)
Loss before income taxes	(4,375,840)	(1,522,421)	(6,908,341)	(2,066,441)
Income taxes	50,719	31,490	56,719	32,990
Net loss	$ (4,426,559)	$ (1,553,911)	$ (6,965,060)	$ (2,099,431)
Net loss per share:				
Basic and diluted	$ (0.10)	$ (0.04)	$ (0.15)	$ (0.06)
Basic and diluted weighted average common and common equivalent shares	46,344,916	35,482,181	46,181,335	35,368,931

See accompanying notes to consolidated financial statements.

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

For the six months ended June 30, 2022

	Common Stock Shares	Common Stock Amount	Additional Paid In Capital	Accumulated Deficit	Total
Balance at December 31, 2021	45,885,043	$ 458,850	$ 89,313,273	$ (59,285,610)	$ 30,486,513
Net loss	—	—	—	(2,538,500)	(2,538,500)
Stock option exercises	180,774	1,807	97,362	—	99,169
Stock-based compensation	—	—	562,875	—	562,875
Balance at March 31, 2022	46,065,817	$ 460,657	$ 89,973,510	$ (61,824,110)	$ 28,610,057
Net loss	—	—	—	(4,426,559)	(4,426,559)
Stock option exercises, net	250,141	2,501	135,134	—	137,635
Stock-based compensation	—	—	272,480	—	272,480
Balance at June 30, 2022	46,315,958	$ 463,158	$ 90,381,124	$ (66,250,669)	$ 24,593,613

For the six months ended June 30, 2021

	Common Stock Shares	Common Stock Amount	Additional Paid In Capital	Accumulated Deficit	Total
Balance at December 31, 2020	35,074,922	$ 350,749	$ 64,526,664	$ (57,086,943)	$ 7,790,470
Net loss	—	—	—	(545,520)	(545,520)
Stock option exercises	287,932	2,879	376,268	—	379,147
Stock-based compensation	—	—	404,718	—	404,718
Balance at March 31, 2021	35,362,854	$ 353,628	$ 65,307,650	$ (57,632,463)	$ 8,028,815
Net loss	—	—	—	(1,553,911)	(1,553,911)
Stock option exercises	268,385	2,722	339,541	—	342,263
Stock-based compensation	—	—	211,124	—	211,124
Balance at June 30, 2021	35,631,239	$ 356,350	$ 65,858,315	$ (59,186,374)	$ 7,028,291

See accompanying notes to consolidated financial statements.

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

	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
Cash flows used in operating activities:		
Net loss	$ (6,965,060)	$ (2,099,431)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	433,845	337,463
Amortization of right-of-use assets	91,965	54,971
Amortization of debt issuance costs	35,407	13,999
Amortization of sales contract costs	19,209	13,792
Stock-based compensation	835,355	615,842
Provision for accounts receivable allowances	(5,816)	—
Provision for inventory reserves	370,308	118,927
Non-cash loan forgiveness	—	(20,000)
Changes in operating assets and liabilities:		
Accounts receivable	(1,383,166)	(51,511)
Inventories	(819,885)	(3,193,116)
Prepaid expenses and other current assets	141,352	94,664
Other assets	27,489	(79,690)
Accounts payable	(1,104,566)	454,713
Accrued expenses	(500,865)	(2,377,861)
Deferred revenue	367,817	966,399
Operating lease liabilities	(92,636)	(54,434)
Net cash used in operating activities	(8,549,247)	(5,205,273)
Cash flows from investing activities:		
Purchases of equipment	(130,864)	(297,947)
Certification costs capitalized	(329,356)	—
Net cash used in investing activities	(460,220)	(297,947)
Cash flows from financing activities:		
Net proceeds from the SVB bank credit line	453,582	7,307,578
Repayment of the Rosenthal bank credit line	—	(2,442,246)
Costs associated with bank credit line	—	(92,905)
Repayment of government loan	(34,252)	—
Proceeds from stock option exercises	236,802	721,409
Net cash provided by financing activities	656,132	5,493,836
Net decrease in cash and cash equivalents	(8,353,335)	(9,384)
Cash, cash equivalents, and restricted cash - Beginning	13,070,445	1,571,757
Cash, cash equivalents, and restricted cash - Ending	$ 4,717,110	$ 1,562,373
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	$ 167,703	$ 106,417
Income taxes	$ 56,719	$ 32,990
Cash is reported on the consolidated statements of cash flows as follows:		
Cash and cash equivalents	$ 4,217,110	$ 812,373
Restricted cash	500,000	750,000
Total cash, cash equivalents and restricted cash	$ 4,717,110	$ 1,562,373

See accompanying notes to consolidated financial statements.

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

(1) NATURE OF OPERATIONS AND BASIS OF PRESENTATION

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

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

Basis of Presentation

The accompanying unaudited consolidated financial statements of the Company have been prepared in accordance with the requirements of the U.S. Securities and Exchange Commission ("SEC") for interim reporting. As permitted under those rules, certain footnotes or other financial information that are normally required by U.S. generally accepted accounting principles ("GAAP") can be condensed or omitted. In the opinion of management, the financial statements include all normal and recurring adjustments that are considered necessary for the fair presentation of the Company's financial position and operating results. All intercompany balances and transactions have been eliminated in consolidation. The information included in this Quarterly Report on Form 10-Q should be read in conjunction with the audited financial statements included in the Company's Annual Report on Form 10-K/A for the year ended December 31, 2021.

