WORLDS INC
Form 10-Q
August 11, 2017

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

FORM 10-Q

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

For the Quarterly Period ended June 30, 2017

( ) 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 0-24115

WORLDS INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**22-1848316**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

11 Royal Road
Brookline, MA 02445
(Address of Principal Executive Offices)

(617) 725-8900
(Registrant's Telephone Number, Including Area Code)

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 [X] No [ ]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes [X] No [ ]

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

Large Accelerated filer	Accelerated filer	
Non-accelerated filer	Smaller reporting company	Emerging growth company
(Do not check if a smaller reporting 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 [X]

As of August 10, 2017, 246,773,331 shares of the Issuer's Common Stock were outstanding.

Worlds Inc.

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

Worlds Inc.
Balance Sheets
June 30, 2017 and December 31, 2016

	Unaudited	Audited
	June 30, 2017	December 31, 2016
ASSETS:		
Current Assets		
Cash and cash equivalents	$86,512	$93,378
Due from related party	4,602	—
Total Current Assets	91,114	93,378
Total assets	$91,114	$93,378
LIABILITIES AND STOCKHOLDERS' DEFICIT:		
Current Liabilities		
Accounts payable	$797,908	$797,908
Accrued expenses	2,639,265	2,545,672
Due to related party	—	5,053
Notes payable	773,279	773,279
Notes Payables	750,000	750,000
Total Current Liabilities	4,960,452	4,871,912
Stockholders' (Deficit)		
Common stock (Par value $0.001 authorized 250,000,000 shares, issued and outstanding 246,773,331 and 210,156,148 at June 30, 2017 and December 31, 2016, respectively)	246,773	210,156
Common stock subscribed but not yet issued 0 at June 30, 2017 and 11,350,000 at December 31, 2016)	—	11,350
Additional paid in capital	35,464,894	35,171,780
Common stock-warrants	1,206,913	1,206,913
Accumulated deficit	(41,787,919)	(41,378,732)

Total stockholders deficit	(4,869,338)	(4,778,533)
Total Liabilities and stockholders' deficit	$91,114	$93,378

The accompanying notes are an integral part of these financial statements

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Worlds Inc.
Statements of Operations
For the Three and Six Months Ended June 30, 2017 and 2016

	Unaudited Six months ended June 30		Unaudited Three months ended June 30	
	2017	2016	2017	2016
Revenues				
Revenue	$—	$—	$—	$—
Total Revenue	—	—	—	—
Cost and Expenses				
Cost of Revenue	—	—		—
Gross Profit/(Loss)	—	—	—	—
Selling, General & Admin.	253,362	402,808	107,790	223,351
Salaries and related	128,109	116,463	64,054	58,231
Operating loss	(381,477)	(519,271)	(171,844)	(281,582)
Other Income (Expense)				
Gain (Loss) on change in fair value of derivative liability	—	(436,051)	—	(547,365)
Interest Expense	(22,315)	(54,259)	(11,219)	(43,298)
Loss on conversion of payable to common stock	(5,394)	—	—	—
Net Income/(Loss)	$(409,187)	$(1,009,581)	$(183,063)	$(872,246)
Weighted Average Loss per share	**	$(0.01)	**	$(0.01)
Weighted Average Common Shares Outstanding	244,169,870	132,186,582	246,583,771	149,814,259

**=less than $0.01

The accompanying notes are an integral part of these financial statements

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Worlds Inc.
Statements of Cash Flows
Six Months Ended June 30, 2017 and 2016

	Unaudited 6/30/17	Unaudited 6/30/16
Cash flows from operating activities:		
Net gain/(loss)	$(409,187)	$(1,009,581)
Adjustments to reconcile net loss to net cash (used in) operating activities		
Amortization of discount to note payable	—	29,333
Changes in fair value of derivative liabilities	—	436,051
Accounts payable and accrued expenses	93,592	146,053
Due from/to related party	(9,655)	(33,015)
Net cash (used in) operating activities:	(325,249)	(431,158)
Cash flows from financing activities		
Proceeds from issuance of note payable	—	290,000
Proceeds from issuance of convertible note payable	—	131,500
Proceeds from exercise of warrants	292,800	—
Issuance of common stock as payment for account payable	25,582	—
Net cash provided by financing activities	318,382	421,500
Net increase/(decrease) in cash and cash equivalents	(6,868)	(9,658)
Cash and cash equivalents, including restricted, beginning of year	93,378	26,298
Cash and cash equivalents, including restricted, end of period	$86,512	$16,642
Non-cash financing activities		
Issuance of 34,166,664 shares of common stock to retire convertible notes payable	—	275,159
Supplemental disclosure of cash flow information:		
Cash paid during the year for:		
Interest	$—	$—
Income taxes	$—	$—

