

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

FORM 8-K

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

Date of Report (Date of earliest event reported): **February 13, 2025**

WISA TECHNOLOGIES, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of Incorporation)

001-38608
(Commission
File Number)

30-1135279
(IRS Employer
Identification Number)

**15268 NW Greenbrier Pkwy
Beaverton, OR**
(Address of registrant's principal executive office)

97006
(Zip code)

(408) 627-4716
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

<u>Title of each class</u>	<u>Trading symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock, par value \$0.0001 per share	WISA	The Nasdaq Capital Market

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 or Rule 12b-2 of the Securities Exchange Act of 1934.

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.

Item 9.01 Financial Statements and Exhibits.

(a) Financial statement of business acquired

The audited consolidated balance sheets of CompuSystems, Inc., a Texas corporation ("CSI") as of December 31, 2023 and 2022, the related audited consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows of CSI for the years ended December 31, 2023 and 2022, the notes related thereto and the Independent Auditor's Report, are attached hereto as Exhibit 99.1 and incorporated herein by reference.

The unaudited balance sheet of CSI as of September 30, 2024, and statements of operations and stockholders' equity and cash flows for the nine months ended September 30, 2024 and 2023, and the notes related thereto are attached hereto as Exhibit 99.2 and incorporated herein by reference.

(b) Pro forma financial information

The unaudited pro forma combined condensed consolidated balance sheet of WISA Technologies, Inc. as of September 30, 2024, and statements of operations for the nine months ended September 30, 2024, and year ended December 31, 2023, and the notes related thereto are attached hereto as Exhibit 99.3 and incorporated herein by reference.

(d) Exhibits

Exhibit

<u>No.</u>	<u>Description</u>
<u>23.1</u>	<u>Consent of BG Advisors CPA, LTD.</u>
<u>99.1</u>	<u>Audited consolidated financial statements of CompuSystems, Inc. as of and for the years ended December 31, 2023 and 2022.</u>

[99.2](#) [Interim balance sheet of CSI as of and for the nine months ended September 30, 2024 and 2023.](#)

[99.3](#) [Unaudited pro forma condensed consolidated balance sheet of WiSA Technologies, Inc. as of September 30, 2024 and statements of operations for the nine months ended September 30, 2024 and year ended December 31, 2023.](#)

104 Cover Page Interactive Data File (embedded within the Inline XBRL document).

SIGNATURES

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

Date: February 13, 2025

WISA TECHNOLOGIES, INC.

By: /s/ Nathaniel Bradley

Name: Nathaniel Bradley

Title: Chief Executive Officer



1775 Legacy Circle
Naperville, IL 60563

Consent of Independent Auditor

We consent to the use of our report dated December 31, 2024, on the financial statements of CompuSystems, Inc., which comprise the balance sheets as of December 31, 2023 and 2022, and the related statement of operations, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements, which is included in this Form 8-K of WISA Technologies, Inc.

We also consent to the incorporation by reference of such report in the Registration Statements on Form S-1 (No.'s 333-237516, 333-239750, 333-268085, 333-269777, 333-271526, 333-272278, 333-274155, 333-274331, 333-280238), Form S-3 (No.'s 333-251177, 333-239845, 333-234787, 333-233433, 333-254535, 333-257776, 333-267211, 333-268231, 333-278622, and 333-284657) and Form S-8 (Nos. 333-253339, 333-261040, 333-265060, 333-228327, 333-271520, 333-274154, 333-279730, and 333-283118)

BG ADVISORS CPA, LTD

Naperville, IL

February 12, 2025

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 Financial Statements and Independent Accountant's Report For the Nine Months Ended September 30, 2024 and 2023

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COMPUSYSTEMS, INC.

Financial Statements and Independent Auditor's Report

Years Ended December 31, 2023 and 2022

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COMPUSYSTEMS, INC.

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December 31, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

To the Stockholders
 CompuSystems, Inc.
 Lisle, Illinois

Opinion

We have audited the accompanying financial statements of CompuSystems, Inc., which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of operations, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CompuSystems, Inc. as of December 31, 2023 and 2022, and the results of operations and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of CompuSystems, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from

material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about CompuSystems, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of CompuSystems, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about CompuSystems, Inc.'s ability to continue as a going concern for a reasonable period of time

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CompuSystems, Inc. as of December 31, 2023 and 2022, and the changes in its net assets and cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

BQ ADVISORS CPA, LTD

Naperville, Illinois
December 31, 2024

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COMPUSYSTEMS, INC.

BALANCE SHEETS

December 31, 2023 and 2022

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash	\$ 355,205	\$ 268,098
Accounts receivable, net	373,965	1,727,034
Unbilled receivables	171,553	198,224
Materials inventory	199,383	220,291
Prepaid expenses and other	445,812	150,526
Total current assets	<u>1,545,918</u>	<u>2,564,173</u>
RIGHT-OF-USE ASSETS	<u>813,335</u>	<u>1,137,702</u>
PROPERTY AND EQUIPMENT, NET	<u>2,446,250</u>	<u>4,820,745</u>
OTHER ASSETS		
Deposits	133,400	169,815
Total other assets	<u>133,400</u>	<u>169,815</u>
TOTAL ASSETS	<u>\$ 4,938,903</u>	<u>\$ 8,692,435</u>

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

CURRENT LIABILITIES

Accounts payable	\$ 885,865	\$ 671,938
Accrued expenses	2,274,746	2,219,844
Customer deposits and allowances	131,404	659,768
Line of credit	2,000,000	500,000

Current maturities of long-term debt	1,883,096	2,156,655
Operating lease liabilities, current portion	282,530	291,703
Convertible debt	-	225,000
Total current liabilities	<u>7,457,641</u>	<u>6,724,908</u>
LONG-TERM LIABILITIES		
Operating lease liabilities, net of current portion	<u>530,805</u>	<u>854,939</u>
STOCKHOLDERS' EQUITY (DEFICIT)		
Common stock, no par value, 1,000,000 shares authorized, 362,500 shares issued and 312,500 shares outstanding	-	-
Paid-in-capital	4,160,000	4,160,000
Accumulated deficit	(6,866,775)	(2,704,644)
Less treasury stock, at cost	(342,768)	(342,768)
Total stockholders' equity (deficit)	<u>(3,049,543)</u>	<u>1,112,588</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,938,903</u>	<u>\$ 8,692,435</u>

See accompanying notes to financial statements.

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COMPUSYSTEMS, INC.