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

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

Certain prior year amounts have been reclassified to conform to the current year presentation. None of the reclassifications impacted the consolidated statements of operations for the three- and six- month period ended June 30, 2021.

Liquidity

The Company's operations have historically been financed through the issuance of common stock and borrowings. Since inception, the Company has incurred significant losses and negative cash flows from operations. During the six months ended June 30, 2022, the Company incurred a net loss of $7.0 million and had negative cash flows from operating activities of $8.5 million. As of June 30, 2022, the Company had an accumulated deficit of $66.3 million and cash and cash equivalents of $4.2 million. The Company believes it has sufficient resources through its cash and cash equivalents, other working capital and borrowings under its SVB line-of-credit to continue as a going concern through at least one year from the issuance of these financial statements. If cash on hand and availability on the line of credit are not sufficient, the Company will and has the ability to reduce expenses and defer inventory purchases to preserve cash on hand.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company's significant accounting policies are disclosed in its Annual Report on Form 10-K/A for the year ended December 31, 2021. The Company's significant accounting policies did not change during the six months ended June 30, 2022.

Recently Adopted Accounting Standards

None

Recently Issued Accounting Standards

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

With the exception of the new standard discussed above, there have been no other new accounting pronouncements that have significance, or potential significance, to the Company's financial position, results of operations and cash flows.

(3) REVENUE AND OTHER CONTRACTS WITH CUSTOMERS

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

Transaction Price Allocated to the Remaining Performance Obligations

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

Contract costs

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

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

Contract Balances

The Company records accounts receivable when it has an unconditional right to the consideration. Contract liabilities consist of deferred revenue, which represents payments received in advance of revenue recognition related to SaaS agreements and for prepayments for products or services yet to be delivered.

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

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

	June 30, 2022	December 31, 2021
Accounts receivable	$ 6,269,645	$ 4,880,663
Total contract assets	$ 6,269,645	$ 4,880,663
Deferred revenue, current	$ 560,124	$ 291,296
Deferred revenue, noncurrent	542,441	443,452
Total contract liabilities	$ 1,102,565	$ 734,748

During the three and six months ended June 30, 2022, the change in contract liabilities balances was as follows:

Balance at December 31, 2021	$ 734,748
Billings	177,759
Revenue recognized	(80,483)
Balance at March 31, 2022	$ 832,024
Billings	365,868
Revenue recognized	(95,327)
Balance at June 30, 2022	$ 1,102,565

Disaggregation of Revenue

The following table sets forth our revenues by distribution channel:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Retailers	$ 12,743,191	$ 12,995,760	$ 25,084,480	$ 26,787,278
Distributors	62,170	1,872,934	369,377	2,786,084
Other	58,407	24,451	709,166	337,357
	$ 12,863,768	$ 14,893,145	$ 26,163,023	$ 29,910,719

The following table sets forth our revenues by product:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Cable modems & gateways	$ 12,214,502	$ 12,808,320	$ 25,097,550	$ 27,395,410
Other networking products	502,941	1,932,121	775,507	2,237,933
SaaS	146,325	152,704	289,966	277,376
	$ 12,863,768	$ 14,893,145	$ 26,163,023	$ 29,910,719

(4) BALANCE SHEET COMPONENTS

Inventories

Inventories, net consists of the following:

		June 30, 2022		December 31, 2021
Raw materials	$	2,294,111	$	1,047,156
Finished goods		32,046,753		32,844,131
	$	34,340,864	$	33,891,287

Finished goods includes consigned inventory held by our customers of $4.6 million and $4.5 million at June 30, 2022 and December 31, 2021, respectively and includes in-transit inventory of $7.1 million and $6.3 million at June 30, 2022 and December 31, 2021, respectively. The Company reviews inventory for obsolete and slow-moving products each quarter and makes provisions based on its estimate of the probability that the material will not be consumed or that it will be sold below cost. The inventory reserves were $1.1 million and $0.8 million as of June 30, 2022 and December 31, 2021, respectively.

Accrued expenses

Accrued expenses consist of the following:

		June 30, 2022		December 31, 2021
Inventory purchases	$	—	$	287,571
Payroll & related benefits		239,284		210,495
Professional fees		274,889		229,597
Royalty costs		1,650,000		1,588,025
Sales allowances		1,858,580		1,958,050
Sales and use tax		61,896		50,916
Other		694,384		955,263
	$	4,779,033	$	5,279,917

(5) BANK CREDIT LINES AND GOVERNMENT LOANS

Bank Credit Line

On December 18, 2012, the Company entered into a Financing Agreement with Rosenthal & Rosenthal, Inc. (the “Financing Agreement”). The Financing Agreement, as amended, provided for up to $5.0 million of revolving credit, subject to a borrowing base formula and other terms and conditions as specified therein.