The accompanying notes are an integral part of these financial statements

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Worlds Inc.

NOTES TO FINANCIAL STATEMENTS

Six Months Ended June 30, 2017

(Unaudited)

NOTE 1 – DESCRIPTION OF BUSINESS AND SUMMARY OF ACCOUNTING POLICIES

Description of Business

On May 16, 2011, the Company transferred, through a spin-off to its then wholly owned subsidiary, Worlds Online Inc. (currently called MariMed Inc.), the majority of its operations and related operational assets. The Company retained its patent portfolio which it intends to continue to increase and to more aggressively enforce against alleged infringers. The Company also entered into a License Agreement with Worlds Online Inc. to sublicense its patented technologies.

Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("US GAAP"), which contemplates continuation of the Company as a going concern. The Company has always been considered a developmental stage business, has incurred significant losses since its inception and has had minimal revenues from operations. The Company will require substantial additional funds for development and enforcement of its patent portfolio. There can be no assurance that the Company will be able to obtain the substantial additional capital resources to pursue its business plan or that any assumptions relating to its business plan will prove to be accurate. The Company has not been able to generate sufficient revenue or obtain sufficient financing which has had a material adverse effect on the Company, including requiring the Company to reduce operations. These factors raise substantial doubt about the Company's ability to continue as a going concern. As the Company has focused its attention on increasing its patent portfolio and enforcing it, the Company has been operating at a significantly reduced capacity, with only one full time employee and using consultants to perform any additional work that may be required.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Cash and Cash Equivalents

Cash and cash equivalents includes highly liquid money market instruments, which have original maturities of three months or less at the time of purchase.

Due to Related Party

Due to related party is comprised of cash payments made by Worlds Online Inc. on behalf of Worlds Inc. for shared operating expenses.

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Revenue Recognition

Effective for the second quarter of 2011, the Company spun off its online businesses to Worlds Online Inc. The Company's sources of revenue after the spin off are from any revenue that may be generated from enforcing its patents. The Company recognizes revenue when all of the following criteria are met: evidence of an arrangement exists such as a signed agreement or contract or a final court decision, delivery has occurred, the price is fixed or determinable, and collectability is reasonable assured. This will usually be in the form of a receipt of a customer's acceptance indicating the product has been completed to their satisfaction except for development work and service revenue which is recognized when the services have been performed.

Research and Development Costs

Research and development costs are charged to operations as incurred.

Property and Equipment

Property and equipment are stated at cost. Depreciation is provided on a straight line basis over the estimated useful lives of the assets ranging from three to five years. When assets are retired or disposed of, the cost and accumulated depreciation are removed from the accounts, and any resulting gains or losses are included in income. Maintenance and repairs are charged to expense in the period incurred.

Impairment of Long Lived Assets

The Company evaluates the recoverability of its fixed assets and other assets in accordance with section 360-10-15 of the FASB Accounting Standards Codification for disclosures about Impairment or Disposal of Long-Lived Assets. Disclosure requires recognition of impairment of long-lived assets in the event the net book value of such assets exceeds its expected cash flows. If so, it is considered to be impaired and is written down to fair value, which is determined based on either discounted future cash flows or appraised values. The Company adopted the statement on inception. No impairments of these types of assets were recognized during 2016 and 2015 or the first half of 2017.

Stock-Based Compensation

The Company accounts for stock-based compensation using the fair value method following the guidance set forth in section 718-10 of the FASB Accounting Standards Codification for disclosure about Stock-Based Compensation. This section requires a public entity to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award (with limited exceptions). That cost will be recognized over the period during which an employee is required to provide service in exchange for the award the requisite service period (usually the vesting period). No compensation cost is recognized for equity instruments for which employees do not render the requisite service.