STATEMENTS OF OPERATIONS

Years Ended December 31, 2023 and 2022

	2023	2022
SALES		
Registration	\$ 4,572,563	\$ 5,373,449
Exhibitor services	7,729,348	8,417,328
Total sales	<u>12,301,911</u>	<u>13,790,777</u>
COST OF SALES		
	<u>8,942,089</u>	<u>9,286,479</u>
GROSS PROFIT		
	<u>3,359,822</u>	<u>4,504,298</u>
OPERATING EXPENSES		
Sales and marketing	1,441,653	1,050,462
General and administrative	1,613,584	1,518,971
Depreciation and amortization	2,180,630	1,141,110
Total operating expenses	<u>5,235,867</u>	<u>3,710,543</u>
OPERATING INCOME (LOSS)		
	<u>(1,876,045)</u>	<u>793,755</u>
OTHER INCOME (EXPENSE)		
Interest income	-	18,509
Interest expense	(243,192)	(121,271)
Loss on impairment of capitalized software	(1,614,487)	-
Litigation and other	(428,407)	(270,708)
Total other income (expense)	<u>(2,286,086)</u>	<u>(373,470)</u>
NET INCOME (LOSS)		
	<u>\$ (4,162,131)</u>	<u>\$ 420,285</u>

See accompanying notes to financial statements.

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COMPUSYSTEMS, INC.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

Years ended December 31, 2023 and 2022

	Common Stock	Paid-In Capital	Treasury Stock	Accumulated Deficit	Total
Balance at January 1, 2022	\$ -	\$ 2,381,000	\$ (342,768)	\$ (3,124,929)	\$ (1,086,697)
Conversion of shareholder loans	-	1,779,000			1,779,000
Net income	-			420,285	420,285
Balance at December 31, 2022	-	4,160,000	(342,768)	(2,704,644)	1,112,588
Net loss	-		-	(4,162,131)	(4,162,131)

Balance at December 31, 2023	\$	-	\$	4,160,000	\$	(342,768)	\$	(6,866,775)	\$	(3,049,543)
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See accompanying notes to financial statements.

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COMPUSYSTEMS, INC.

STATEMENT OF CASH FLOWS

Year Ended December 31, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ (4,162,131)	\$ 420,285
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	2,180,630	1,141,110
Loss on impairment of capitalized software	1,614,487	-
Forgiveness of debt, U.S. SBA Payroll Protection Program Loan	-	(2,016,628)
(Increase) decrease in:		
Accounts receivables	1,353,069	(294,947)
Unbilled receivables	26,671	(23,439)
Materials inventory	20,908	8,071
Prepaid expenses, deposits and other	(258,876)	66,725
Increase (decrease) in:		
Accounts payable	213,929	137,341
Accrued expenses and other	45,962	634,713
Customer deposits and allowances	(528,364)	(844,510)
Net cash from operating activities	<u>506,285</u>	<u>(771,279)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(79,696)	(28,612)
Development in progress, customized software	(1,340,926)	(1,962,308)
Net cash used in investing activities	<u>(1,420,622)</u>	<u>(1,990,920)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net borrowings on revolving line of credit	1,500,000	-
Payments on long-term debt	(273,556)	921,684
Proceeds from convertible debt	-	1,310,000
Payment to shareholder for convertible debt	(225,000)	-
Net cash from financing activities	<u>1,001,444</u>	<u>2,231,684</u>
NET INCREASE IN CASH	87,107	(530,515)
CASH, BEGINNING OF YEAR	<u>268,098</u>	<u>798,613</u>
CASH, END OF YEAR	<u>\$ 355,205</u>	<u>\$ 268,098</u>
Supplemental disclosure of cash flow information Cash payments for interest	<u>\$ 235,195</u>	<u>\$ 121,271</u>

See accompanying notes to financial statements.

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COMPUSYSTEMS, INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2023

1. NATURE OF OPERATIONS

CompuSystems, Inc. (CSI), incorporated on July 20, 1976 under the Illinois business corporation act of 1933, provides registration, lead collection, and ancillary data processing services to the meeting, convention and tradeshow industry. CSI conducts business throughout the United States, and in Europe and Asia.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation

The financial statements are prepared on the accrual basis of accounting whereby revenues and assets are recognized when earned, and expenses and liabilities are recognized when incurred.

Cash

Cash consists of demand deposits in financial institutions that include balances the exceed federally insured limits. CSI has not experienced any losses on such accounts and its management does not believe it is exposed to significant risk.

Allowance for Credit Losses

CSI grants trade credit to its customers located within and outside of the United States of America. The allowance for credit losses is an estimate based on CSI's historical collection experience.

Such allowances were \$128,568 as of December 31, 2023 and 2022.

Unbilled Receivables

Unbilled receivables consist of costs incurred for future shows in excess of billing realized.

Materials Inventory

Materials inventory is stated at the lower of cost (determined under the first-in, first-out method) or market.

Property and Equipment

Property and equipment is recorded at cost. Depreciation is provided using straight-line and accelerated methods over the estimated useful lives of assets ranging from from 3 to 15 years.

CSI capitalizes in-house and contracted costs related to the design, development, and implementation of computer software marketed to clients and to exhibitors and registrants attending client events. Such capitalized costs are amortized over a three-year term.

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COMPUSYSTEMS, INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Customer Deposits and Allowances

Customer deposits and allowances consists of remittances for future shows. Such deposits are applied to revenue in the period in which the show occurs, or refunded.

Revenue Recognition

Revenue is primarily from the sale of products, services, and digital assets, including software, applications, technology solutions, lead generation, customer support, and event-related activities. Revenue is recognized once service or product is invoiced and delivered, all typically within one year. Additional revenue is derived from rental income, physical goods sales, and other sources.

Leases

Effective January 1, 2022, CSI implemented Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No 2016-02, Leases (Topic 842), which requires the recognition of right-of-use assets and lease liabilities based on the present value of the remaining lease payments. A risk-free rate of return of 3.39% was used as the discount rate in order to determine present value.

Income Taxes

CSI has elected to be taxed as an S corporation under the provisions of the Internal Revenue Code. Under these provisions, the company does not pay federal corporate income taxes on its taxable income. Instead, the stockholders are liable for individual federal income tax on their respective share of the CSI's taxable income. CSI is subject to other various state and franchise taxes in states in which operations are conducted.

CSI evaluates all significant tax positions for federal and state income tax purposes. As of December 31, 2023 and 2022, CSI does not believe it has taken any positions that would require the recording of any additional tax liability.

