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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2022

or

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

For the transition period from _____ to _____.

Commission File Number: **001-38608**

WISA Technologies, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

30-1135279

(I.R.S. Employer Identification No.)

**15268 NW Greenbrier Pkwy
Beaverton, OR 97006**

(Address of principal executive offices) (Zip Code)

(408) 627-4716

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

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

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

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

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

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

Large accelerated filer

Non-accelerated filer

Accelerated filer

Smaller reporting company

Emerging growth company

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

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

The number of shares of the registrant's common stock outstanding as of May 10, 2022 is 16,883,464.

WISA TECHNOLOGIES, INC.
QUARTERLY REPORT ON FORM 10-Q
For the quarter ended March 31, 2022

	Page Number
<u>PART I: FINANCIAL INFORMATION</u>	
<u>Item 1. Financial Statements (unaudited)</u>	
<u>Condensed Consolidated Balance Sheets</u>	3
<u>Condensed Consolidated Statements of Operations</u>	4
<u>Condensed Consolidated Statements of Convertible Preferred Stock and Stockholders' Equity (Deficit)</u>	5
<u>Condensed Consolidated Statements of Cash Flows</u>	6
<u>Notes to Condensed Consolidated Financial Statements</u>	7
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	24
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	27
<u>Item 4. Controls and Procedures</u>	28
<u>PART II. OTHER INFORMATION</u>	
<u>Item 1. Legal Proceedings</u>	29
<u>Item 1A. Risk Factors</u>	29
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	29
<u>Item 3. Defaults Upon Senior Securities</u>	29
<u>Item 4. Mine Safety Disclosures</u>	29
<u>Item 5. Other Information</u>	29
<u>Item 6. Exhibits</u>	30
<u>SIGNATURES</u>	31

PART I: FINANCIAL INFORMATION

Item 1. Financial Statements

WISA TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share data)

Assets	March 31, 2022 (unaudited)	December 31, 2021 (1)
Current Assets:		
Cash and cash equivalents	\$ 9,061	\$ 13,108
Accounts receivable	243	214
Inventories	6,227	4,780
Prepaid expenses and other current assets	981	1,086
Total current assets	16,512	19,188
Property and equipment, net	231	162
Operating lease right-of-use asset	188	—
Other assets	41	41
Total assets	\$ 16,972	\$ 19,391
Liabilities, Convertible Preferred Stock and Stockholders' Equity		
Current Liabilities:		
Accounts payable	\$ 2,100	\$ 1,549
Accrued liabilities	1,727	1,416
Total current liabilities	3,827	2,965
Other liabilities	151	41
Warrant liability	8	8
Total liabilities	3,986	3,014
Commitments and contingencies (Note 8)		
Series A 8% Senior Convertible Preferred stock, par value \$0.0001; 1,250,000 shares authorized; 0 shares outstanding as of March 31, 2022 and December 31, 2021, respectively (liquidation preference of \$0)	—	—
Stockholders' Equity:		
Common stock, par value \$0.0001; 200,000,000 shares authorized; 16,883,464 and 15,819,059 shares outstanding as of March 31, 2022 and December 31, 2021, respectively	2	2
Additional paid-in capital	229,058	228,578
Accumulated deficit	(216,074)	(212,203)
Total stockholders' equity	12,986	16,377
Total liabilities, convertible preferred stock and stockholders' equity	\$ 16,972	\$ 19,391

(1) The condensed consolidated balance sheet as of December 31, 2021 was derived from the audited consolidated balance sheet as of that date.

The accompanying notes are an integral part of these condensed consolidated financial statements.

WISA TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
For the three months ended March 31, 2022 and 2021
(in thousands, except share and per share data)
(unaudited)

	<u>Three Months Ended March 31,</u>	
	<u>2022</u>	<u>2021</u>
Revenue, net	\$ 566	\$ 1,153
Cost of revenue	504	858
Gross profit	<u>62</u>	<u>295</u>
Operating Expenses:		
Research and development	1,537	1,173
Sales and marketing	1,300	874
General and administrative	1,126	968
Total operating expenses	<u>3,963</u>	<u>3,015</u>
Loss from operations	<u>(3,901)</u>	<u>(2,720)</u>
Interest expense	(1)	(3)
Other expense	(2)	(2)
Warrant inducement expense	—	(567)
Loss before provision for income taxes	<u>(3,904)</u>	<u>(3,292)</u>
Provision for income taxes	—	—
Net loss	<u>(3,904)</u>	<u>(3,292)</u>
Convertible preferred stock dividend	—	(20)
Net loss attributable to common stockholders	<u>\$ (3,904)</u>	<u>\$ (3,312)</u>
Net loss per common share - basic and diluted	<u>\$ (0.26)</u>	<u>\$ (0.33)</u>
Weighted average number of common shares used in computing net loss per common share	<u>14,828,888</u>	<u>9,979,991</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

WISA TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)
For the three months ended March 31, 2022 and 2021
(in thousands, except share and per share data)
(unaudited)

	Convertible Preferred Stock		Common Shares		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount				
Balance as of December 31, 2021	—	—	15,819,059	\$ 2	\$ 228,578	—	\$ (212,203)	\$ 16,377
ASC 842 adoption adjustment	—	—	—	—	—	—	33	33
Stock-based compensation	—	—	1,067,400	—	480	—	—	480
Release of vested restricted common stock	—	—	5,668	—	—	—	—	—
Restricted stock awards cancelled	—	—	(8,663)	—	—	—	—	—
Net loss	—	—	—	—	—	—	(3,904)	(3,904)
Balance as of March 31, 2022	—	—	16,883,464	\$ 2	\$ 229,058	—	\$ (216,074)	\$ 12,986

	Convertible Preferred Stock		Common Shares		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount				
Balance as of December 31, 2020	250,000	597	8,402,250	\$ 1	\$ 207,698	—	\$ (200,383)	\$ 7,316
Issuance of common stock upon warrant exercise	—	—	2,086,251	—	5,095	—	—	5,095
Warrants issued in connection with warrant exercise	—	—	—	—	567	—	—	567
Convertible preferred stock dividend	—	20	—	—	(20)	—	—	(20)
Stock-based compensation	—	—	643,700	—	254	—	—	254
Release of vested restricted common stock	—	—	352	—	—	—	—	—
Net loss	—	—	—	—	—	—	(3,292)	(3,292)
Balance as of March 31, 2021	250,000	617	11,132,553	\$ 1	\$ 213,594	—	\$ (203,675)	\$ 9,920

The accompanying notes are an integral part of these condensed consolidated financial statements.