Income Taxes

The Company accounts for income taxes under Section 740-10-30 of the FASB Accounting Standards Codification. Deferred income tax assets and liabilities are determined based upon differences between the financial reporting and tax basis of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. Deferred tax assets are reduced by a valuation allowance to the extent management concludes it is more likely than not that the assets will not be realized. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the consolidated statements of operations in the period that includes the enactment date.

ASC 740 prescribes a comprehensive model for how companies should recognize, measure, present, and disclose in their financial statements uncertain tax positions taken or expected to be taken on a tax return. Under ASC 740, tax positions must initially be recognized in the financial statements when it is more likely than not the position will be sustained upon examination by the tax authorities. Such tax positions must initially and subsequently be measured as the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the tax authority assuming full knowledge of the position and relevant facts.

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Notes Payable

The Company has $773,279 in short term notes outstanding at June 30, 2017 and December 31, 2016. These are old notes payable for which the statute of limitations has passed and therefore the Company does not expect it will ever have to repay those notes.

The Company has an additional $750,000 in notes outstanding at June 30, 2017 and December 31, 2016.

Comprehensive Income (Loss)

The Company reports comprehensive income and its components following guidance set forth by section 220-10 of the FASB Accounting Standards Codification which establishes standards for the reporting and display of comprehensive income and its components in the financial statements. There were no items of comprehensive income (loss) applicable to the Company during the period covered in the financial statements.

Loss Per Share

Net loss per common share is computed pursuant to section 260-10-45 of the FASB ASC. Basic net loss per share is computed by dividing net loss by the weighted average number of shares of common stock outstanding during the period. As of June 30, 2017, there were 9,050,000 options and no warrants, whose effect is anti-dilutive and not included in diluted net loss per share for June 30, 2017. The options and warrants may dilute future earnings per share.

Commitments and Contingencies

The Company follows subtopic 450-20 of the FASB Accounting Standards Codification to report accounting for contingencies. Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to the Company but which will only be resolved when one or more future events occur or fail to occur. The Company assesses such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Company or unasserted claims that may result in such proceedings, the Company evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Company's financial statements. If the assessment indicates that a potentially material loss contingency is not probable but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, and an estimate of the range of possible losses, if determinable and material, would be disclosed.

Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the guarantees would be disclosed. Management does not believe, based upon information available at this time, that these matters will have a material adverse effect on the Company's financial position, results of operations or cash flows. However, there is no assurance that such matters will not materially and adversely affect the Company's business, financial position, and results of operations or cash flows.

During 2000 the Company was involved in a lawsuit relating to unpaid consulting services. In April, 2001 a judgment against the Company was rendered for approximately $205,000. As of June 30, 2017, and December 31, 2016 the Company recorded a reserve of $205,000 for this lawsuit, which is included in accrued expenses in the accompanying balance sheets.

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Risk and Uncertainties

The Company is subject to risks common to companies in the technology industries, including, but not limited to, litigation, development of new technological innovations and dependence on key personnel.

Off Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

Uncertain Tax Positions

The Company did not take any uncertain tax positions and had no adjustments to unrecognized income tax liabilities or benefits pursuant to the provisions of Section 740-10-25 for the year ended December 31, 2016.

Fair Value of Financial Instruments

The Company measures assets and liabilities at fair value based on an expected exit price as defined by the authoritative guidance on fair value measurements, which represents the amount that would be received on the sale of an asset or paid to transfer a liability, as the case may be, in an orderly transaction between market participants. As such, fair value may be based on assumptions that market participants would use in pricing an asset or liability. The authoritative guidance on fair value measurements establishes a consistent framework for measuring fair value on either a recurring or nonrecurring basis whereby inputs, used in valuation techniques, are assigned a hierarchical level.

The following are the hierarchical levels of inputs to measure fair value:

•Level 1 – Observable inputs that reflect quoted market prices in active markets for identical assets or liabilities.