CSI is subject to routine audits by taxing jurisdictions. Tax years that remain open for examination generally include the current and three preceding years, however, there are currently no audits for any tax periods in progress. CSI's policy is to classify income tax related interest and penalties in interest expense and other expenses.

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COMPUSYSTEMS, INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

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

3. PROPERTY AND EQUIPMENT

Property and equipment consists of:

	2023	2022
Production equipment and lead collection devices	\$ 984,928	\$ 905,232
Customized software	7,082,242	6,025,233
Customized software, development in progress	-	3,556,437
Office furniture, fixtures, and equipment	29,007	29,007
Leasehold improvements	115,283	115,283
Transportation equipment	28,237	28,237
Total property and equipment	8,239,697	10,659,429
Less accumulated depreciation and amortization	(5,793,447)	(5,838,684)
Property and equipment, net	<u>\$ 2,446,250</u>	<u>\$ 4,820,745</u>

Depreciation and amortization expense for 2023 and 2022 was \$2,180,630 and \$1,141,110, respectively. Capitalized in-house and contracted costs related to the design, development, and implementation of computer software marketed to clients and to exhibitors and registrants attending client events totaled \$1,340,927 and \$1,962,308, for 2023 and 2022, respectively.

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COMPUSYSTEMS, INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2023

4. REVOLVING LINE OF CREDIT AND TERM LOAN

CSI maintains a \$2,000,000 revolving line of credit (LOC) that originated in March 1, 2021, has a one-year term, is secured by a Blanket UCC Lien on all business assets, and has an interest rate equal to the prime rate as published in the Wall Street Journal plus one percent (which was 8.50% as of December 31, 2023) and has been periodically renewed. Effective October 31, 2024, the LOC has been renewed through February 28, 2025 with interest at the prime rate plus 4.00%.

Interest on the revolving line of credit is computed daily and is payable on a monthly basis.

CSI also has a term loan that originated in August 2016 in the amount of \$4,912,117. This loan bears a variable interest rate equal to the lender's prime rate plus one percent (which was 8.5% as of January 31, 2023), and is collateralized by all business assets. The loan, as amended in March 2021, was due April 1, 2023 and has been periodically renewed. Effective October 31, 2024, the term loan was renewed through February 28, 2025.

The revolving line of credit and bank loan agreements are subject to meet certain loan covenants pertaining to debt service liquidity. As of December 31, 2023, CSI was in compliance with these covenants or they were waived.

Effective April 19, 2024, CSI entered into a loan and security agreement with a related party which provides for loans up to \$1,500,000 with interest payable at 15% and a maturity date of October 31, 2025.

5. LEASES

CSI is party to separate lease agreements for its primary office space and warehouse facilities. The lease agreement for CSI's primary office space located at 2601 Navistar Drive, Lisle, Illinois commenced in July 2020 and continued through June 2023. During July 2022, the agreement was renewed through June 2027 at an initial annual base rent of \$178,882, scheduled to increase by \$0.50 per rentable square foot annually through the end of the lease term. Rent expense under this agreement for the years ended December 31, 2023 and 2022 was \$300,470 and \$390,681, respectively.

The lease agreement for CSI's warehouse facilities located at 4995 Varsity Drive, Lisle, Illinois commenced in October 2014 and continues through December 2025. Initial monthly rent under this agreement was \$6,184 and is scheduled for 3% annual increases. Rent expense under this agreement for the years 2023 and 2022 was \$94,709 and \$91,951, respectively.

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COMPUSYSTEMS, INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2023

5. LEASES (Continued)

In accordance with generally accepted accounting principles in the United States of America, CSI has recognized right-of-use assets and corresponding lease liabilities as follows:

	Office	Warehouse	Total
2024	\$ 184,980	\$ 97,550	\$ 282,530
2025	189,042	100,477	289,519
2026	193,110	-	193,110
2027	113,834	-	113,834
Total lease payments	<u>\$ 680,966</u>	<u>\$ 198,027</u>	878,993
Less: Interest			(65,658)
Present value of lease liabilities			<u>\$ 813,335</u>

6. CONVERTIBLE DEBT

Convertible debt is comprised of loans received from CSI's two stockholders in 2023 and 2022. The loans are unsecured, have a one-year term, and an interest rate of 8%. Each stockholder has the option to convert the loan to common stock of CSI at a valuation of one times trailing twelve months revenue. During 2022, \$1,779,000 of such debt was converted to equity. During 2023, the remaining balance of \$225,000 was paid back to the shareholders.

7. U.S. SMALL BUSINESS ADMINISTRATION PAYROLL PROTECTION PROGRAM LOANS AND EMPLOYEE RETENTION CREDITS

In prior years, CSI obtained loans from the U.S. Small Business Administration under the Payroll Protection Program with interest at 1.00%. During 2022, \$2,016,628 of the remaining balance was forgiven and has been offset against related payroll expenses in the accompanying financial statements. As of December 31, 2023 a residual balance of \$133,000 remains and is included in current maturities of long-term debt.

Additionally, during 2022, CSI received Employee Retention Credits totaling \$832,399 which have been offset against related payroll expenses in the accompanying financial statements.

8. EMPLOYER PROFIT-SHARING AND 401(K) CONTRIBUTIONS

The Company maintains a 401(k) plan that covers substantially all of its employees. Under the 401(k) plan, the Company can voluntarily match 35% of employee contributions up to 3% of each participating employee's gross compensation. The Company did not make voluntary matching contributions to the plan in 2023 and 2022, respectively.

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COMPUSYSTEMS, INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2023

9. CONTINGENCIES

Pursuant to an amended complaint filed on September 23, 2024, a vendor of CSI is seeking to collect from CSI approximately \$929,000 in unpaid invoices. CSI has submitted its response on October 17, 2024 disputing this claim and has filed a counterclaim alleging deficiencies in services rendered, seeking damages of approximately \$6 million for amounts previously paid. Due to the deficiencies in services, CSI has written off related amounts previously capitalized and recorded an impairment loss for the remaining unamortized amount of \$1,614,487 as of December 31, 2023. Management plans to vigorously defend this action and does not anticipate any further losses.

10. SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 31, 2024, which was the date that these financial statements were available for issuance

As further discussed in Note 4, CSI entered into a loan and security agreement with a related party, effective April 19, 2024 and, effective October 31, 2024, the revolving line of credit and term loan were renewed through February 28, 2025. Additionally, as discussed in Note 9 above, CSI is involved in litigation with a vendor.

On December 19, 2024, CSI entered into an asset purchase agreement with another party to sell substantially all of CSI's assets. This agreement may be terminated by mutual consent of the parties.