On March 12, 2021, the Company terminated its Financing Agreement with Rosenthal & Rosenthal and entered into a loan and security agreement with Silicon Valley Bank (the “SVB Loan Agreement”). On November 1, 2021, the Company entered into the First Amendment to the SVB Loan Agreement. The SVB Loan Agreement, as amended, provides for a revolving facility up to a principal amount of $25.0 million, which is subject to a borrowing base formula. The SVB Loan Agreement matures, and all outstanding amounts become due and payable on November 1, 2023. The SVB Loan Agreement is secured by substantially all the Company’s assets but excludes the Company’s intellectual property. All other substantial terms, including the commercial credit card line of $1.0 million, of the SVB Loan Agreement remain unchanged.

The Company incurred $143 thousand of origination costs in connection with the SVB Loan Agreement. These origination costs were recorded as debt discount and are being expensed over the remaining term of the SVB Loan Agreement. Amortization of debt issuance costs was $18 thousand and $12 thousand in the three months ended June 30, 2022 and 2021, respectively. Amortization of debt issuance costs was $35 thousand and $14 thousand in the six months ended June 30, 2022 and 2021, respectively.

As of June 30, 2022, the Company had $5.6 million outstanding, which is net of origination costs of $66 thousand, on its SVB Loan, with availability of $0.2 million. The interest rate was 5.75% as of June 30, 2022.

Government Loans

On April 15, 2020, the Company entered into a note payable with Primary Bank, a bank under the Small Business Administration ("SBA"), Paycheck Protection Program ("PPP"), in the amount of $583 thousand, which matured on April 15, 2022. Under the terms of the PPP note, the Company was able to apply for and receive forgiveness of $513 thousand of the original principal balance in 2020. As of June 30, 2022, the PPP note is fully repaid.

In February 2021, the Company received an additional forgiveness of $20 thousand related to the Economic Injury Disaster Loan Advance received with the PPP note.

(6) COMMITMENTS AND CONTINGENCIES

(a) Lease Obligations

The Company has entered into agreements to lease its warehouses and distribution centers and certain office space under operating leases. The Company recognizes lease expense for these leases on a straight-line basis over the lease term. Right-of-use ("ROU") assets and lease liabilities are recorded on the balance sheet for all leases, except leases with an initial term of 12 months or less.

The components of lease costs were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Operating lease costs	$ 43,806	$ 37,930	$ 92,037	$ 58,704
Short-term lease costs	—	5,284	—	31,840
Total lease costs	$ 43,806	$ 43,214	$ 92,037	$ 90,544

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

	Period Ended June 30,	
	2022	2021
Operating leases:		
Weighted average remaining lease term (years)	1.6	0.7
Weighted average discount rate	4.2%	7.1%

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

	Six Months ended June 30,	
	2022	2021
Operating cash flow information:		
Amounts included in measurement of lease liabilities	$ 97,266	$ 59,202
Non-cash activities:		
ROU asset obtained in exchange for lease liability	$ 103,914	$ 59,202

The maturity of the Company's operating lease liabilities as of June 30, 2022, were as follows:

Years ended December 31,	
2022 (remainder)	$ 84,766
2023	155,379
2024	22,794
Total lease payments	$ 262,939
Less: imputed interest	(9,364)
Present value of operating lease liabilities	$ 253,575
Operating lease liabilities, current	$ 159,324
Operating lease liabilities, noncurrent	$ 94,251

(b) Commitments

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

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

Years ending December 31,	
2022 (remaining)	$ 3,300,000
2023	6,850,000
2024	7,100,000
2025	7,100,000
Total	$ 24,350,000

Royalty expense under the License Agreement was $1.7 million and $1.6 million for the three months ended June 30, 2022 and 2021, respectively, and $3.3 million and $3.2 million for the six months ended June 30, 2022 and 2021, respectively. Royalty expense is included in selling and marketing expenses on the accompanying consolidated statements of operations.

(c) Contingencies

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

The Company reviews the status of its legal proceedings and records a provision for a liability when it is considered probable that both a liability has been incurred and the amount of the loss can be reasonably estimated. This review is updated periodically as additional information becomes available. If both of the criteria are not met, the Company reassesses whether there is at least a reasonable possibility that a loss, or additional losses, may be incurred. If there is a reasonable possibility that a loss may be incurred, the Company discloses the estimate of the amount of the loss or range of losses, that the amount is not material, or that an estimate of the loss cannot be made. At June 30, 2022, the Company is not currently a party to any legal proceedings that, if determined adversely to the Company, in management's opinion, are currently expected to individually or in the aggregate have a material adverse effect on the Company's business, operating results or financial condition taken as a whole. The Company expenses its legal fees as incurred.

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

(7) SIGNIFICANT CUSTOMER AND DEPENDENCY ON KEY SUPPLIERS

Relatively few companies account for a substantial portion of the Company's revenues. In the three months ended June 30, 2022, two companies, including a marketplace facilitator, accounted for 10% or greater individually and 91% in the aggregate of the Company's total net sales. At June 30, 2022, three companies, including a marketplace facilitator, with an accounts receivable balance of 10% or greater individually accounted for a combined 91% of the Company's accounts receivable. In the three months ended June 30, 2021, three companies, including a marketplace facilitator, accounted for 10% or greater individually and 93% in the aggregate of the Company's total net sales. At June 30, 2021, two companies with an accounts receivable balance of 10% or greater individually accounted for a combined 78% of the Company's accounts receivable.