- Level 2 – Inputs reflect quoted prices for identical assets or liabilities in markets that are not active; quoted prices for similar assets or liabilities in active markets; inputs other than quoted prices that are observable for the assets or liabilities; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

- Level 3 – Unobservable inputs reflecting the Company’s assumptions incorporated in valuation techniques used to determine fair value. These assumptions are required to be consistent with market participant assumptions that are reasonably available.

The carrying amounts of the Company’s financial assets and liabilities, such as cash, other receivables, accounts payable & accrued expenses, due to related party, notes payable and notes payables, approximate their fair values because of the short maturity of these instruments. The Company's convertible notes payable are measured at amortized cost.

The Company accounts for its derivative liabilities, at fair value, on a recurring basis under level 3. See Note 5.

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Embedded Conversion Features

The Company evaluates embedded conversion features within convertible debt under ASC 815 “Derivatives and Hedging” to determine whether the embedded conversion feature(s) should be bifurcated from the host instrument and accounted for as a derivative at fair value with changes in fair value recorded in earnings. If the conversion feature does not require derivative treatment under ASC 815, the instrument is evaluated under ASC 470-20 “Debt with Conversion and Other Options” for consideration of any beneficial conversion feature.

Derivative Financial Instruments

The Company does not use derivative instruments to hedge exposures to cash flow, market, or foreign currency risks. The Company evaluates all of its financial instruments, including stock purchase warrants, to determine if such instruments are derivatives or contain features that qualify as embedded derivatives. For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value and is then re-valued at each reporting date, with changes in the fair value reported as charges or credits to income.

For option-based simple derivative financial instruments, the Company uses the Black-Scholes option-pricing model to value the derivative instruments at inception and subsequent valuation dates. The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is re-assessed at the end of each reporting period.

Subsequent Events

The Company evaluated for subsequent events through the issuance date of the Company’s financial statements.

Recent Accounting Pronouncements

The Company has reviewed all recently issued, but not yet effective, accounting pronouncements up to ASU 2015-16, and does not believe the future adoption of any such pronouncements may be expected to cause a material impact on its financial condition or the results of its operations.

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NOTE 2 - GOING CONCERN

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. Since its inception, the Company has had periods where it had only minimal revenues from operations. There can be no assurance that the Company will be able to obtain the additional capital resources to fully implement its business plan or that any assumptions relating to its business plan will prove to be accurate. The Company is pursuing sources of additional financing and there can be no assurance that any such financing will be available to the Company on commercially reasonable terms, or at all. Any inability to obtain additional financing will likely have a material adverse effect on the Company, including possibly requiring the Company to completely reduce and/or cease operations.

These factors raise substantial doubt about the ability of the Company to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

NOTE 3 - EQUITY

During the six months ended June 30, 2017 the Company received an additional $292,800 upon the exercise of 24,400,000 warrants to purchase 24,400,000 shares of the Company's common stock at $0.012 per share. During the six months ended June 30, 2017 the Company issued 750,000 shares of the Company's common stock as payment for services rendered, an aggregate value of $18,000. The expense was recorded in a prior year and the shares were listed as common stock subscribed but not yet issued until the shares were issued during the six months ended June 30, 2017.

During the six months ended June 30, 2016, the Company issued 34,166,664 shares of common stock by converting $275,159 of the principal of convertible notes payable.

NOTE 4 - NOTES PAYABLE

Notes payable at June 30, 2017 consist of the following:	
Unsecured note payable to a shareholder bearing 8% interest.	
Entire balance of principal and unpaid interest due on demand	$124,230
Unsecured note payable to a shareholder bearing 10% interest	
Entire balance of principal and unpaid interest due on demand	$649,049
Promissory notes	$700,000
Notes Payable - related party	$50,000
Total notes	$1,523,279

2017	$1,523,279
2018	$-0-
2019	$-0-
2020	$-0-
2021	$-0-
	$1,523,279

We issued promissory notes in the amount of $290,000 during the six months ended June 30, 2016. The promissory notes carry a 6% annual interest rate. All of the promissory notes have reached their maturity date and are currently in default. The holders of the promissory notes shall receive repayment in the full face amount of the note from the initial $750,000 the Company actually receives from the net proceeds of its patent infringement claim(s) or from the net proceeds of a public offering. In addition the holder shall receive a preferred return (i) in an amount equal to up to 200% of the initial face amount of the note out of available cash by sharing with all other investors in this series of notes in the allocation of 50% of the available cash received by the Company from $2M - $4M and (ii) in an amount equal to up to 100% of the initial face amount of the note out of available cash by sharing with all other investors in this series of notes in the allocation of 25% of the available cash received by the Company from $4M - $6M. In other words, if the Company collects $6M in the net proceeds of available cash, the holder will receive a return equal to 400% of its investment.