Other than the matters described above, management is not aware of any additional subsequent events that would require recognition or disclosure in the financial statements.

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COMPUSYSTEMS, INC

BALANCE SHEETS

	September 30, 2024	December 31, 2023
ASSETS		
CURRENT ASSETS		
Cash	\$ 64,686	\$ 355,205
Accounts receivable, net	261,275	373,965
Unbilled receivables	137,722	171,553
Materials inventory	153,832	199,383
Prepaid expenses and other	144,255	445,812
Total current assets	<u>761,770</u>	<u>1,545,918</u>
RIGHT-OF-USE ASSETS	<u>784,410</u>	<u>813,335</u>
PROPERTY AND EQUIPMENT, NET	<u>2,876,310</u>	<u>2,446,250</u>
OTHER ASSETS		
Deposits	133,900	133,400
Total other assets	<u>133,900</u>	<u>133,400</u>
TOTAL ASSETS	<u><u>\$ 4,556,390</u></u>	<u><u>\$ 4,938,903</u></u>
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES		
Accounts payable	\$ 501,681	\$ 885,865
Accrued expenses	2,591,442	2,274,746
Customer deposits and allowances	330,343	131,404
Line of credit	1,075,000	2,000,000
Current maturities of long-term debt	1,408,093	1,883,096
Operating lease liabilities, current portion	332,712	282,530
Loan from shareholder	1,545,000	-
Total current liabilities	<u>7,784,271</u>	<u>7,457,641</u>
LONG-TERM LIABILITIES		
Operating lease liabilities, net of current portion	<u>451,698</u>	<u>530,805</u>
STOCKHOLDERS' EQUITY (DEFICIT)		
Common stock, no par value, 1,000,000 shares authorized, 362,500 shares issued and 312,500 shares outstanding	-	-
Paid-in-capital	4,160,000	4,160,000
Accumulated deficit	(7,496,811)	(6,866,775)
Less treasury stock, at cost	(342,768)	(342,768)
Total stockholders' equity (deficit)	<u>(3,679,579)</u>	<u>(3,049,543)</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 4,556,390</u></u>	<u><u>\$ 4,938,903</u></u>

See accompanying notes to financial statements.

COMPUSYSTEMS, INC.

STATEMENTS OF OPERATIONS

Nine Months Ended September 30, 2024 and 2023

	2024	2023
SALES		
Registration	\$ 3,094,044	\$ 2,967,559
Exhibitor software	5,836,572	6,243,095
Total sales	<u>8,930,616</u>	<u>9,210,654</u>
COST OF SALES		
	<u>6,475,820</u>	<u>6,657,697</u>
GROSS PROFIT	<u>2,454,796</u>	<u>2,552,957</u>
OPERATING EXPENSES		
Sales and marketing	789,838	1,112,757
General and administrative	1,238,064	1,270,855
Depreciation and amortization	708,286	1,531,476
Total operating expenses	<u>2,736,188</u>	<u>3,915,088</u>
OPERATING INCOME (LOSS)	<u>(281,392)</u>	<u>(1,362,131)</u>
OTHER INCOME (EXPENSE)		
Interest expense	(275,212)	(166,818)

Litigation and other	(73,432)	(371,863)
Total other income (expense)	(348,644)	(538,681)
NET LOSS	\$ (630,036)	\$ (1,900,812)

See accompanying notes to financial statements.

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COMPUSYSTEM INC.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

Nine months ended September 30, 2024 and 2023

	Common Stock	Paid-In Capital	Treasury Stock	Accumulated Deficit	Total
Balance at January 1, 2023	\$ -	\$ 4,160,000	\$ (342,768)	\$ (2,704,644)	\$ 1,112,588
Net loss	-	-	-	(1,900,812)	(1,900,812)
Balance at September 30, 2023	\$ -	\$ 4,160,000	\$ (342,768)	\$ (4,605,456)	\$ (788,224)
Balance at January 1, 2024	\$ -	\$ 4,160,000	\$ (342,768)	\$ (6,866,775)	\$ (3,049,543)
Net loss	-	-	-	(630,036)	(630,036)
Balance at September 30, 2024	\$ -	\$ 4,160,000	\$ (342,768)	\$ (7,496,811)	\$ (3,679,579)

See accompanying notes to financial statements.

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COMPUSYSTEMS, INC.

STATEMENTS OF CASH FLOWS

Nine Months Ended September 30, 2024 and 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ (630,036)	\$ (1,900,812)
Adjustments to reconcile change in net assets to net cash from operating activities	708,286	1,531,476
(Increase) decrease in:		
Accounts receivables	112,690	1,369,781
Unbilled receivables	33,831	(103,511)
Materials inventory	45,551	(49,652)
Prepaid expenses, deposits and other	301,057	48,899
Increase (decrease) in:		
Accounts payable	(384,184)	9,586
Accrued expenses and other	316,696	383,908
Customer deposits and allowances	198,939	(221,364)
Total adjustments	1,332,866	2,969,123
Net cash from operating activities	702,830	1,068,311
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(250,078)	(28,612)
Development in progress, customized software	(888,268)	(1,109,872)
Net cash used in investing activities	(1,138,346)	(1,138,484)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net borrowings on revolving line of credit	(925,000)	-
Payments on long-term debt	(475,003)	-
Debt proceeds	1,545,000	431,417
Payment to shareholder for convertible debt	-	(225,000)
Net cash from financing activities	144,997	206,417
NET INCREASE (INCREASE) IN CASH	(290,519)	136,244
CASH, BEGINNING OF PERIOD	355,205	268,098
CASH, END OF PERIOD	\$ 64,686	\$ 404,342
Supplemental disclosure of cash flow information Cash payments for interest	\$ 275,212	\$ 166,818

See accompanying notes to financial statements.

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COMPUSYSTEMS, INC.

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2024

1. NATURE OF OPERATIONS

CompuSystems, Inc. (CSI), incorporated on July 20, 1976 under the Illinois business corporation act of 1933, provides registration, lead collection, and ancillary data processing services to the meeting, convention and tradeshow industry. CSI conducts business throughout the United States, and in Europe and Asia.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation

The financial statements are prepared on the accrual basis of accounting whereby revenues and assets are recognized when earned, and expenses and liabilities are recognized when incurred.

Cash

Cash consists of demand deposits in financial institutions that include balances that exceed federally insured limits. CSI has not experienced any losses on such accounts and its management does not believe it is exposed to significant risk.

Allowance for Credit Losses

CSI grants trade credit to its customers located within and outside of the United States of America. The allowance for credit losses is an estimate based on CSI's historical collection experience.