WISA TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the three months ended March 31, 2022 and 2021
(in thousands, except share and per share data)
(unaudited)

	Three Months Ended March 31,	
	2022	2021
Cash flows from operating activities:		
Net loss	\$ (3,904)	\$ (3,292)
Adjustments to reconcile net loss to net cash used in operating activities:		
Warrant inducement expense	—	567
Stock-based compensation	480	254
Depreciation and amortization	29	19
Changes in operating assets and liabilities:		
Accounts receivable	(29)	(58)
Inventories	(1,447)	(588)
Prepaid expenses and other assets	105	(506)
Accounts payable	551	467
Accrued liabilities	196	366
Other liabilities	(15)	—
Net cash used in operating activities	<u>(4,034)</u>	<u>(2,771)</u>
Cash flows from investing activities:		
Purchases of property and equipment	(7)	(26)
Net cash used in investing activities	<u>(7)</u>	<u>(26)</u>
Cash flows from financing activities:		
Proceeds from issuance of common stock upon warrant exercises, net of issuance costs	—	5,095
Repayment of capital lease	(6)	(6)
Net cash (used in) provided by financing activities	<u>(6)</u>	<u>5,089</u>
Net (decrease) increase in cash and cash equivalents	(4,047)	2,292
Cash and cash equivalents as of beginning of period	13,108	7,415
Cash and cash equivalents as of end of period	<u>\$ 9,061</u>	<u>\$ 9,707</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u>\$ 1</u>	<u>\$ 1</u>
Noncash Investing and Financing Activities:		
Convertible preferred stock dividend	<u>\$ —</u>	<u>\$ 20</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

WISA TECHNOLOGIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Three Months Ended March 31, 2022 and 2021
(unaudited)

1. Business and Summary of Significant Accounting Policies

WiSA Technologies, Inc formerly known as Summit Wireless Technologies, Inc. (together with its subsidiaries also referred to herein as “we”, “us”, “our”, or the “Company”) was originally formed as a limited liability company in Delaware on July 23, 2010. Our business is to deliver the best-in-class immersive wireless sound technology for intelligent devices and next generation home entertainment systems through the sale of module components to audio companies as well as audio products to resellers and consumers.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) for interim financial information and pursuant to Article 10 of Regulation S-X of the Securities Act of 1933, as amended (“Securities Act”). Accordingly, they do not include all of the information and notes required by U.S. GAAP for complete financial statements. These unaudited condensed consolidated financial statements include all normal and recurring adjustments that the Company believes are necessary to fairly state the Company’s financial position and the results of operations and cash flows. Interim period results are not necessarily indicative of results of operations or cash flows for a full year or any subsequent interim period. The condensed consolidated balance sheet as of December 31, 2021 has been derived from audited consolidated financial statements at that date, but does not include all disclosures required by U.S. GAAP for complete financial statements.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Reclassification

Certain reclassifications have been made to prior periods’ condensed consolidated financial statements to conform to the current period presentation. These reclassifications did not result in any change in previously reported net loss, total assets or stockholders’ equity.

Concentration of Credit Risk and Other Risks and Uncertainties

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable. Cash and cash equivalents are deposited in demand and money market accounts at one financial institution. At times, such deposits may be in excess of insured limits. The Company has not experienced any losses on its deposits of cash and cash equivalents.

The Company’s accounts receivable are derived from revenue earned from customers located throughout the world. The Company performs credit evaluations of its customers’ financial condition as necessary, and sometimes requires partial payment in advance of shipping. As of March 31, 2022 and December 31, 2021, there was no allowance for doubtful accounts. As of March 31, 2022, the Company had four customers accounting for 34%, 23%, 18% and 10% of accounts receivable. As of March 31, 2021, the Company had four customers accounting for 33%, 30%, 16% and 11% of accounts receivable. As of December 31, 2021, the Company had two customers accounting for 35%, and 27% of accounts receivable. The Company had three customers accounting for 36%, 25% and 16% of its net revenue for the three months ended March 31, 2022. The Company had five customers accounting for 37%, 12%, 12%, 11% and 11% of its net revenue for the three months ended March 31, 2021.

The Company’s future results of operations involve a number of risks and uncertainties. Factors that could affect the Company’s future operating results and cause actual results to vary materially from expectations include, but are not limited to, rapid technological change, continued acceptance of the Company’s products, competition from substitute products and larger companies, protection of proprietary technology, strategic relationships and dependence on key individuals.

WISA TECHNOLOGIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Three Months Ended March 31, 2022 and 2021
(unaudited)

1. Summary of Significant Accounting Policies, continued

The Company relies on sole-source suppliers to manufacture some of the components used in its product. The Company's manufacturers and suppliers may encounter problems during manufacturing due to a variety of reasons, any of which could delay or impede their ability to meet demand. The Company is heavily dependent on a single contractor in China for assembly and testing of its products, a single contractor in Japan for the production of its transmit semiconductor chip and a single contractor in China for the production of its receive semiconductor chip.

Deferred Offering Costs

Deferred offering costs, consisting of legal, accounting and filing fees relating to public offerings, are capitalized. The deferred offering costs will be offset against public offering proceeds upon the effectiveness of an offering. In the event that an offering is terminated, deferred offering costs will be expensed. As of March 31, 2022 and 2021, the Company had capitalized \$125,000 and \$0, respectively, of deferred offering costs in prepaid expenses and other current assets on the condensed consolidated balance sheet.

Convertible Financial Instruments

The Company bifurcates conversion options and warrants from their host instruments and accounts for them as freestanding derivative financial instruments if certain criteria are met. The criteria include circumstances in which (a) the economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract, (b) the hybrid instrument that embodies both the embedded derivative instrument and the host contract is not re-measured at fair value under otherwise applicable generally accepted accounting principles with changes in fair value reported in earnings as they occur and (c) a separate instrument with the same terms as the embedded derivative instrument would be considered a derivative instrument. An exception to this rule is when the host instrument is deemed to be conventional, as that term is described under applicable U.S. GAAP.

When the Company has determined that the embedded conversion options and warrants should be bifurcated from their host instruments, discounts are recorded for the intrinsic value of conversion options embedded in the instruments based upon the differences between the fair value of the underlying common stock at the commitment date of the transaction and the effective conversion price embedded in the instrument.

Debt discounts under these arrangements are amortized to interest expense using the interest method over the earlier of the term of the related debt or their earliest date of redemption.

Warrants for Shares of Common Stock and Derivative Financial Instruments

Warrants for shares of common stock and other derivative financial instruments are classified as equity if the contracts (1) require physical settlement or net-share settlement or (2) give the Company a choice of net-cash settlement or settlement in its own shares (physical settlement or net-share settlement). Contracts which (1) require net-cash settlement (including a requirement to net cash settle the contract if an event occurs and if that event is outside the control of the Company), (2) give the counterparty a choice of net-cash settlement or settlement in shares (physical settlement or net-share settlement), or (3) that contain reset provisions that do not qualify for the scope exception are classified as liabilities. The Company assesses classification of its warrants for shares of common stock and other derivatives at each reporting date to determine whether a change in classification between equity and liabilities is required.