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NOTE 5 – STOCK OPTIONS

No stock options were issued during the six months ended June 30, 2017 and no stock options were exercised during the six months ended June 30, 2017.

No stock options were issued during the six months ended June 30, 2016 and no stock options were exercised during the six months ended June 30, 2016.

Stock Warrants and Options
Stock warrants/options outstanding and exercisable on June 30, 2017 are as follows:

Exercise Price per Share	Shares Under Option/warrant	Remaining Life in Years
Outstanding and Exercisable		
$0.19	200,000	0.50
$0.155	200,000	1.50
$0.14	250,000	1.50
$0.115	300,000	0.25
$0.11	300,000	3.00
$0.03	300,000	3.00
$0.07	7,500,000	0.25

NOTE 6 - COMMITMENTS AND CONTINGENCIES

The Company is committed to an employment agreement with its President and CEO, Thom Kidrin. The agreement, dated as of August 30, 2012, is for five years with a one-year renewal option held by Mr. Kidrin. The agreement provides for a base salary of $175,000, which increases 10% on September 1 of each year; a monthly car allowance of $500; an annual bonus equal to 2.5% of Pre-Tax Income (as defined in the agreement); an additional bonus as follows: $75,000, if Pre-Tax Income for the year is between 150% and 200% of the prior fiscal year's Pre-Tax Income or (B) $100,000, if Pre-Tax Income for the year is between 201% and 250% of the prior fiscal year's Pre-Tax Income or (C) $200,000, if Pre-Tax Income for the year is 251% or greater than the prior fiscal year's Pre-Tax Income, but in no event shall this additional bonus exceed five (5%) percent of Pre-Tax Income for such year; payment of up to $10,000 in life insurance premiums; options to purchase 7.5 million shares of Worlds Inc. common stock at an exercise price of $0.076 per share, all of which vested on August 30, 2012; a death benefit of at least $2 million dollars; and a payment equal to 2.99 times his base amount (as defined in the agreement) in the event of a Change of Control (as defined in the agreement). The agreement also provides that Mr. Kidrin can be terminated for cause (as defined in the agreement) and that he is subject to restrictive covenants for 12 months after termination.

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NOTE 7 - RELATED PARTY TRANSACTIONS

On May 16, 2011, the Company transferred, through a spin-off to its then wholly owned subsidiary, Worlds Online Inc., the majority of its operations and related operational assets. The Company retained its patent portfolio which it intends to continue to increase and to more aggressively enforce against alleged infringers.

Due to and due from related party accounts is comprised of cash payments for operating expenses made by Worlds Online Inc. on behalf of Worlds Inc. or made by Worlds Inc on behalf of Worlds Online Inc. The balance at June 30, 2017 is a due from related party of $4,602 and the balance on December 31, 2016 is a due to related party of $5,053.

NOTE 8 - PATENTS

Worlds Inc. currently has nine patents, 6,219,045 - 7,181,690 - 7,493,558 – 7,945,856, - 8,082,501, – 8,145,998 – 8,161,383, – 8,407,592 and 8,640,028. On March 30, 2012, the Company filed a patent infringement lawsuit against Activision Bizzard Inc., Blizzard Entertainment Inc. and Activision Publishing Inc. in the United States District Court for the District of Massachusetts. Susman Godfrey LLP is lead counsel for the Company. The costs to prosecute those parties that the Company and our legal counsel believe to be infringing on said patents were capitalized under patents until a resolution is reached.

There can be no assurance that the Company will be successful in its ability to prosecute its IP portfolio or that we will be able to acquire additional patents.