Such allowances were \$108,568 as of September 30, 2024 and December 31, 2023.

Unbilled Receivables

Unbilled receivables consist of costs incurred for future shows in excess of billing realized.

Materials Inventory

Materials inventory is stated at the lower of cost (determined under the first-in, first-out method) or market.

Property and Equipment

Property and equipment is recorded at cost. Depreciation is provided using straight-line and accelerated methods over the estimated useful lives of assets ranging from 3 to 15 years.

CSI capitalizes in-house and contracted costs related to the design, development, and implementation of computer software marketed to clients and to exhibitors and registrants attending client events. Such capitalized costs are amortized over a three-year term.

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COMPUSYSTEMS, INC.

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Customer Deposits and Allowances

Customer deposits and allowances consists of remittances for future shows. Such deposits are applied to revenue in the period in which the show occurs, or refunded.

Revenue Recognition

Revenue is primarily from the sale of products, services, and digital assets, including software, applications, technology solutions, lead generation, customer support, and event-related activities. Revenue is recognized once service or product is invoiced and delivered, all typically within one year. Additional revenue is derived from rental income, physical goods sales, and other sources.

Leases

Effective January 1, 2022, CSI implemented Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No 2016-02, Leases (Topic 842), which requires the recognition of right-of-use assets and lease liabilities based on the present value of the remaining lease payments. A risk-free rate of return of 3.39% was used as the discount rate in order to determine present value.

Income Taxes

CSI has elected to be taxed as an S corporation under the provisions of the Internal Revenue Code. Under these provisions, the company does not pay federal corporate income taxes on its taxable income. Instead, the stockholders are liable for individual federal income tax on their respective share of the CSI's taxable income. CSI is subject to other various state and franchise taxes in states in which operations are conducted.

CSI evaluates all significant tax positions for federal and state income tax purposes. As of September 30, 2024, CSI does not believe it has taken any

positions that would require the recording of any additional tax liability.

CSI is subject to routine audits by taxing jurisdictions. Tax years that remain open for examination generally include the current and three preceding years, however, there are currently no audits for any tax periods in progress. CSI's policy is to classify income tax related interest and penalties in interest expense and other expenses.

COMPUSYSTEMS, INC.

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

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

3. PROPERTY AND EQUIPMENT

Property and equipment consists of:

	September 30, 2024	December 31, 2023
Production equipment and lead collection devices	\$ 1,235,006	\$ 984,928
Customized software	7,970,510	7,082,242
Office furniture, fixtures, and equipment	29,007	29,007
Leasehold improvements	115,283	115,283
Transportation equipment	28,237	28,237
Total property and equipment	9,378,043	8,239,697
Less accumulated depreciation and amortization	(6,501,733)	(5,793,447)
Property and equipment, net	\$ 2,876,310	\$ 2,446,250

Depreciation and amortization expense for the nine months ended September 30, 2024 was \$708,286.

COMPUSYSTEMS, INC.

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2024

4. REVOLVING LINE OF CREDIT AND TERM LOAN

CSI maintains a \$2,000,000 revolving line of credit (LOC) that originated in March 1, 2021, has a one-year term, is secured by a Blanket UCC Lien on all business assets, and has an interest rate equal to the prime rate as published in the Wall Street Journal plus one percent (which was 8.50% as of December 31, 2023) and has been periodically renewed. Effective October 31, 2024, the LOC has been renewed through February 28, 2025 with interest at the prime rate plus 4.00%.

Interest on the revolving line of credit is computed daily and is payable on a monthly basis.

CSI also has a term loan that originated in August 2016 in the amount of \$4,912,117. This loan bears a variable interest rate equal to the lender's prime rate plus one percent (which was 8.5% as of January 31, 2023), and is collateralized by all business assets. The loan, as amended in March 2021, was due April 1, 2023 and has been periodically renewed. Effective October 31, 2024, the term loan was renewed through February 28, 2025.

The revolving line of credit and bank loan agreements are subject to meet certain loan covenants pertaining to debt service liquidity. As of December 31, 2023, CSI was in compliance with these covenants or they were waived.

Effective April 19, 2024, CSI entered into a loan and security agreement with a related party which provides for loans up to \$1,500,000 with interest payable at 15% and a maturity date of October 31, 2025.

5. LEASES

CSI is party to separate lease agreements for its primary office space and warehouse facilities. The lease agreement for CSI's primary office space located at 2601 Navistar Drive, Lisle, Illinois commenced in July 2020 and continued through June 2023. During July 2022, the agreement was renewed through June 2027 at an initial annual base rent of \$178,882, scheduled to increase by \$0.50 per rentable square foot annually through the end of the lease term. Rent expense under this

agreement for the nine months ended September 30, 2024 and 2023 was \$148,252 and \$136,378, respectively.

The lease agreement for CSI's warehouse facilities located at 4995 Varsity Drive, Lisle, Illinois commenced in October 2014 and continues through December 2025. Initial monthly rent under this agreement was \$6,184 and is scheduled for 3% annual increases. Rent expense under this agreement for the nine months ended September 30, 2024 and 2023 was \$78,957 and \$78,864, respectively.

COMPUSYSTEMS, INC.

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2024

5. LEASES (Continued)

During June 2024, CSI entered into an equipment finance agreement requiring 60 monthly payments of \$3,745 through June 2029 with a discount rate of 8.5%. The agreement is collateralized by the underlying equipment acquired.

In accordance with generally accepted accounting principles in the United States of America, CSI has recognized right-of-use assets and corresponding lease liabilities as follows:

	Office	Warehouse	Equipment	Total
2024	\$ 46,245	\$ 24,388	\$ 11,235	\$ 81,868
2025	189,042	100,477	44,940	334,459
2026	193,110	-	44,940	238,050
2027	113,834	-	44,940	158,774
2028	-	-	44,940	44,940
2029	-	-	22,470	22,470
Total lease payments	\$ 542,231	\$ 124,865	\$ 213,465	\$ 880,561
Less: Interest				(96,151)
Present value of lease liabilities				\$ 784,410

6. EMPLOYER PROFIT-SHARING AND 401(K) CONTRIBUTIONS

The Company maintains a 401(k) plan that covers substantially all of its employees. Under the 401(k) plan, the Company can voluntarily match 35% of employee contributions up to 3% of each participating employee's gross compensation. The Company did not make voluntary matching contributions to the plan for the nine months ended September 30, 2024.