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

The Company depends on many third-party suppliers for key components contained in its product offerings. For some of these components, the Company may only use a single source supplier, in part due to the lack of alternative sources of supply. During the three months ended June 30, 2022 and 2021, the Company had two suppliers and one supplier, respectively, that provided 98% and 99%, respectively, of the Company's purchased inventory. During the six months ended June 30, 2022 and 2021, the Company had two suppliers and one supplier, respectively, that provided 99% and 98%, respectively, of the Company's purchased inventory.

(8) INCOME TAXES

During the three months ended June 30, 2022, we recorded no income tax benefits for the net operating losses incurred or for the research and development tax credits generated due to the uncertainty of realizing a benefit from those items.

We have evaluated the positive and negative evidence bearing upon the Company's ability to realize its deferred tax assets, which primarily consist of net operating loss carryforwards and research and development tax credits. We considered the history of cumulative net losses, estimated future taxable income and prudent and feasible tax planning strategies and we have concluded that it is more likely than not that we will not realize the benefits of our deferred tax assets. As a result, as of June 30, 2022 and December 31, 2021, we recorded a full valuation allowance against our net deferred tax assets.

As of June 30, 2022 and December 31, 2021, the Company had federal net operating loss carry forwards of approximately $57.5 million and $62.7 million, respectively, which are available to offset future taxable income. They are due to expire in varying amounts from 2022 to 2040. Federal net operating losses occurring after December 31, 2017, of approximated $19.0 million may be carried forward indefinitely. As of June 30, 2022 and December 31, 2021, the Company had state net operating loss carry forwards of approximately $24.0 million and $19.9 million, respectively, which are available to offset future taxable income. They are due to expire in varying amounts from 2033 through 2040. We recorded minimum state income taxes and taxes related to our operations in Mexico. For the three and six months ended June 30, 2022 and 2021, income tax expense was $51 thousand and $31 thousand, respectively, compared to prior year periods of $57 thousand and $33 thousand, respectively.

(9) RELATED PARTY TRANSACTIONS

The Company leases office space located at the 848 Elm Street, Manchester, NH. The landlord is an affiliate entity owned by Mr. Hitchcock. The two-year facility lease agreement was effective from August 1, 2019, to July 31, 2021 and was extended to July 31, 2022. On July 18, 2022, the lease agreement was amended to a month-to-month lease arrangement and may be terminated by either party with a 60-day notice. The facility lease agreement provides for 2,656 square feet at an aggregate annual rental price of $30 thousand. Rent expense was $8 thousand and $16 thousand for the three and six months ended June 30, 2022 and 2021, respectively.

(10) EARNINGS (LOSS) PER SHARE

Net loss per share for the three and six months ended June 30, 2022 and 2021, respectively, are as follows:

	Three Months Ended		Six Months Ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Numerator:				
Net loss	$ (4,426,559)	$ (1,553,911)	$ (6,965,060)	$ (2,099,431)
Denominator:				
Weighted average common shares - basic	46,344,916	35,482,181	46,181,335	35,368,931
Effect of dilutive common share equivalents	—	—	—	—
Weighted average common shares - dilutive	46,344,916	35,482,181	46,181,335	35,368,931
Basic and diluted	$ (0.10)	$ (0.04)	$ (0.15)	$ (0.06)

Diluted loss per common share for the three and six months ended June 30, 2022 and 2021 excludes the effects of 1,350,839 and 1,511,030 common share equivalents, respectively, since such inclusion would be anti-dilutive. The common share equivalents consist of shares of common stock issuable upon exercise of outstanding stock options.

(11) SUBSEQUENT EVENTS

On July 18, 2022, the Company amended its Manchester facility lease to a month-to-month lease arrangement and may be terminated by either party with a 60-day notice.

The Company has evaluated subsequent events from June 30, 2022 through the date of this filing and has determined that there are no such events, other than those noted above, requiring recognition or disclosure in the financial statements.

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

The following Management's Discussion and Analysis of Financial Condition and Results of Operations, as well as information contained in "Risk Factors" in Part II, Item 1A and elsewhere in this Quarterly Report on Form 10-Q, contain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. We intend that these forward-looking statements be subject to the safe harbor created by those provisions. Forward-looking statements are generally written in the future tense and/or are preceded by words such as "will," "may," "should," "forecast," "could," "expect," "suggest," "believe," "anticipate," "intend," "plan," "future," "potential," "target," "seek," "continue," "if" or other similar words. Forward-looking statements include statements regarding our strategies as well as (1) our ability to predict revenue and reduce costs related to our products or service offerings, (2) our ability to effectively manage our sales channel inventory and product mix to reduce excess inventory and lost sales, (3) our ability to forecast product sales volumes and accordingly manufacture and manage inventory, (4) our ability to generate sales of Motorola brand products sufficient to make that portion of our business profitable, and retain the Motorola brand license for the Motorola brand product we produce, (5) fluctuations in the level or quality of inventory, (6) the sufficiency of our capital resources and the availability of debt and equity financing, (7) the continuing impact of uncertain global economic conditions on the demand for our products, (8) our ability to maintain and scale adequate and secure software platform infrastructure, (9) the impact of competition on demand for our products and services and (10) our competitive position.