WISA TECHNOLOGIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Three Months Ended March 31, 2022 and 2021
(unaudited)

1. Summary of Significant Accounting Policies, continued

In an equity-classified freestanding financial instrument, as of the date that a down round feature is triggered, the Company measures the fair value of the instrument without the down round feature (that is, before the strike price is reduced) and the fair value of the financial instrument with a strike price that reflects the adjustment from the down round. The incremental difference in the fair value is recorded a deemed dividend. As the Company has an accumulated deficit, the deemed dividend is recorded as a reduction of additional paid-in capital in the condensed consolidated balance sheet. The Company increases the net loss available to common stockholders by the amount of the deemed dividend.

Product Warranty

The Company's products are generally subject to a one-year warranty, which provides for the repair, rework, or replacement of products (at the Company's option) that fail to perform within the stated specification. The Company has assessed its historical claims and, to date, product warranty claims have not been significant. The Company will continue to assess if there should be a warranty accrual going forward.

Revenue Recognition

The Company generates revenue primarily from two product categories which include the sale of Consumer Audio Products as well as the sale of Components. The Company applies the following five steps: (1) identify the contract with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when a performance obligation is satisfied. The Company considers customer purchase orders to be the contracts with a customer. Revenues, net of expected discounts, are recognized when the performance obligations of the contract with the customer are satisfied and when control of the promised goods are transferred to the customer, typically when products, which have been determined to be the only distinct performance obligations, are shipped to the customer. Expected costs of assurance warranties and claims are recognized as expense.

Taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction, that are collected by us from a customer and deposited with the relevant government authority, are excluded from revenue. Our revenue arrangements do not contain significant financing components.

Sales to certain distributors are made under arrangements which provide the distributors with price adjustments, price protection, stock rotation and other allowances under certain circumstances. The Company does not provide its customers with a contractual right of return. However, the Company accepts limited returns on a case-by-case basis. These returns, adjustments and other allowances are accounted for as variable consideration. We estimate these amounts based on the expected amount to be provided to customers and reduce revenue recognized. We believe that there will not be significant changes to our estimates of variable consideration.

If a customer pays consideration, or the Company has a right to an amount of consideration that is unconditional before we transfer a good or service to the customer, those amounts are classified as contract liabilities which are included in other current liabilities when the payment is made or it is due, whichever is earlier.

During the three months ended March 31, 2022 and 2021, net revenue consisted of the following:

<u>(in thousands)</u>	<u>For the Three Months Ended March 31,</u>	
	<u>2022</u>	<u>2021</u>
Components	\$ 301	\$ 990
Consumer Audio Products	265	163
Total	<u>\$ 566</u>	<u>\$ 1,153</u>

WISA TECHNOLOGIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Three Months Ended March 31, 2022 and 2021
(unaudited)

1. Summary of Significant Accounting Policies, continued

Contract Balances

We receive payments from customers based on a billing schedule as established in our contracts to partially offset prepayments required by our vendors on long lead time materials. Amounts collected prior to the fulfillment of the performance obligation are considered contract liabilities and classified as customer advances within accrued liabilities on the condensed consolidated balance sheets. Contract assets are recorded when we have a conditional right to consideration for our completed performance under the contracts. Accounts receivables are recorded when the right to this consideration becomes unconditional. We do not have any material contract assets as of March 31, 2022 and December 31, 2021.

(in thousands)

	March 31, 2022	December 31, 2021
Contract liabilities	\$ 265	\$ —

Revenue by Geographic Area

In general, revenue disaggregated by geography (See Note 10) is aligned according to the nature and economic characteristics of our business and provides meaningful disaggregation of our results of operations. Since we operate in one segment, all financial segment and product line information can be found in the condensed consolidated financial statements.

Practical Expedients and Exemptions

As part of our adoption of Accounting Standards Codification Topic 606, Revenue from Contracts with Customers, we elected to use the following practical expedients: (i) not to adjust the promised amount of consideration for the effects of a significant financing component when we expect, at contract inception, that the period between our transfer of a promised product or service to a customer and when the customer pays for that product or service will be one year or less; (ii) to expense costs as incurred for costs to obtain a contract when the amortization period would have been one year or less; (iii) not to assess whether promised goods or services are performance obligations if they are immaterial in the context of the contract with the customer.

In addition, we do not disclose the value of unsatisfied performance obligations for contracts with an original expected length of one year or less.

Stock-Based Compensation

The Company measures and recognizes the compensation expense for restricted stock units and restricted stock awards granted to employees and directors based on the fair value of the award on the grant date.

Restricted stock units give an employee an interest in Company stock but they have no tangible value until vesting is complete. Restricted stock units and restricted stock awards are equity classified and measured at the fair market value of the underlying stock at the grant date and recognized as expense over the related service or performance period. The Company elected to account for forfeitures as they occur. The fair value of stock awards is based on the quoted price of our common stock on the grant date. Compensation cost for restricted stock units and restricted stock awards is recognized using the straight-line method over the requisite service period.

WISA TECHNOLOGIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Three Months Ended March 31, 2022 and 2021
(unaudited)

1. Summary of Significant Accounting Policies, continued

Advertising Costs

Advertising costs are charged to sales and marketing expenses as incurred. Advertising costs for the three months ended March 31, 2022 and 2021 were \$171,000 and \$132,000, respectively.

Comprehensive Loss

Comprehensive loss represents the changes in equity of an enterprise, other than those resulting from stockholder transactions. Accordingly, comprehensive loss may include certain changes in equity that are excluded from net loss. For the three months ended March 31, 2022 and 2021, the Company's comprehensive loss is the same as its net loss.

Foreign Currency

The financial position and results of operations of the Company's foreign operations are measured using currencies other than the U.S. dollar as their functional currencies. Accordingly, for these operations all assets and liabilities are translated into U.S. dollars at the current exchange rates as of the respective balance sheet date. Expense items are translated using the weighted average exchange rates prevailing during the period. Cumulative gains and losses from the translation of these operations' financial statements are reported as a separate component of stockholders' equity, while foreign currency transaction gains or losses, resulting from re-measuring local currency to the U.S. dollar are recorded in the condensed consolidated statement of operations in other income (expense), net and were not material for the three months ended March 31, 2022 and 2021.

Net Loss per Common Share

Basic net loss per common share is calculated by dividing the net loss attributable to common stockholders by the weighted average number of shares of common stock outstanding during the period, without consideration for potentially dilutive securities. Diluted net loss per common share is computed by dividing the net loss attributable to common stockholders by the weighted average number of shares of common stock and potentially dilutive common share equivalents outstanding for the period determined using the treasury-stock and if-converted methods. For purposes of the diluted net loss per common share calculation, Series A Preferred Stock, warrants exercisable for common stock, restricted stock units and shares issuable upon the conversion of convertible notes payable are considered to be potentially dilutive securities.