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Item 2. Management's Discussions and Analysis of Financial Condition and Results of Operations

Forward Looking Statements

When used in this Form 10-Q and in other filings by the Company with the Commission, the words or phrases such as "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "plan," "predict," "project," "will" or similar expressions are intended to identify “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Readers are cautioned not to place undue reliance on any such forward looking statements, each of which speak only as of the date made. Such statements are subject to certain risks and uncertainties that could cause actual results to differ materially from historical earnings and those presently anticipated or projected. The Company has no obligation to publicly release the result of any revisions which may be made to any forward-looking statements to reflect anticipated or unanticipated events or circumstances occurring after the date of such statements.

These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to be materially different. These factors include, but are not limited to, changes that may occur to general economic and business conditions; changes in political, social and economic conditions in the jurisdictions in which we operate; changes to regulations that pertain to our operations; changes in technology that render our technology relatively inferior, obsolete or more expensive compared to others; delays in the delivery of broadband capacity to the homes and offices of persons who license our technology; general disruptions to Internet service; and the loss of customer faith in the Internet as a means of commerce.

The following discussion should be read in conjunction with the unaudited financial statements and related notes which are included under Item 1.

We do not undertake to update our forward-looking statements or risk factors to reflect future events or circumstances.

Overview

General

Starting in mid-2001 we were not able to generate enough revenue to sustain full operations and other sources of capital were not available. As a result, we have had to significantly curtail our operations since that time and at times almost halt them all together. Since mid-2007, as more funds became available from our financings, we were able to increase operations and become more active operationally.

On May 16, 2011, we transferred, through a spin-off to our then wholly owned subsidiary, Worlds Online Inc. (currently called MariMed Inc.), the majority of our operations and related operational assets. We retained our patent portfolio which we intend to continue to increase and to more aggressively enforce against alleged infringers. We also entered into a License Agreement with Worlds Online Inc. to sublicense patented technologies.

At present, the Company’s anticipated sources of revenue after the spin off will be from revenue that may be generated from enforcing its patents.

Revenues

We generated no revenue during the quarter because we transferred the operations of the Company to Worlds Online Inc. and our other anticipated revenue generation streams did not produce any income during the quarter.

Expenses

We classify our expenses into two broad groups:

•Cost of revenues; and

•selling, general and administration.

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Liquidity and Capital Resources

We have had to limit our operations since mid 2001 due to a lack of liquidity. However, we were able to issue equity and convertible debt in the last few years and raise small amounts of capital from time to time that, prior to the spinoff was used to enable us to begin upgrading our technology, develop new products and actively solicit additional business, and more recently to protect, increase and enforce our patent portfolio. We continue to pursue additional sources of capital though we have no current arrangements with respect to, or sources of, additional financing at this time and there can be no assurance that any such financing will become available. If we cannot raise additional capital, form an alliance of some nature with another entity, or start to generate sufficient revenues, we may need to once again scale back operations.

RESULTS OF OPERATIONS

Our net revenues for each of the three months ended June 30, 2017 and 2016 were $0. All the operations were transferred over to Worlds Online Inc. in the spin off. The Company's future sources of revenue after the spin off are anticipated to be from enforcing our patents in litigation or otherwise.

Three months ended June 30, 2017 compared to the three months ended June 30, 2016

Revenue is $0 for the three months ended June 30, 2017 and 2016. All the operations were transferred over to Worlds Online Inc. in the spin off. The business up to the spin off continued to run in a severely diminished mode due to the lack of liquidity. Post spin off we still need to raise a sufficient amount of capital to provide the resources required that would enable us to continue running the business.

Cost of revenues is $0 in the three months ended June 30, 2017 and 2016.

Selling general and administrative (SG&A) expenses decreased by $115,561 from $223,351 to $107,790 for the three months ended June 30, 2016 and 2017, respectively. Decrease is due to professional service fees surrounding the patent infringement lawsuit and raising funds last year with limited activity this year.

Salaries and related increased by $5,823 to $64,054 from $58,231 for the three months ended June 30, 2017 and 2016, respectively. The increase is due to an increase in the CEO's salary based on the terms of his employment agreement.

For the three months ended June 30, 2017, the Company had interest expense of $11,219.

For the three months ended June 30, 2016, the Company had a loss on change in fair value of derivative liability of $547,365 and interest expense of $43,298, related to the issuance of secured convertible notes and the outstanding options that are required to be recorded as a derivative liability.