The following discussion should be read in conjunction with the attached Unaudited Condensed Consolidated Financial Statements and notes thereto, and with our audited consolidated financial statements and notes thereto for the fiscal year ended December 31, 2021, found in our Annual Report on Form 10-K/A filed with the Securities and Exchange Commission ("SEC") on August 19, 2022. Although we believe that the assumptions underlying the forward-looking statements contained in this Quarterly Report are reasonable, any of the assumptions could be inaccurate, and therefore there can be no assurance that such statements will be accurate. The risks, uncertainties and assumptions referred to above that could cause our results to differ materially from the results expressed or implied by such forward-looking statements include, but are not limited to, those discussed under the heading "Risk Factors" in Part II, Item 1A hereto and the risks, uncertainties and assumptions discussed from time to time in our other public filings and public announcements. All forward-looking statements included in this document are based on information available to us as of the date hereof. In light of the significant uncertainties inherent in the forward-looking statements included herein, the inclusion of such information should not be regarded as a representation by us or any other person that the results or conditions described in such statements or our objectives and plans will be achieved. Furthermore, past performance in operations and share price is not necessarily indicative of future performance. We disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise that may arise after the date of this Quarterly Report on Form 10-Q.

Overview

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

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

Generally, our gross margin for a given product depends on a number of factors, including the type of customer to whom we are selling. The gross margin for products sold to retailers tends to be higher than for some of our other customers; but the sales, support, returns, and overhead costs associated with products sold to retailers also tend to be higher. Gross margin for sales to these master distributors tends to be low, since lower pricing to these distributors helps them to cover the support and marketing costs for their country.

Our cash and cash equivalents balance on June 30, 2022 was $4.2 million compared to $12.6 million on December 31, 2021. On June 30, 2022, we had $5.6 million of outstanding borrowings on our asset-based credit line with availability of $0.2 million and working capital of $23.4 million. The Company is currently executing plans to reduce inventory levels by purchasing a selection of products while selling existing inventory to improve cash and inventory positions by the end of the 2022 fiscal year.

The Company's ability to maintain adequate levels of liquidity depends in part on our ability to sell inventory on hand, increasing SaaS sales, and collect related receivables.

Although the Company has recently experienced losses and has a decrease in sales in the current quarter compared to prior quarters as a result of declining consumer spending in home networking equipment since the peak of the pandemic, our sales are ahead of pre-pandemic sales. In the three and six months ended June 30, 2022 and 2021, we generated net sales of $12.9 million and $14.9 million, respectively, and $26.2 million and $30 million, respectively.

There have been no material changes due to the impact of the COVID-19 pandemic on our business from that disclosed in our most recently filed Annual Report. Our most recent Annual Report on Form 10-K/A for the year ended December 31, 2021 as filed with the SEC on August 19, 2022 provides additional information about our business and operations.

Recent Accounting Standards

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

Critical Accounting Policies and Estimates

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

Our critical accounting policies and estimates, which are revenue recognition, product returns, inventory valuation and costs of goods sold, and valuation of deferred tax assets are described under "Critical Accounting Policies and Estimates" in "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our Annual Report on Form 10-K/A for the year ended December 31, 2021. For the six months ended June 30, 2022, there have been no significant changes in our critical accounting policies and estimates.

Results of Operations

The following table sets forth certain financial data derived from our consolidated statements of operations for the three and six months ended June 30, 2022 and 2021 presented in absolute dollars and as a percentage of net sales, with dollars and percentage change period over period:

	Three Months Ended				Six Months Ended			
	June 30, 2022	June 30, 2021	$ Change	% Change	June 30, 2022	June 30, 2021	$ Change	% Change
	(In thousands, except percentage data)							
Net sales	$ 12,864	$ 14,893	$ (2,029)	(13.6)%	26,163	$ 29,911	$ (3,748)	(12.5)%
Cost of goods sold	10,325	10,415	(90)	(0.9)	19,433	20,329	(896)	(4.4)
Gross profit	2,539	4,478	(1,939)	(43.3)	6,730	9,582	(2,852)	(29.8)
Operating expenses:								
Selling and marketing	3,832	3,209	623	19.4	7,484	6,383	1,101	17.2
General and administrative	1,619	1,327	292	22.0	3,070	2,404	666	27.7
Research and development	1,374	1,386	(12)	(0.9)	2,917	2,775	142	5.1
Total operating expenses	6,825	5,922	903	15.2	13,471	11,562	1,909	16.5
Operating loss	(4,286)	(1,444)	(2,842)	(196.8)	(6,741)	(1,980)	(4,761)	(240.5)
Operating income (expense):								
Interest expense, net	(90)	(78)	(12)	15.4	(168)	(106)	(63)	58.4
Other, net	—	—	—	—	—	20	(20)	(100)
Total other income (expense)	(90)	(78)	(12)	15.4	(168)	(86)	(82)	(95.3)
Loss before income taxes	(4,376)	(1,522)	(2,854)	(187.5)	(6,909)	(2,066)	(4,843)	(234.4)
Income taxes	51	32	19	59.4	57	33	24	72.7
Net loss	$ (4,427)	$ (1,554)	$ (2,873)	(184.9)%	$ (6,966)	$ (2,099)	$ (4,867)	(231.9)%