For the three months ended March 31, 2022, warrants to purchase 4,474,303 shares of common stock, 1,568,725 shares of restricted stock, 297,083 shares of restricted stock issued under an inducement grant and 427,391 shares underlying restricted stock units have been excluded from the calculation of net loss per common share because the inclusion would be antidilutive. For the three months ended March 31, 2021, warrants to purchase 5,530,600 shares of common stock, 250,000 shares of convertible preferred stock, 730,869 shares of restricted stock awards and 643,974 shares of restricted stock units have been excluded from the calculation of net loss per common share because the inclusion would be antidilutive.

Recently Adopted Accounting Pronouncements.

Adoption of ASC 842

The Company adopted FASB's ASU No. 2016-02, Leases ("Topic 842"), as of January 1, 2022, using the modified retrospective approach. The modified retrospective approach provides a method for recording existing leases at the beginning of the period of adoption. In addition, the Company elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed us to carry forward the historical lease classification and the Company elected the hindsight practical expedient to determine the lease term for existing leases.

WISA TECHNOLOGIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Three Months Ended March 31, 2022 and 2021
(unaudited)

1. Summary of Significant Accounting Policies, continued

Adoption of the new standard resulted in the recording of operating lease right-of-use assets of \$212,000 and lease liabilities of \$327,000, as of January 1, 2022. In addition, the new standard resulted in the recording of an additional \$90,000 of property and equipment and the reversal of \$58,000 of deferred rent and lease incentive as required under the new standard. The standard did not have an impact on our consolidated results of operations or cash flows. The comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods.

The effect of the changes made to our consolidated January 1, 2022 balance sheet for the adoption of the new lease standard was as follows (in thousands):

	Balance as of December 31, 2021	Adjustments Due to ASC 842	Balance as of January 1, 2022
Operating lease right-of-use assets	\$ —	\$ 212	\$ 212
Property and equipment, net	162	90	252
Total assets	\$ 19,391	\$ 302	\$ 19,693
Operating lease liabilities, current	\$ —	\$ 148	\$ 148
Operating lease liabilities, non-current	\$ —	\$ 179	\$ 179
Deferred rent and lease incentive	\$ 58	\$ (58)	\$ —
Total liabilities	\$ 3,014	\$ 269	\$ 3,283
Accumulated deficit	\$ (212,203)	\$ 33	\$ (212,170)
Total stockholders' equity	\$ 16,377	\$ 33	\$ 16,410
Total liabilities and stockholders' equity	\$ 19,391	\$ 302	\$ 19,693

Recently Issued and Not Yet Adopted Accounting Pronouncements

In August 2020, the FASB issued ASU 2020-06 "Debt - Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging - Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity". This ASU simplifies accounting for convertible instruments by removing major separation models required under current U.S. GAAP. Consequently, more convertible debt instruments will be reported as a single liability instrument and more convertible preferred stock as a single equity instrument with no separate accounting for embedded conversion features. The ASU removes certain settlement conditions that are required for equity contracts to qualify for the derivative scope exception, which will permit more equity contracts to qualify for the exception. The ASU also simplifies the diluted earnings per share (EPS) calculation in certain areas. As an emerging growth company, the Company is allowed to adopt the accounting pronouncement at the same time as non-public business entities. As a result, the Company will adopt the update for its fiscal year beginning after December 15, 2023. The Company is evaluating the impact of this standard on its condensed consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, as amended, which requires the early recognition of credit losses on financing receivables and other financial assets in scope. ASU 2016-13 requires the use of a transition model that will result in the earlier recognition of allowances for losses. The new standard is effective for fiscal years beginning after December 15, 2022. Management is currently evaluating the new standard and its possible impact on the Company's condensed consolidated financial statements.

We have reviewed other recent accounting pronouncements and concluded they are either not applicable to the business, or no material effect is expected on the condensed consolidated financial statements as a result of future adoption.

WISA TECHNOLOGIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Three Months Ended March 31, 2022 and 2021
(unaudited)

2. Going Concern

The condensed consolidated financial statements of the Company have been prepared on a going concern basis, which contemplates the realization of assets and the discharge of liabilities in the normal course of business. The Company has incurred net operating losses each year since inception. As of March 31, 2022, the Company had cash and cash equivalents of \$9.1 million and reported net cash used in operations of \$4.0 million during the three months ended March 31, 2022. In December 2021, the Company entered into an “at-the-market” sales agreement with Maxim Group LLC (the “Agent”), pursuant to which the Company may sell from time to time, shares of its common stock having an aggregate offering price of up to \$4.5 million through the Agent. As of March 31, 2022, the Company has not sold any shares of common stock under the ATM Program. The Company expects operating losses to continue in the foreseeable future because of additional costs and expenses related to research and development activities, plans to expand its product portfolio, and increase its market share. The Company’s ability to transition to attaining profitable operations is dependent upon achieving a level of revenues adequate to support its cost structure.

Based on current operating levels, the Company will need to raise additional funds by selling additional equity or incurring debt. To date, the Company has funded its operations primarily through sales of its common stock in public markets, sales of common and preferred units prior to its initial public offering (“IPO”), and proceeds from the exercise of warrants to purchase common stock and the sale of convertible notes. Additionally, future capital requirements will depend on many factors, including the rate of revenue growth, the selling price of the Company’s products, the expansion of sales and marketing activities, the timing and extent of spending on research and development efforts and the continuing market acceptance of the Company’s products. These factors raise substantial doubt about the Company’s ability to continue as a going concern for the twelve months from the date of this report.

Management of the Company intends to raise additional funds through the issuance of equity securities or debt. There can be no assurance that, in the event the Company requires additional financing, such financing will be available at terms acceptable to the Company, if at all. Failure to generate sufficient cash flows from operations, raise additional capital and reduce discretionary spending could have a material adverse effect on the Company’s ability to achieve its intended business objectives. As a result, the substantial doubt about the Company’s ability to continue as a going concern has not been alleviated. The accompanying condensed consolidated financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

3. Balance Sheet Components

Inventories (in thousands):

	<u>March 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
Raw materials	\$ 1,915	\$ 2,057
Work in progress	1,186	1,403
Finished goods	3,126	1,320
Total inventories	<u>\$ 6,227</u>	<u>\$ 4,780</u>

WISA TECHNOLOGIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Three Months Ended March 31, 2022 and 2021
(unaudited)

3. Balance Sheet Components, continued

Property and equipment, net (in thousands):

	<u>March 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
Machinery and equipment	\$ 963	\$ 965
Tooling	11	11
Computer software	89	89
Furniture and fixtures	15	15
Leasehold improvements	127	40
	<u>1,205</u>	<u>1,120</u>
Less: Accumulated depreciation and amortization	(974)	(958)
Property and equipment, net	<u>\$ 231</u>	<u>\$ 162</u>

Depreciation and amortization expense for the three months ended March 31, 2022 and 2021 was \$29,000 and \$19,000, respectively.