As a result of the foregoing, we realized a net loss of $183,063 for the three months ended June 30, 2017 compared to a net loss of $872,246 in the three months ended June 30, 2016.

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Six months ended June 30, 2017 compared to six months ended June 30, 2016

Revenue is $0 for the six months ended June 30, 2017 and 2016. All the operations were transferred over to Worlds Online Inc. in the spin off. The business up to the spin off continued to run in a severely diminished mode due to the lack of liquidity. Post spin off we still need to raise a sufficient amount of capital to provide the resources required that would enable us to continue running the business.

Cost of revenues is $0 in the six months ended June 30, 2017 and 2016.

Selling general and administrative (SG&A) expenses decreased by $149,446 from $402,808 to $253,362 for the six months ended June 30, 2016 and 2017, respectively. Decrease is due to a decrease in professional service fees related to the patent infringement lawsuit and raising of funds last year compared to limited activity this year.

Salaries and related increased by $11,646 to $128,109 from $116,463 for the six months ended June 30, 2017 and 2016, respectively. The increase is due to an increase in the CEO's salary based on the terms of his employment agreement.

For the six months ended June 30, 2017, the Company had interest expense of $22,315 compared to $54,259 for the comparable period in 2016.

For the six months ended June 30, 2016, the Company had a loss on change in fair value of derivative liability of $436,051 and interest expense of $54,259. The derivative liabilities are in connection with the issuance of the secured convertible notes which are required to be recorded as a derivative liability and for 2016, the options which are required to be recorded as a derivative liability.

As a result of the foregoing, we realized a net loss of $409,187 for the six months ended June 30, 2017 compared to a net loss of $1,009,581 in the six months ended June 30, 2016.

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Liquidity and Capital Resources

At June 30, 2017, our cash and cash equivalents were $86,512. During the six months ended June 30, 2017, we raised an aggregate of $292,800 from warrants being exercised for common stock.

During the six months ended June 30, 2016, we raised an aggregate of $290,000 from issuing notes payable. An additional $131,500 was raised from the convertible note payable.

There were no capital expenditures in the six months ended June 30, 2017 or in the six months ended June 30, 2016.

Historically, our primary cash requirements have been used to fund the cost of operations, development of our products and patent protection, with additional funds having been used in connection with the exploration of new business lines.

The funds raised in our 2017 and 2016 financings were and will be used to enhance our patent portfolio, pay salaries to management and pay professional fees to our attorneys and auditors to prepare and file reports with the Securities and Exchange Commission. We hope to raise additional funds to be used for further developing our portfolio of patents and to document our technology in order to enforce our patents where there is infringement. No assurances can be given that we will be able to raise any additional funds.

Item 4. Controls And Procedures

As of June 30, 2017, 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 such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended). Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of June 30, 2017. The above statement notwithstanding, you are cautioned that no system is foolproof.

Changes in Internal Control Over Financial Reporting

During the quarter covered by this report 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) under the Securities Exchange Act of 1934, as amended) that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II OTHER INFORMATION

Item 1. Legal Proceedings.

The Federal case before Judge Denise Casper has been stayed pending the outcome of the IPR appeal to the United States Court of Appeals for the Federal Circuit ("CAFC").

On May 26, 2015, Bungie, Inc. filed three Petitions for Inter Partes Review with the U.S. Patent & Trademark Office ("USPTO"), and specifically, the Patent Trial and Appeal Board ("PTAB"). These Petitions for Inter Partes Review, Case Nos. IPR2015-01264, -01268, and -01269 respectively contained validity challenges of three U.S. patents assigned to the Company. On June 1, 2015, Bungie, Inc. filed three additional Petitions for Inter Partes Review with the USPTO, and specifically the PTAB. The Petition for Inter Partes Review, Case No. IPR201501319 contained validity challenges of one additional U.S. patent assigned to the Company. The Petitions for Inter Partes Review, Case Nos. IPR2015-01321 and 01325 contained validity challenges of one additional U.S. patent assigned to the Company. In each Inter Partes Review, Bungie, Inc. was asking the PTAB to cancel issued claims from the Company's patents.