Comparison of the three and six months ended June 30, 2022 to the three and six months ended June 30, 2021

The following table sets forth our revenues by product and the changes in revenues for the three and six months ended June 30, 2022, as compared to the three and six months ended June 30, 2021:

	Three Months Ended				Six Months Ended			
	June 30, 2022	June 30, 2021	$ Change	% Change	June 30, 2022	June 30, 2021	$ Change	% Change
	(In thousands, except percentage data)							
Cable modems & gateways	$ 12,215	$ 12,808	$ (593)	(4.6)%	$ 25,097	$ 27,395	$ (2,298)	(8.4)%
Other network products	503	1,932	(1,429)	(74.0)	776	2,238	(1,462)	(65.3)
SaaS	146	153	(7)	(4.6)	290	278	12	4.3
Total	$ 12,864	$ 14,893	$ (2,029)	(13.6)%	$ 26,163	$ 29,911	$ 3,748	(12.5)%

The Company’s revenues by geographic area are earned entirely in North America, with the exception of immaterial sales in regions beyond North America, for the three and six months ended June 30, 2022 and 2021.

Net Sales

Our total net sales decreased year-over-year by $2.0 million or 13.6% in the three months ended June 30, 2022 and by $3.7 million or 12.5% in the six months ended June 30, 2022. The decrease in net sales is directly attributable to decreased sales of Motorola branded cable modems and gateways. In both 2022 and 2021, we primarily generated our sales by selling cable modems and gateways. Sales related to SaaS offerings decreased by $7 thousand or 4.6% in the three months ended June 30, 2022 and increased by $12 thousand or 4.3% during the six months ended June 30, 2022. The decrease in the other category of $1.4 million and $1.5 million in the three and six months ended 2022 compared to 2021 is primarily due to a reduction in DSL products and a refocus on new products with growth potential outside North America as well as within new product introductions.

Cost of Goods Sold and Gross Margin

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

The decrease in gross profit was attributable to higher cost inventory resulting from inflationary costs and recording inventory reserves on a specific product. We outsource our manufacturing, warehousing and distribution logistics. We believe this outsourcing strategy allows us to better manage our product costs and gross margin. Our gross margin can be affected by a number of factors, including fluctuation in foreign exchange rates, sales returns, changes in average selling prices, end-user customer rebates and other channel sales incentives, changes in our cost of goods sold due to fluctuations and increases in prices paid for components, overhead costs, inbound freight and duty/tariffs, conversion costs, and charges for excess or obsolete inventory.

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

	Three Months Ended				Six Months Ended			
	June 30, 2022	June 30, 2021	$ Change	% Change	June 30, 2022	June 30, 2021	$ Change	% Change
	(In thousands, except percentage data)							
Net sales	$ 12,864	$ 14,893	$ (2,029)	(13.6)%	$ 26,163	$ 29,911	$ (3,748)	(12.5)%
Gross margin	19.7%	30.1%			25.7%	32.0%		

Gross profit and gross margin decreased in the three and six months ended June 30, 2022, compared to the three months ended in the prior fiscal year period, primarily due to higher component material costs related to chipset premiums and recording of inventory reserves on a specific product.

For the remainder of fiscal 2022, we expect gross margin to be subject to similar variabilities experienced in fiscal 2021. In 2021, we experienced meaningful increase in costs for sea freight transportation as well as costs of materials and components for our products. We expect these costs to remain elevated for the foreseeable future. We continue to experience disruptions from the pandemic, with manufacturing partners being affected by factory uptime, scarcity of materials and components and limited capacity to transport cargo via sea and air. These disruptions have increased the length of time taken between order to production and transportation of inventory. If such disruptions become more widespread, they could significantly affect our ability to fulfill the demand for our products. Forecasting gross margin percentages is difficult, and there are several risks related to our ability to maintain or improve our current gross margin levels. Our cost of goods sold as a percentage of net sales can vary significantly based upon factors such as: uncertainties surrounding revenue volumes, including future pricing and/or potential discounts as a result of the economy, competition, the timing of sales, and related production level variances; import customs duties and imposed tariffs; changes in technology; changes in product mix; expenses associated with writing off excessive or obsolete inventory; fluctuations in freight costs; manufacturing and purchase price variances; and changes in prices on commodity components.

Selling and Marketing

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

	Three Months Ended				Six Months Ended			
	June 30, 2022	June 30, 2021	$ Change	% Change	June 30, 2022	June 30, 2021	$ Change	% Change
	(In thousands, except percentage data)							
Selling and marketing	$ 3,832	$ 3,209	$ 623	19.4%	$ 7,484	$ 6,383	$ 1,101	17.2%

Selling and marketing expenses increased in the three months ended June 30, 2022, as compared to the three months ended June 30, 2021, primarily due to increases in marketing program campaigns of $552 thousand and Motorola royalty fees of $63 thousand. Selling and marketing expenses increased in the six months ended June 30, 2022, as compared to the six months ended June 30, 2021, primarily due to an increase in marketing program campaigns of $796 thousand, Motorola royalty fees of $125 thousand, and software subscriptions of $41 thousand.