7. CONTINGENCIES

Pursuant to an amended complaint filed on September 23, 2024, a vendor of CSI is seeking to collect from CSI approximately \$929,000 in unpaid invoices. CSI has submitted its response on October 17, 2024 disputing this claim and has filed a counterclaim alleging deficiencies in services rendered, seeking damages of approximately \$6 million for amounts previously paid. Due to the deficiencies in services, CSI has written off related amounts previously capitalized and recorded an impairment loss for the remaining unamortized amount of \$1,614,487 as of December 31, 2023. Management plans to vigorously defend this action and does not anticipate any further losses.

For the nine months ended September 30, 2024 and 2023, CSI incurred net losses of \$630,036 and \$1,900,812, respectively, and has a stockholders' deficit of \$3,679,579 as of September 30, 2024. As further discussed in Note 8, CSI entered into an asset purchase agreement with another party to sell substantially all of CSI's assets. Should this agreement be terminated for any reason, the shareholders are committed to providing the necessary financing to sustain operations for a period of at least one year after the balance sheet date.

COMPUSYSTEMS, INC.

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2024

8. SUBSEQUENT EVENTS

Subsequent events have been evaluated through January 20, 2025, which was the date that these financial statements were available for issuance

As further discussed in Note 4, CSI entered into a loan and security agreement with a related party, effective April 19, 2024 and, effective October 31, 2024, the revolving line of credit and term loan were renewed through February 28, 2025. Additionally, as discussed in Note 7 above, CSI is involved in litigation with a vendor.

On December 19, 2024, CSI entered into an asset purchase agreement with another party to sell substantially all of CSI's assets. This agreement may be terminated by mutual consent of the parties.

Other than the matters described above, management is not aware of any additional subsequent events that would require recognition or disclosure in the financial statements.

WISA TECHNOLOGIES, INC.
PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEETS
AS OF SEPTEMBER 30, 2024

(in thousands, except share and per share data)

	WISA	CSI	Entity Adjustments	Transaction Accounting Adjustments	Pro Forma Combined
Assets					
Cash and cash equivalents	\$ 3,921	\$ 65	\$ 12,649	A \$ (12,065)	B \$ 4,570
Accounts receivable	177	261	-	(261)	B 177
Unbilled receivable	-	138	-	-	138
Inventories	1,860	154	-	-	2,014
Prepaid expenses and other current assets	1,099	144	-	-	1,243
Total current assets	7,057	762	12,649	(12,326)	8,142
Property and equipment, net	62	2,876	-	-	2,938
Intangible assets and goodwill	-	-	87,188	A 36,312	B 123,500
ROU asset	-	784	-	-	784
Notes receivable	323	-	-	-	323
Other assets	575	134	-	-	709
Total assets	\$ 8,017	\$ 4,556	\$ 99,837	\$ 23,986	\$ 136,396
Liabilities, Convertible Redeemable Preferred Stock and Stockholders' Equity / (Deficit)					
Current Liabilities:					
Accounts payable	\$ 1,689	\$ 502	\$ -	\$ -	\$ 2,191
Current Portion of Long Term Debt	-	1,408	-	(1,408)	C -
Line of credit	-	1,075	-	(1,075)	C -
Accrued liabilities	1,434	-	450	A 63	D 1,947
Accrued expenses	-	2,591	-	-	2,591
Customer deposits	-	330	-	-	330
Operating lease obligation	-	333	-	-	333
Loan from shareholder	-	1,545	-	(1,545)	C -
Total current liabilities	3,123	7,784	450	(3,965)	7,392
Loan payable, net of current	-	-	10,000	A 10,000	B 20,000
Convertible note	-	-	-	-	-
Capital lease obligation	-	-	-	-	-
Operating Lease Obligations, net of Current	-	452	-	-	452
Warrant liabilities	19	-	-	-	19
Other liabilities	580	-	-	-	580
Total liabilities	3,722	8,236	10,450	6,035	28,443
Commitments and contingencies					
Stockholders' Equity / (Deficit):					
Common stock, par value \$0.0001; 300,000,000 shares authorized; 7,767,828 and 222,380 shares issued and outstanding as of September 30, 2024 and December 31, 2023, respectively	1	-	-	-	1
Additional paid-in capital	296,386	4,160	94,649	A 13,118	B 408,313
Accumulated deficit	(292,092)	(7,497)	(5,262)	A 4,490	D (300,361)
Less treasury stock	-	(343)	-	343	D -
Total stockholders' equity / (deficit)	4,295	(3,680)	89,387	17,951	107,953
Total liabilities, convertible preferred stock and stockholders' equity / (deficit)	\$ 8,017	\$ 4,556	\$ 99,837	\$ 23,986	\$ 136,396

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WISA TECHNOLOGIES, INC.
PRO FORMA CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
For the Nine Months Ended September 30, 2024
(in thousands, except share and per share data)

	WISA	CSI	Pro Forma Adjustments	Pro Forma Combined
Revenue, net	\$ 1,772	\$ 8,931	\$ -	\$ 10,703
Cost of revenue	1,618	6,476	-	8,094
Gross profit (deficit)	154	2,455	-	2,609
Operating Expenses:				
Research and development	5,729	-	-	5,729
Sales and marketing	2,777	789	-	3,566
General and administrative	6,454	1,239	-	7,693
Depreciation expense and amortization	-	708	7,756	E 8,464
Total operating expenses	14,960	2,736	7,756	25,452
Loss from operations	(14,806)	(281)	(7,756)	(22,843)
Interest income (expense), net	(1,260)	(275)	(513)	F (2,048)

Decrease (increase) in fair value of warrant liabilities	(29,120)	-	-	(29,120)
Loss on debt extinguishment	-	-	-	-
Other income (expense), net	136	(73)	-	63
Loss before provision for income taxes	(45,050)	(629)	(8,269)	(53,948)
Provision for income taxes	-	-	-	-
Net loss	(45,050)	(629)	(8,269)	(53,948)
Deemed dividend on conversion of Series B preferred for common stock and repurchase of Series B preferred stock	(5,842)			(5,842)
Deemed dividend on issuance of common stock and warrants in connection with amendment to warrants to purchase common stock	(2,253)			(2,253)
Net loss attributable to common stockholders	<u>\$ (53,145)</u>			<u>\$ (62,043)</u>
Net loss per common share - basic and diluted	<u>\$ (16.81)</u>			<u>\$ (1.04)</u>
Weighted average number of common shares used in computing net loss per common share	<u>3,162,227</u>	<u>46,134,969</u>	G	<u>10,600,000</u>
				G
				<u>59,897,196</u>