The cost and accumulated depreciation of assets acquired under finance lease included in machinery and equipment in the above table as of March 31, 2022 were \$72,000 and \$38,000 respectively.

Accrued liabilities (in thousands):

	<u>March 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
Accrued vacation	\$ 420	\$ 385
Accrued rebate	346	356
Customer advances	265	—
Accrued compensation	238	231
Operating lease liabilities	146	—
Accrued audit fees	79	191
Accrued other	233	253
Total accrued liabilities	<u>\$ 1,727</u>	<u>\$ 1,416</u>

4. Borrowings

Payroll Protection Program Note Agreement

On May 3, 2020, we received a loan (the “PPP Loan”) from Wells Fargo Bank, National Association in the aggregate amount of \$847,000, pursuant to the Paycheck Protection Program (the “PPP”) under Division A, Title I of the Coronavirus Aid, Relief, and Economic Security Act, which was enacted on March 27, 2020. The PPP Loan was funded on May 7, 2020. The PPP Loan, which is in the form of a PPP promissory note and agreement, dated May 3, 2020 (the “PPP Note Agreement”), had a maturity date of May 3, 2022 and bore interest at a rate of 1.00% per annum. Pursuant to a change in guidance by the U.S. Small Business Administration, the initial monthly payment date of the PPP Note Agreement was deferred from November 1, 2020 to August 18, 2021. The PPP Loan could be prepaid by us at any time prior to maturity with no prepayment penalties.

WISA TECHNOLOGIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Three Months Ended March 31, 2022 and 2021
(unaudited)

4. Borrowings, continued

During the third quarter of 2021, the Company received full loan forgiveness for obligations related to the PPP Loan. The Company accounted for the PPP Loan as debt, and the loan forgiveness was accounted for as a debt extinguishment. The amount of loan and interest forgiven totaling \$859,000, was recognized as a gain upon debt extinguishment in the three month period ended September 30, 2021.

5. Fair Value Measurements

The Company measures the fair value of financial instruments using a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. Each level of input has different levels of subjectivity and difficulty involved in determining fair value.

- Level 1 – Inputs used to measure fair value are unadjusted quoted prices that are available in active markets for the identical assets or liabilities as of the reporting date. Therefore, determining fair value for Level 1 investments generally does not require significant judgment, and the estimation is not difficult.
- Level 2 – Pricing is provided by third-party sources of market information obtained through investment advisors. The Company does not adjust for or apply any additional assumptions or estimates to the pricing information received from its advisors.
- Level 3 – Inputs used to measure fair value are unobservable inputs that are supported by little or no market activity and reflect the use of significant management judgment. These values are generally determined using pricing models for which the assumptions utilize management’s estimates of market participant assumptions. The determination of fair value for Level 3 instruments involves the most management judgment and subjectivity.

The Company’s financial assets and liabilities that are measured at fair value on a recurring basis as of March 31, 2022 and December 31, 2021 by level within the fair value hierarchy, are as follows:

(in thousands)	March 31, 2022		
	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Liabilities:			
Warrant liability	\$ —	\$ —	\$ 8
(in thousands)	December 31, 2021		
	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Liabilities:			
Warrant liability	\$ —	\$ —	\$ 8

There were no transfers between Level 1, 2 or 3 during the three months ended March 31, 2022 or March 31, 2021.

WISA TECHNOLOGIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Three Months Ended March 31, 2022 and 2021
(unaudited)

5. Fair Value Measurements, continued

There were no changes in fair value of the Company's warrant liability measured at fair value using significant unobservable inputs (Level 3) for the three months ended March 31, 2022 and 2021.

The warrant liability is not significant at March 31, 2022 and there are no material changes to the significant unobservable inputs from December 31, 2021.

6. Convertible Preferred Stock and Stockholders' Equity

Series A 8% Senior Convertible Preferred Stock

On April 18, 2019, we entered into a Securities Purchase Agreement, dated as of April 18, 2019, with Lisa Walsh (the "Preferred SPA"), pursuant to which we issued 250,000 shares of our Series A 8% Senior Convertible Preferred Stock, par value \$0.0001 per share (the "Series A Preferred Stock"), which shares did have a stated value of \$4.00, grant holders the same voting rights as holders of our shares of common stock, and are convertible into shares of our common stock at price of \$80.00 per share, subject to a floor price of \$30.00 and to adjustment under our Certificate of Designations of the Preferences, Rights and Limitations of the Series A Preferred Stock, in consideration for \$1,000,000 (the "Initial Tranche"). The Series A Preferred Stock may be issued in tranches of at least \$500,000 and in an aggregate of up to \$5 million. In connection with the Initial Tranche, the Company also issued to Ms. Walsh a warrant to purchase 12,756 shares of our common stock.

The Series A Preferred Stock contained an embedded conversion feature that the Company determined is a derivative requiring bifurcation. The fair value of the derivative liability at the issuance of the Series A Preferred Stock was \$216,000, which was recorded as a derivative liability with the offset recorded as a discount to the Series A Preferred Stock.

On June 4, 2021, the Company and Lisa Walsh (the "Investor") entered into an exchange agreement pursuant to which the Company exchanged with the Investor, all outstanding shares of Series A Preferred Stock, for 250,000 shares of common stock and warrants to purchase up to 187,500 shares of Common Stock. In connection with exchange agreement the Company recorded a deemed dividend of \$1,192,000. Immediately following the exchange, the Company no longer had a derivative liability or any preferred stock outstanding.

As of March 31, 2022, there are 1,250,000 shares of preferred stock authorized, but there are no shares issued or outstanding.

Common Stock

Carve-Out Plan

For the three months ended March 31, 2021, 352 shares of restricted stock issued under the Carve-Out Plan (the "Plan"), were released with an intrinsic value of approximately \$2,000. No shares were subsequently issued under the Plan.

2018 Long Term Stock Incentive Plan

On January 30, 2018, the Company's board of directors approved the establishment of the Company's 2018 Long-Term Stock Incentive Plan (the "LTIP") and termination of its Carve-Out Plan (the "Plan"). Under the LTIP, the aggregate maximum number of shares of common stock (including shares underlying options) that may be issued under the LTIP pursuant to awards of Restricted Shares or Options will be limited to 15% of the outstanding shares of common stock, which calculation shall be made on the first trading day of each new fiscal year; provided that, in any year no more than 8% of the common stock or derivative securitization with common stock underlying 8% of the common stock may be issued in any fiscal year. Thereafter, the 15% evergreen provision governs the LTIP. For fiscal year 2022, up to 1,265,525 shares of common stock are available for participants under the LTIP.

WISA TECHNOLOGIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Three Months Ended March 31, 2022 and 2021
(unaudited)

6. Convertible Preferred Stock and Stockholders' Equity, continued

For the three months ended March 31, 2022, 218,267 shares of restricted stock issued under the LTIP, were released with an intrinsic value of approximately \$254,000. No shares of restricted stock issued under the LTIP, were released in the three months ended March 31, 2021.