For the remainder of fiscal 2022, we expect our selling and marketing expenses as a percentage of net sales in fiscal 2022 to be above fiscal 2021 levels. Expenses may fluctuate depending on sales levels achieved as certain expenses, such as commissions, are determined based upon the net sales achieved. Forecasting selling and marketing expenses is highly dependent on expected net sales levels and could vary significantly depending on actual net sales achieved in any given quarter. Marketing expenses may also fluctuate depending upon the timing, extent and nature of marketing programs.

General and Administrative

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

	Three Months Ended				Six Months Ended			
	June 30, 2022	June 30, 2021	$ Change	% Change	June 30, 2022	June 30, 2021	$ Change	% Change
	(In thousands, except percentage data)							
General and administrative	$ 1,619	$ 1,327	$ 292	22.0%	$ 3,070	$ 2,404	$ 666	27.7%

General and administrative expenses increased in the three months ended June 30, 2022, as compared to the three months ended June 30, 2021, primarily due to increases in personnel expenses of $245 thousand, software subscriptions of $339 thousand, partially offset by a decrease in professional fees of $364 thousand. General and administrative expenses increased in the six months ended June 30, 2022, as compared to the six months ended June 30, 2021, primarily due to increases in personnel expenses of $530 thousand, director fees of $200 thousand, and software subscriptions of $423 thousand, partially offset by a decrease in professional fees of $538 thousand.

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

Research and Development

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

	Three Months Ended				Six Months Ended			
	June 30, 2022	June 30, 2021	$ Change	% Change	June 30, 2022	June 30, 2021	$ Change	% Change
	(In thousands, except percentage data)							
Research and development	$ 1,374	$ 1,386	$ (12)	(0.9)%	$ 2,917	$ 2,775	$ 142	5.1%

Research and development expenses decreased in the three months ended June 30, 2022, as compared to the three months ended June 30, 2021, primarily due to personnel expenses. Research and development expenses increased in the six months ended June 30, 2022, as compared to the three months ended June 30, 2021, primarily due to personnel expenses.

We believe that innovation and technological leadership is critical to our future success, and we are committed to continuing a significant level of research and development to develop new technologies, products and services. We continue to invest in research and development to expand our hardware product offerings focused on premium WiFi 6E, WiFi 6, and software solutions. For the remainder of fiscal 2022, we expect research and development expenses as a percentage of net sales in fiscal 2022 to be in line with or slightly above fiscal 2021 levels. Research and development expenses may fluctuate depending on the timing and number of development activities and could vary significantly as a percentage of net sales, depending on actual net sales achieved in any given year.

Liquidity and Capital Resources

Our principal sources of liquidity are cash and cash equivalents and borrowings under our SVB line-of-credit. As of June 30, 2022, we had cash and cash equivalents of $4.2 million as compared to $12.6 million on December 31, 2021. On June 30, 2022, we had $5.6 million of borrowings outstanding and $0.2 million available on our $25.0 million SVB line-of-credit and working capital of $23.4 million. We have funded our operations and investing activities primarily through borrowings on our line of credit, the sale of assets and the sale of our common stock.

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

Cash Flows

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

	Six Months ended June 31,	
	2022	2021
Cash used in operating activities	$ (8,549)	$ (5,205)
Cash used in investing activities	(460)	(298)
Cash provided by financing activities	656	5,494
Net decrease in cash and cash equivalents	$ (8,353)	$ (9)

Cash Flows from Operating Activities. Cash used in operating activities of $8.5 million for 2022 reflected our net loss of $7.0 million, adjusted for non-cash expenses, consisting primarily of $0.4 million of depreciation and amortization and $0.8 million of stock-based compensation expense. Uses of cash includes an increase of accounts receivables of $1.4 million, increase in inventories $0.8 million, a decrease in accounts payable of $1.1 million, and a decrease in accrued expenses $0.5 million. Sources of cash included a decrease of other assets of $0.2 million and increases in deferred revenue of $0.4 thousand.

Cash used in operating activities of $5.2 million for 2021 reflected our net loss of $2.1 million, adjusted for non-cash expenses, consisting primarily of stock-based compensation expense of $0.6 million. Uses of cash include an increase in inventories of $3.2 million and increase in accounts payable of $0.5 million and accrued expenses of $2.4 million.

Cash Flows from Investing Activities. In 2022, $0.1 million was used to purchase equipment and $0.3 million was used for certification costs.

In 2021, cash of $0.3 million was used to purchase equipment.

Cash Flows from Financing Activities. Cash provided by financing activities in 2022 consisted of a source of cash of $0.5 million from borrowings under our SVB line-of-credit, and $0.2 million in proceeds from the exercise of common stock options.

Cash provided by financing activities in 2021 consisted of a source of cash of $7.3 million from borrowings under our SVB line-of-credit, and $0.7 million in proceeds from the exercises of common stock options. Uses of cash include the repayment of the Rosenthal & Rosenthal, Inc. line-of-credit of $2.4 million.