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PRO FORMA CONSOLIDATED STATEMENTS OF OPERATIONS
For the year ended December 31, 2023
(in thousands, except share and per share data)

	WISA	CSI	Pro Forma Adjustments	Pro Forma Combined
Revenue, net	\$ 2,083	\$ 12,302	\$ -	\$ 14,385
Cost of revenue	5,540	8,942	-	14,482
Gross profit (deficit)	<u>(3,457)</u>	<u>3,360</u>	<u>-</u>	<u>(97)</u>
Operating Expenses:				
Research and development	7,456	-	-	7,456
Sales and marketing	5,177	1,442	-	6,619
General and administrative	5,367	1,614	-	6,981
Depreciation and amortization	-	2,181	10,359	E 12,540
Total operating expenses	<u>18,000</u>	<u>5,237</u>	<u>10,359</u>	<u>33,596</u>
Loss from operations	<u>(21,457)</u>	<u>(1,877)</u>	<u>(10,359)</u>	<u>(33,693)</u>
Interest expense, net	(932)	(243)	(788)	F (1,963)
Change in fair value of warrant liability	4,510	-	-	4,510
Loss on impairment of capitalized software	-	(1,614)	-	(1,614)
Change in fair value of derivative liability	-	-	-	-
Loss on debt extinguishment	(837)	-	-	(837)
Other expense, net	(1)	(428)	-	(429)
Loss before provision for income taxes	<u>(18,717)</u>	<u>(4,163)</u>	<u>(11,147)</u>	<u>(34,027)</u>
Provision for income taxes	4	-	-	4
Net loss	<u>(18,721)</u>	<u>(4,163)</u>	<u>(11,147)</u>	<u>(34,031)</u>
Deemed dividend on conversion of convertible preferred for common stock	(6,360)	-	-	(6,360)
Net loss attributable to common stockholders	<u>\$ (25,081)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (40,391)</u>
Net loss per common share - basic and diluted	<u>\$ (3.18)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (0.62)</u>
Weighted average number of common shares used in computing net loss per common share	<u>7,898,469</u>	<u>46,134,969</u>	G	<u>10,600,000</u>
				G
				<u>64,633,438</u>

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**NOTES TO THE UNAUDITED PRO FORMA CONDENSED CONSOLIDATED
FINANCIAL INFORMATION**

Note 1 — Basis of Presentation

The audited annual and unaudited interim historical consolidated financial statements have been adjusted in the pro forma consolidated financial statements in accordance with Article 11 of the SEC's Regulation S-X to give effect to pro forma events that are (1) directly attributable to the Acquisition, the Asset Purchase, and the Inducement (2) factually supportable and (3) with respect to the pro forma consolidated statements of operations, expected to have a continuing impact on the consolidated results following the closing of the transactions contemplated by the CSI Asset Purchase Agreement, the Asset Purchase and the Inducement.

The unaudited pro forma condensed consolidated financial statements are based on the Company's audited and unaudited interim historical consolidated financial statements as adjusted to give effect to the Company's Acquisition, the Asset Purchase and the Inducement. The unaudited pro forma condensed consolidated balance sheet as of September 30, 2024, gives effect to the acquisition as of that date. The unaudited pro forma condensed consolidated statements of operations for the nine months ended September 30, 2024, and the twelve months ended December 31, 2023, give effect to the acquisition as if it occurred on the beginning of such periods.

The allocation of the consideration transferred used in the unaudited pro forma condensed consolidated financial statements is based upon a preliminary valuation by management of the consideration transferred and does not represent a preliminary allocation of all of the assets and liabilities to be acquired in the Acquisition due to the Company not having sufficient time from the date of the announcement of the pending acquisition and the pro forma. The final estimate of the fair value of the assets will be determined with the assistance of a third-party valuation firm. The Company's preliminary estimates and assumptions are subject to material change upon the finalization of internal studies and third-party valuations of assets, which may include intangible assets, and certain liabilities.

The unaudited pro forma condensed consolidated financial statements are provided for informational purposes only and is not necessarily indicative of what the consolidated Company's financial position and results of operations would have actually been had the transaction been completed on the dates used to prepare these pro forma financial

statements. The adjustments to fair value and the other estimates reflected in the accompanying unaudited pro forma condensed consolidated financial statements may be materially different from those reflected in the Company's consolidated financial statements subsequent to the transaction. In addition, the unaudited pro forma condensed consolidated financial statements do not purport to project the future financial position or results of operations of the Company.

The unaudited pro forma combined financial information herein has been adjusted to depict the accounting of a business combination for the Acquisition ("Transaction Accounting Adjustments"), which reflect the application of the purchase accounting required by U.S. GAAP and SEC rules and regulations. The unaudited pro forma combined financial information does not present any synergies that are expected to occur ("Management's Adjustments").

The Acquisition is expected to be accounted for using the acquisition method of accounting, pursuant to ASC 805, Business Combinations, with the Company considered the accounting and legal acquirer. The unaudited pro forma condensed combined financial information reflects the preliminary assessment of fair values and useful lives assigned to the assets acquired and liabilities assumed. Fair value estimates will be determined based on discussions between us and CSI and through due diligence efforts. The detailed valuation studies necessary to arrive at the required estimates of the fair values for the CSI assets acquired and liabilities assumed have not been completed. Significant assets and liabilities that are subject to preparation of valuation studies to determine appropriate fair value adjustments include intangible assets and deferred income tax liability. Changes to the fair values of these assets and liabilities will also result in goodwill recorded from the acquisition, which could be material.

These financial statements also do not include any integration costs the Company may incur related to the transaction.

Note 2 — Summary of Significant Accounting Policies

The unaudited pro forma condensed consolidated financial statements have been prepared in a manner consistent with the accounting policies adopted by the Company. The accounting policies followed for financial reporting on a pro forma basis are the same as those disclosed in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

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Note 3 — Preliminary Purchase Consideration

On December 19, 2024, the Company entered into the CSI Asset Purchase Agreement with CSI, pursuant to which the Company has agreed to purchase, assume and accept from CSI all of the rights, title and interests in, to and under the transferred assets, including CSI's customer contracts, trademarks, and other intellectual property. The transaction is expected to close in 2025.