A summary of activity related to restricted stock awards (excluding the deferred shares) for the three months ended March 31, 2022 is presented below:

<u>Stock Awards</u>	<u>Shares</u>	<u>Weighted-Average Grant Date Fair Value</u>
Non-vested as of January 1, 2022	728,255	\$ 3.43
Granted	1,067,400	\$ 1.31
Vested	(218,267)	\$ 3.52
Forfeited	(8,663)	\$ 3.48
Non-vested as of March 31, 2022	<u>1,568,725</u>	<u>\$ 1.97</u>

As of March 31, 2022, the unamortized compensation costs related to the unvested restricted stock awards was approximately \$2,940,000 which is to be amortized on a straight-line basis over a weighted-average period of approximately 3.0 years.

Inducement Grant

On September 13, 2021, the Company issued 310,000 shares of restricted common stock to Eric Almgren, the Company's new Chief Strategist, as an inducement grant ("September 2021 Inducement Grant"). Such shares were issued outside the Company's LTIP and 2020 Stock Incentive Plan (the "2020 Stock Plan"). In accordance with the September 2021 Inducement Grant, 77,500 shares will vest monthly over a period of 36 months and the remaining 232,500 will vest in 77,500 increments, upon the achievement of certain company milestones related to the volume weighted average closing price per share of the Company's common stock, as reported on NASDAQ, for the ten (10) consecutive days in which thresholds of the Company's market capitalization of \$75 million, \$100 million and \$150 million are achieved. The September 2021 Inducement Grant was valued with an approximate value of \$772,000 and will be amortized over 36 months. As of March 31, 2022, the unamortized compensation costs related to the unvested September 2021 Inducement Grant was approximately \$632,000 which is to be amortized on a straight-line basis over a period of approximately 2.5 years. The Company recorded stock-based compensation of \$64,000 related to this grant for the three months ended March 31, 2022. As of March 31, 2022, 297,083 shares are unvested.

2020 Stock Incentive Plan

A summary of activity related to restricted stock units under the Company's 2020 Stock Plan for the three months ended March 31, 2022 is presented below:

<u>Stock Units</u>	<u>Shares</u>	<u>Weighted-Average Grant Date Fair Value</u>
Non-vested as of January 1, 2022	438,462	\$ 2.36
Granted	—	\$ —
Vested	(5,668)	\$ 3.89
Forfeited	(5,403)	\$ 2.27
Non-vested as of March 31, 2022	<u>427,391</u>	<u>\$ 2.34</u>

As of March 31, 2022, the unamortized compensation costs related to the unvested restricted stock units was approximately \$778,000 which is to be amortized on a straight-line basis over a weighted-average period of approximately 1.4 years.

WISA TECHNOLOGIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Three Months Ended March 31, 2022 and 2021
(unaudited)

6. Convertible Preferred Stock and Stockholders' Equity, continued

For the three months ended March 31, 2022, 5,668 shares of restricted stock issued under the 2020 Stock Plan, were released with an intrinsic value of approximately \$7,000. No shares of restricted stock issued under the 2020 Stock Plan, were released in the three months ended March 31, 2021.

Purchase Agreements

On December 30, 2021, the Company entered into an “at-the-market” equity distribution agreement (the “Sales Agreement”) with Maxim Group LLC (“Maxim”), pursuant to which the Company may issue and sell shares of its common stock having an aggregate offering price of up to \$4,500,000 from time to time through Maxim.

Any sales of shares of common stock pursuant to the Sales Agreement will be made pursuant to a shelf registration statement on Form S-3. As of March 31, 2022, no shares had been sold under the Sales Agreement.

Warrants for Shares of Common Stock

In January 2021, pursuant to the Company’s solicitation of certain warrant holders, such warrant holders agreed to exercise warrants to purchase an aggregate of 1,221,675 shares of common stock for net proceeds of approximately \$2.9 million. In consideration for their exercise of these warrants, for cash, the exercising holders were issued new warrants to purchase up to an aggregate of 305,419 shares of common stock, at an exercise price of \$4.20 per share, which are exercisable for a period of five years. The grant date fair value of those warrants was \$567,000, which was recorded as warrant inducement expense and an increase to additional paid-in capital on the accompanying condensed consolidated balance sheet. The fair value of such warrants was determined using the Black-Scholes Model based on the following weighted average assumptions: common stock price on date of grant of \$3.85; expected dividend yield of 0.0%; expected volatility of 60.1%; risk-free interest rate of 0.45% and expected life of 5.0 years.

In June 2021, pursuant to the Company’s solicitation of certain warrant holders, such warrant holders agreed to exercise warrants to purchase an aggregate of 1,000,000 shares of common stock for net proceeds of approximately \$2.3 million. In consideration for their exercise of these warrants, for cash, the exercising holders were issued new warrants to purchase up to an aggregate of 250,000 shares of common stock, at an exercise price of \$4.46 per share, which are exercisable for a period of five years. The grant date fair value of those warrants was \$579,000, which was recorded as warrant inducement expense and an increase to additional paid-in capital on the accompanying condensed consolidated balance sheet. The fair value of such warrants was determined using the Black-Scholes Model based on the following weighted average assumptions: common stock price on date of grant of \$4.50; expected dividend yield of 0.0%; expected volatility of 60.7%; risk-free interest rate of 0.77% and expected life of 5.0 years.

In December 2021, the Company granted a warrant to purchase up to 25,000 shares of common stock to Lippert/Heilshorn Associates Inc. The warrant has an exercise price of \$1.52 per share and are fully vested. The fair value of the warrant at issuance was \$21,000. The fair value of the warrant was estimated using the Black-Scholes Model based on the following weighted average assumptions: common share price on date of grant \$1.49, expected dividend yield 0%, expected volatility 67%, risk-free interest rate 1.19% and expected life of 5.0 years. The fair value was recorded as professional services with the offset to additional paid-in capital.

In December 2021, the Company granted a warrant to purchase up to 15,000 shares of common stock to Marketing by Design LLC. The warrant has an exercise price of \$1.52 per share and are fully vested. The fair value of the warrant at issuance was \$12,000. The fair value of the warrant was estimated using the Black-Scholes Model based on the following weighted average assumptions: common share price on date of grant \$1.49, expected dividend yield 0%, expected volatility 67%, risk-free interest rate 1.19% and expected life of 5.0 years. The fair value was recorded as professional services with the offset to additional paid-in capital.