The Company's legal counsel represented the Company before the USPTO with regard to these six Petitions for Inter Partes Review, Case Nos. IPR2015-01264, -01268, -01269, -01319, -01321, and -01325, instituted against the five U.S. patents assigned to the Company. The Company vigorously contested each Inter Partes Review.

On November 10, 2016, the PTAB issued its final written decision in IPR201501264, canceling claim 1 of Company's U.S. Patent No. 7,945,856.

On November 30, 2016, the PTAB issued its final written decision in IPR201501268, canceling claims 1-3, 5-7, 10-12, 14, 15, 17, and 19 of Company's U.S. Patent No. 7,181,690. Of the claims reviewed, the PTAB did not cancel claims 4, 8, 13, and 16.

On November 28, 2016, the PTAB issued its final written decision in IPR201501269, canceling claims 4, 6, 8, and 9 of Company's U.S. Patent No. 7,493,558. Of the claims reviewed, the PTAB did not cancel claims 5 and 7.

On December 6, 2016, the PTAB issued its final written decision in IPR201501319, canceling claims 1-8, 10, 12, and 14-16 of Company's U.S. Patent No. 8,082,501.

On November 28, 2016, the PTAB issued its final written decision in IPR201501321, canceling claims 1-3, 7, 8, 12-18, and 20 of Company's U.S. Patent No. 8,145,998.

On November 28, 2016, the PTAB issued its final written decision in IPR201501325, canceling claims 1 and 20 of Company's U.S. Patent No. 8,145,998. Of the claims reviewed, the PTAB did not cancel claims 2-3, 7, 8, and 11-18 in this proceeding.

The Company did not appeal the final written decisions in IPR2015-01268, IPR201501269, and IPR2015-01325.

On January 12, 2017, February 7, 2017, and January 30, 2017, respectively, Company appealed the outcomes in IPR2015-01264, IPR2015-01319, and IPR2015-01321 to the United States Court of Appeals for the Federal Circuit ("CAFC"). These three cases have been consolidated.

The company filed formal appeal briefs with the United States Court of Appeals for the Federal Circuit ("CAFC") on June 26, 2017.

On June 19, 2017 Appelle, Bungie Inc., filed an extension request to respond which the CAFC granted on June 27, 2017 with Bungie Inc. response due August 28, 2017.

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Item 1A. Risk Factors

We are not obligated to disclose our risk factors in this report, however, limited information regarding our risk factors appears in Part I, Item 2. “Management’s Discussion and Analysis of Financial Condition and Results of Operations” under the caption “Forward-Looking Statements” contained in this Quarterly Report on Form 10-Q and in “Item 1A. RISK FACTORS” of our 2015 Annual Report on Form 10-K. There have been no material changes from the risk factors previously disclosed in our 2015 Annual Report on Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

During the six months ended June 30, 2017 we raised an aggregate of $292,800 from warrants being exercised for common stock.

During the six months ended June 30, 2016, we raised an aggregate of $421,500 from issuing notes payable and convertible notes payable to accredited investors in exempt private offerings without the use of public advertising or the payment of commissions.

Item 3. Defaults Upon Senior Securities

During the six months ended June 30, 2017 $425,000 in notes payable reached their maturity date. All promissory notes are currently in default.

Item 4. Mine Safety Disclosure

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

31.1	Certification of Chief Executive Officer
31.2	Certification of Chief Financial Officer
32.1	Statement required by 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Statement required by 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002.
101.INS* XBRL	Instance Document
101.SCH*XBRL	Taxonomy Extension Schema
101.CAL*XBRL	Taxonomy Extension Calculation Linkbase
101.DEF*XBRL	Taxonomy Extension Definition Linkbase
101.LAB*XBRL	Taxonomy Extension Label Linkbase
101.PRE*XBRL	Taxonomy Extension Presentation Linkbase

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SIGNATURES

In accordance with the requirements of the Exchange Act, the Registrant caused this Report to be signed on its behalf by the undersigned thereto duly authorized.

Date: August 11, 2017

WORLDS INC.

By: /s/Thomas Kidrin

Thomas Kidrin

President and CEO

By: /s/Christopher Ryan

Christopher Ryan

Chief Financial Officer

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