Future Liquidity Needs

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

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

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

At June 30, 2022, we believe our current cash and cash equivalents, other working capital and borrowings under our SVB line-of-credit will be sufficient to fund working capital requirements, capital expenditures and operations during the next twelve months. The Company is currently executing plans to reduce inventory levels by purchasing a selection of products while selling existing inventory to improve cash and inventory positions by the end of the 2022 fiscal year. We intend to retain any future earnings to support operations and to finance the growth and development of our business, and we do not anticipate paying any dividends in the foreseeable future.

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

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

At June 30, 2022, we have Federal and state net operating loss carry forwards of approximately $57.5 million and $24.0 million, respectively, available to reduce future taxable income. A valuation allowance has been established for the full amount of deferred income tax assets as management has concluded that it is more-likely than-not that the benefits from such assets will

Commitments and Contractual Obligations

During the six months ended June 30, 2022, except as otherwise disclosed in this Form 10-Q, there were no material changes to our capital commitments and contractual obligations from those disclosed in our Form 10-K/A for the year ended December 31, 2021.

Off-Balance Sheet Arrangements

We did not have any material off-balance sheet arrangements as of June 30, 2022. See Note 6 to the accompanying consolidated financial statements for additional disclosure.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

ITEM 4. CONTROLS AND PROCEDURES

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

In connection with the preparation of this Quarterly Report on the Form 10-Q, we carried out an evaluation, under the supervision and with the participation of our management including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act as of June 30, 2022. Based upon that evaluation and other than as disclosed herein, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

During our preparation of our Annual Report on Form 10-K/A for the year ended December 31, 2021, we identified material weaknesses with financial reporting to account for inventory transactions. These material weaknesses could result in the Company incorrectly reporting its inventory. To remediate the material weaknesses, the Company is instituting reporting enhancements within its accounting system, standardized and timely account reconciliations, and independent and regular reviews by the finance department to ensure the Company inventory records are complete and accurate. The material weaknesses will not be considered remediated until the applicable controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively. We expect that the remediation of these material weaknesses will be completed before the end of 2022.

Other than as disclosed herein, there were no changes in our internal control over financial reporting during the three months ended June 30, 2022 that have affected, or are reasonably likely to affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors set forth in our 2021 Annual Report on Form 10-K/A for the year ended December 31, 2021, filed with the SEC on August 19, 2022, which includes a detailed discussion of our risk factors in Part I, "Item 1A. Risk Factors", which discussion is hereby incorporated by reference into this Part II, Item 1A. Our Risk Factors could materially affect our business, financial position, or future results of operations. The risks described in our Annual Report on Form 10-K/A for the fiscal year ended December 31, 2021, are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial position, or future results of operations.

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

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit No.	Exhibit Description
10.1	Amendment to Employment Agreement, dated August 15, 2022, between Minim, Inc. and Mehul Patel (incorporated by reference to Exhibit 10.1 to the Form 8-K filed by the Company on August 16, 2022).**
10.2	Executive Employment Agreement dated August 15, 2022, between Minim, Inc. and Dustin Tacker (incorporated by reference to Exhibit 10.2 to the Form 8-K filed by the Company on August 16, 2022).**
10.3	Executive Severance Agreement, dated August 15, 2022, between Minim, Inc. and Dustin Tacker (incorporated by reference to Exhibit 10.3 to the Form 8-K filed by the Company on August 16, 2022).**
10.4	Transition and Separation Agreement, dated August 15, 2022, between Minim, Inc. and Gray Chynoweth (incorporated by reference to Exhibit 10.4 to the Form 8-K filed by the Company on August 16, 2022).**
10.5	Separation Agreement, dated August 15, 2022, between Minim, Inc. and John Lauten (incorporated by reference to Exhibit 10.5 to the Form 8-K filed by the Company on August 16, 2022).**
31.1	CEO Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	CFO Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	CEO Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.†
32.2	CFO 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 Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

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

** Compensation Plan or Arrangement.

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

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MINIM, INC.
(Registrant)

Date: August 19, 2022

By: */s/ DUSTIN TACKER*
Dustin Tacker
Chief Financial Officer
(on behalf of Registrant and as Principal Financial Officer)

EXHIBIT 31.1

CERTIFICATIONS

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

1. I have reviewed this quarterly report on Form 10-Q of Minim, Inc.;

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

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

4. 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 control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

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

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

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

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. 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 functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

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

Date: August 19, 2022

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

EXHIBIT 31.2

CERTIFICATIONS

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

1. I have reviewed this quarterly report on Form 10-Q of Minim, Inc.;

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

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

4. 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-15I and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15 (f)) for the registrant and we have:

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

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

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

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

2. 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 functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

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

Date: August 19, 2022

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

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 Minim, Inc. (the “Company”) on Form 10-Q for the quarter ended June 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Mehul Patel, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. the Report fully complies with the requirements of Section 13(a) 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.

Date: August 19, 2022

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

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

EXHIBIT 32.2

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 Minim, Inc. (the “Company”) on Form 10-Q for the quarter ended June 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Dustin Tacker, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. the Report fully complies with the requirements of Section 13(a) 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.

Date: August 19, 2022

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

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