WISA TECHNOLOGIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Three Months Ended March 31, 2022 and 2021
(unaudited)

6. Convertible Preferred Stock and Stockholders' Equity, continued

Information regarding warrants for common stock outstanding and exercisable as of March 31, 2022 is as follows:

Exercise Price	Warrants Outstanding as of March 31, 2022	Weighted Average Remaining Life (years)	Warrants Exercisable as of March 31, 2022
\$1.52 - \$2.61	1,647,165	3.37	1,637,165
\$3.00 - \$4.46	2,446,219	3.38	2,446,219
\$6.40 - \$9.80	32,889	2.91	32,889
\$15.80 - \$17.50	92,940	0.96	92,940
\$24.80 - \$125.00	255,090	0.88	255,090
\$6.92*	<u>4,474,303</u>	3.20	<u>4,464,303</u>

* Weighted average

Warrants exercisable as of March 31, 2022 exclude warrants to purchase 10,000 shares of common stock issued to a marketing firm, which vest upon the achievement of certain milestones. Additionally, warrants to purchase 20,722 shares of common stock which are shown above with a price of \$15.80 are pre-funded warrants under which the holder must only pay \$0.20 per share to complete the exercise.

Information regarding warrants for common stock outstanding and exercisable as of December 31, 2021 is as follows:

Exercise Price	Warrants Outstanding as of December 31, 2021	Weighted Average Remaining Life (years)	Warrants Exercisable as of December 31, 2021
\$1.52 - \$3.90	3,537,965	3.56	3,527,965
\$4.20 - \$9.80	588,308	4.01	588,308
\$15.80 - \$17.50	92,963	1.06	92,963
\$24.80 - \$99.00	222,807	1.13	222,807
\$108.00 - \$125.00	47,678	0.90	47,678
\$7.26*	<u>4,489,721</u>	3.44	<u>4,479,721</u>

* Weighted Average

Warrants exercisable as of December 31, 2021 exclude a warrant to purchase 10,000 shares of common stock issued to a marketing consulting firm. Such warrant will vest in two tranches upon the achievement of certain milestones. Additionally, warrants to purchase 20,722 shares of common stock which are shown above with a price of \$15.80 are Pre-Funded Warrants under which the holder must only pay \$0.20 per share to complete the exercise.

7. Income Taxes

The Company recorded a provision for income taxes of \$0 for the three months ended March 31, 2022 and 2021.

The Company's effective tax rate was 0.0% for the three months ended March 31, 2022 and 2021. The difference between the effective tax rate and the federal statutory tax rate for the three months ended March 31, 2022 and 2021 primarily relates to the valuation allowance on the Company's deferred tax assets.

WISA TECHNOLOGIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Three Months Ended March 31, 2022 and 2021
(unaudited)

7. Income Taxes, continued

For interim periods, the Company estimates its annual effective income tax rate and applies the estimated rate to the year-to-date income or loss before income taxes. The Company also computes the tax provision or benefit related to items reported separately and recognizes the items net of their related tax effect in the interim periods in which they occur. The Company also recognizes the effect of changes in enacted tax laws or rates in the interim periods in which the changes occur.

As of March 31, 2022 and December 31, 2021, the Company retains a full valuation allowance on its deferred tax assets. The realization of the Company's deferred tax assets depends primarily on its ability to generate taxable income in future periods. The amount of deferred tax assets considered realizable in future periods may change as management continues to reassess the underlying factors it uses in estimating future taxable income.

The provision for income taxes for the three months ended March 31, 2022 and 2021 was calculated on a jurisdiction basis.

8. Commitments and Contingencies

Operating Leases

The Company leases office space under a non-cancellable operating lease that expires in January 2024 and has an option to renew this lease, with renewal rates to be negotiated. Operating lease rentals are expensed on a straight-line basis over the life of the lease beginning on the date we take possession of the property. At lease inception, we determine the lease term by assuming the exercise of those renewal options that are reasonably assured. The exercise of lease renewal options is at our sole discretion. The lease term is used to determine whether a lease is financing or operating and is used to calculate straight-line rent expense. Additionally, the depreciable life of leasehold improvements is limited by the expected lease term. Leases with an initial term of 12 months or less are not recorded on the condensed consolidated balance sheet; we recognize lease expense for these leases on a straight-line basis over the lease term.

The following table reflects our lease assets and our lease liabilities at March 31, 2022 (in thousands).

	March 31, 2022	January 1, 2022
Assets:		
Operating lease right-of-use assets	\$ 188	\$ 212
Liabilities:		
Operating lease liabilities, current	\$ 146	\$ 148
Operating lease liabilities, non-current	\$ 143	\$ 179

Lease Costs:

The components of lease costs were as follows (in thousands):

	Three Months Ended March 31, 2022
Operating lease cost	\$ 28
Short term lease cost	15
Total lease cost	\$ 43

WISA TECHNOLOGIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Three Months Ended March 31, 2022 and 2021
(unaudited)

8. Commitments and Contingencies, continued

As of March 31, 2022, the maturity of operating lease liabilities was as follows (in thousands):

2022 (remaining 9 months)	\$ 112
2023	173
2024	29
Total lease payments	<u>314</u>
Less: Interest	<u>(25)</u>
Present value of lease liabilities	<u>\$ 289</u>

Lease Term and Discount Rate:

	<u>March 31, 2022</u>
Weighted-average remaining lease term (in years)	1.9
Weighted-average discount rate	8.0%

Other Information:

Supplemental cash flow information related to leases was as follows (in thousands):

	<u>Three Months Ended</u> <u>March 31, 2022</u>
Operating cash outflows from operating leases	<u>\$ 42</u>

Finance Lease

During August 2020, the Company entered into a lease agreement for equipment under a capital lease with a term of 36 months. The equipment under the lease is collateral for the agreement and is included within property and equipment, net on the condensed consolidated balance sheets.

Future minimum lease commitments for the finance lease as of March 31, 2022 are as follows:

(in thousands)	
Payments due in:	
Year ending December 31, 2022 (remaining 9 months)	\$ 19
Year ending December 31, 2023	15
Total minimum lease payments	<u>34</u>
Less: Amounts representing interest	<u>(1)</u>
Present value of finance lease obligations	33
Less: Current portion of finance lease liabilities	<u>25</u>
Other liabilities	<u>\$ 8</u>

Obligations under the finance lease are included in accrued liabilities and other liabilities on the condensed consolidated balance sheets.

WISA TECHNOLOGIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Three Months Ended March 31, 2022 and 2021
(unaudited)

8. Commitments and Contingencies, continued

Contingencies

In the normal course of business, the Company may become involved in legal proceedings. The Company will accrue a liability for such matters when it is probable that a liability has been incurred and the amount can be reasonably estimated. When only a range of a possible loss can be established, the most probable amount in the range is accrued. If no amount within this range is a better estimate than any other amount within the range, the minimum amount in the range is accrued. The accrual for a litigation loss contingency might include, for example, estimates of potential damages, outside legal fees and other directly related costs expected to be incurred.

The Company's management does not believe that any such matters, individually or in the aggregate, will have a materially adverse effect on the Company's condensed consolidated financial statements.

9. Related Parties

Helge Kristensen

Mr. Kristensen has served as a member of the Company's board of directors since 2010. Mr. Kristensen serves as vice president of Hansong Technology, an original device manufacturer of audio products based in China, president of Platin Gate Technology (Nanjing) Co. Ltd, a company with focus on service-branding in lifestyle products as well as pro line products based in China and co-founder and director of Inizio Capital, an investment company based in the Cayman Islands.