Pursuant to the CSI Asset Purchase Agreement, the Company has agreed to acquire the transferred assets for an aggregate purchase price which shall consist of (i) the exclusivity payment fee of \$1.0 million, (ii) the breakup fee of \$1.0 million, (iii) an amount in cash equal to \$10.0 million, (iv) 10,600,000 validly issued, fully paid and nonassessable shares of restricted common stock of the Company, par value \$0.0001 per share, (v) \$5.0 million payable in the form of a First Convertible Note issued by the Company to CSI, and due the second anniversary of closing, (vi) \$5.0 million payable in the form of a Second Convertible Note, issued by the Company to CSI, and due the second anniversary of closing, and (vii) the assumption of the transferred liabilities as they relate to transferred assets. The exclusivity payment fee is non-refundable and is paid to CSI on the date of the CSI Asset Purchase Agreement. The breakup fee is required to be delivered to an escrow agent within six business days after the date of the CSI Asset Purchase Agreement and is refundable under certain circumstances as set forth in the CSI Asset Purchase Agreement.

The following table highlights the components of the preliminary purchase consideration:

Exclusivity fee	\$	1,000,000
Break-up fee		1,000,000
Cash payment on closing		10,000,000
Common stock		17,278,000
1st convertible note		5,000,000
2nd convertible note		5,000,000
	\$	39,278,000

This preliminary fair value has been used to prepare pro forma adjustments in the pro forma consolidated balance sheet and statements of operations. The preliminary allocation of purchase price has not been performed yet due to the Company not having sufficient time from the announcement of the pending acquisition and will be determined when the Company has completed the detailed valuations and necessary calculations. The final allocation will differ materially from the amounts used in the pro forma adjustments. The final allocation may include (1) changes in allocations to intangible assets such as customer lists, trade names, technology and goodwill, and (2) other changes to the estimated lives of the assets (3) assumptions used for financing, and (4) the assumption of any liabilities.

In accordance with the CSI Asset Purchase Agreement the purchase price includes 17.3 million in common stock based on the closing price of the Company's common stock as of January 14, 2025, which was \$1.63.

Note 4 — Pro Forma Transaction Accounting Adjustments

The pro forma transaction accounting adjustments are based on our preliminary estimates and assumptions that are subject to change. The following transaction accounting adjustments have been reflected in the unaudited pro forma condensed consolidated financial statements:

A. To adjust for the closing of the Data Vault Asset Purchase transaction which closed on December 31, 2024 for consideration of 40,000,000 shares of common stock at a closing stock price of \$2.05 on the date of close, for an aggregate fair value of \$82.0 million and a promissory note to Data Vault of \$10.0 million. The transaction is accounted for as an asset purchase with the fair value of the intangibles acquired recorded at \$92.0 million, equal to the consideration transferred. The pro forma adjustment includes accumulated amortization of \$4.8 million for the nine months ended September 30, 2024, assuming the purchase occurred at the beginning of the period and estimated life on the intangible assets of 14.3 years. The actual useful life of the intangibles could be materially different after the detailed valuation study is performed. Accumulated deficit includes estimated payment of interest on the promissory note of \$0.5 million using an interest rate of 6% and amortization of \$4.8 million for the nine months ended September 30, 2024.

To adjust the cash balance for (i) the inducement of the Company's February warrants at \$1.70 exercise price per warrant for which inducement exercises took place from December 23, 2024 to December 26, 2024 for net proceeds of \$2.6 million after fees and (ii) the anticipated equity offering proceeds required to fund the cash consideration of the CSI Asset Purchase Agreement of \$10 million to be transferred on closing. The Company cannot be certain of the terms of the equity financing or if it will even receive financing. The terms of the financing may vary significantly from what is included in this estimate.

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B. To record consideration of (i) \$10 million cash consideration to be transferred at closing of the CSI Acquisition, (ii) \$1 million exclusivity fee paid in cash on entering into the CSI Asset Purchase Agreement, (iii) \$1 million break up fee paid in cash on entering into the CSI Asset Purchase Agreement, (iv) to adjust the issuance of the Convertible Notes in the aggregate of \$10 million and (v) to adjust additional paid in capital for common stock consideration to be issued of 10,600,000 shares using an estimated closing stock price on January 14, 2025 of \$1.63 per share for an estimated aggregate fair value of the common stock of \$17.3 million. The resulting combined intangible assets to be recorded is \$40.0 million. This pro forma adjustment does not allocate any of the transaction price to goodwill due to the Company not having sufficient time to perform detailed valuation studies of the intangibles acquired. When the detailed valuation studies are performed, we expect the recording of goodwill and therefore the amount allocated to intangible assets will be less.

C. To record the payoff of indebtedness using proceeds from the purchase consideration as outlined in the CSI Asset Purchase Agreement in the current portion of long-term debt for estimated amounts based on September 30, 2024 balances of (i) the term loan of \$1.4 million and (ii) a line of credit of \$1.1 million and in loan payable, net of current for a shareholder loan of \$1.5 million.

D. To record (i) the pro forma adjustment to eliminate CSI equity, (ii) the pro forma adjustment for recording estimated amortization of the intangibles acquired in the CSI Acquisition of \$2.9 million based on an estimated 10 year useful life and (iii) the pro forma adjustment to record interest due of \$63 thousand on the issuance of the First Convertible Note at 5% to begin accruing 6 months after the closing date of the transaction. All pro forma adjustments assume the transaction occurs at the beginning of the period.

E. To record amortization of acquired intangibles estimated to be \$4.8 million in the Data Vault Asset Purchase and \$2.9 million for acquired intangibles in the CSI Acquisition for the nine months ended September 30, 2024 and \$6.4 million for the Data Vault Asset Purchase and \$3.9 million for CSI for the year ended December 31, 2023. For acquired intangibles in the Data Vault Asset Purchase an estimated useful life of 14.3 years was used and for the acquired intangibles in the CSI Acquisition an estimated combined useful life of ten years was used.

F. To record interest on the note payable issued in the Data Vault Asset Purchase for \$0.5 million and the interest on the Convertible Notes issued as consideration for CSI of \$63 thousand for the nine months ended September 30, 2024 and to record interest on the note payable issued in the Data Vault Asset Purchase of \$0.6 million and the interest on the Convertible Notes issues as consideration for CSI of \$0.2 million for the year ended December 31, 2023, assuming the transaction took place at the beginning of such periods.

G. To record the issuance of shares of common stock for (i) the DV Asset Purchase issuance of 40,000,000 shares of common stock paid on closing on December 31, 2024, (ii) the issuance of 10,600,000 shares of common stock to be issued at closing of the CSI Acquisition, and (iii) the issuance of 6,134,969 shares of common stock at the closing stock price of January 14, 2025 of \$1.63 per share for the needed financing of the \$10 million cash payment due at the closing of the CSI Acquisition for which the Company needs to obtain adequate financing to complete.