For the three months ended March 31, 2022 and 2021, Hansong Technology purchased modules from the Company of approximately \$83,000 and \$82,000, respectively, and made payments to the Company of approximately \$0 and \$48,000, respectively. For the three months ended March 31, 2022 and 2021, Hansong Technology sold speaker products to the Company of approximately \$457,000 and \$626,000, respectively, and the Company made payments to Hansong Technology of approximately \$299,000 and \$210,000, respectively. At March 31, 2022 and 2021, the Company owed Hansong Technology approximately \$949,000 and \$621,000, respectively.

As of March 31, 2022 and December 31, 2021, Mr. Kristensen owned less than 1.0% of the outstanding shares of the Company's common stock.

David Howitt

Mr. Howitt has served as a member of the Company's board of directors since December 2021. Mr. Howitt is founder and CEO of Meriwether Group LLC, ("Meriwether"), a strategic consulting firm that works with disruptive consumer brands. Meriwether is the manager of Meriwether Accelerators LLC ("Meriwether Accelerators").

The Company is a party to a professional services agreement with Meriwether Accelerators, dated as of January 15, 2022, pursuant to which, the Company has agreed to pay Meriwether Accelerators (i) \$7,500 per month; and (ii) issue 10,000 shares of common stock for each partnership brought to fruition as a result of Meriwether Accelerators' services and introduction, for up to 40,000 shares of Common Stock, which shares will have piggyback registration rights, in consideration for certain licensing services and strategic partnership collaborations to be provided by Meriwether Accelerators as set forth in such agreement. For the three months ended March 31, 2022, the Company has paid Meriwether Accelerators \$15,000. As of March 31, 2022, the Company has not issued any shares of common stock to Meriwether Accelerators under this agreement nor has it recorded any compensation expense related to the issuance of common stock.

As of March 31, 2022 and December 31, 2021, Mr. Howitt owned less than 1.0% of the outstanding shares of the Company's common stock.

WISA TECHNOLOGIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Three Months Ended March 31, 2022 and 2021
(unaudited)

10. Segment Information

The Company operates in one business segment. Our chief decision-maker, the President and Chief Executive Officer, evaluates our performance based on company-wide consolidated results.

Net revenue from customers is designated based on the geographic region to which the product is delivered. Net revenue by geographic region for the three months ended March 31, 2022 and 2021 was as follows:

<u>(in thousands)</u>	<u>For the Three Months Ended</u> <u>March 31,</u>	
	<u>2022</u>	<u>2021</u>
North America	\$ 267	\$ 169
Europe	123	141
Asia Pacific	176	843
Total	<u>\$ 566</u>	<u>\$ 1,153</u>

Substantially all of our long-lived assets are located in the United States.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

Cautionary Notice Regarding Forward Looking Statements

The information contained in Item 2 contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Actual results may materially differ from those projected in the forward-looking statements as a result of certain risks and uncertainties set forth in this Quarterly Report on Form 10-Q for the quarter ended March 31, 2022 (this “Report”). Although management believes that the assumptions made and expectations reflected in the forward-looking statements are reasonable, there is no assurance that the underlying assumptions will, in fact, prove to be correct or that actual results will not be different from expectations expressed in this Report.

This filing contains a number of forward-looking statements which reflect management’s current views and expectations with respect to our business, strategies, products, future results and events, and financial performance. All statements made in this filing other than statements of historical fact, including statements addressing operating performance, events, or developments which management expects or anticipates will or may occur in the future, and also including statements related to distributor channels, volume growth, revenues, profitability, new products, adequacy of funds from operations, statements expressing general optimism about future operating results, and non-historical information, are forward looking statements. In particular, the words “believe,” “expect,” “intend,” “anticipate,” “estimate,” “may,” variations of such words, and similar expressions identify forward-looking statements, but are not the exclusive means of identifying such statements, and their absence does not mean that the statement is not forward-looking. These forward-looking statements are subject to certain risks and uncertainties, including those discussed below. Our actual results, performance or achievements could differ materially from historical results as well as those expressed in, anticipated, or implied by these forward-looking statements. We do not undertake any obligation to revise these forward-looking statements to reflect any future events or circumstances.

Examples of forward-looking statements include, but are not limited to, statements we make regarding:

- our expectations regarding future trends, expectations, and performance of our business;
- our expectations regarding supply chain disruptions and their impact on our business;
- our expectations about the impact of our strategic plans; and
- the amount and timing of our capital expenditures.

Readers should not place undue reliance on these forward-looking statements, which are based on management’s current expectations and projections about future events, are not guarantees of future performance, are subject to risks, uncertainties and assumptions (including those described below), and apply only as of the date of this filing. Our actual results, performance or achievements could differ materially from the results expressed in, or implied by, these forward-looking statements.

Overview

We are an emerging technology company and our primary business focus is to enable mainstream consumers and audio enthusiasts to experience high quality wireless audio. We intend to continue selling our proprietary wireless modules to consumer electronics companies while also expanding our focus to implement a lower cost solution by porting our software onto commercially available internet of things (“IoT”) modules with integrated Wi-Fi technology.

[Table of Contents](#)

Our technology addresses some of the main issues that we perceive are hindering the growth of the home theater: complexity of installation and cost. We believe that consumers want to experience theater quality surround sound from the comfort of their homes. However, wired home theater systems often require expensive audio-visual (“AV”) receivers to decode the audio stream, leaving the consumer with the burden of concealing the wires. Hiring a professional to hide the wires into the walls or floor is invasive, complicated, costly and time consuming. Further, people who rent as opposed to own may not be able to install these systems as the installation construction needed may not be permitted under a lease agreement. Our first-generation wireless technology addresses these problems by transmitting wireless audio to each speaker at Blu-ray quality (uncompressed 24-bit audio up to 96 kHz sample rates) and emphasizing ease of setup. To our knowledge, our custom chips and modules technology is one of the few technologies available today that can stream up to eight (8) separate wireless audio channels with low latency, removing lip-sync issues between the audio and video sources. In addition, every speaker within a system that utilizes our technology can be synchronized to less than one microsecond, thus eliminating phase distortion between speakers. Our first-generation technology shows that wireless home theater systems are viable home audio solutions for the average consumer and audio enthusiast alike.

Current research and development investments focus on developing Wi-Fi compatible software for transmitting multichannel wireless audio for which patent applications have been submitted. A software solution enables smart devices that have Wi-Fi and video media to deliver surround sound audio and allows us to port our wireless audio technology to popular Wi-Fi based modules and systems on a chip (“SOC”) already shipping in volume. The Company’s “Discovery” module announced in January 2021 is the first IoT module solution with our embedded wireless audio software that supports up to four separate wireless audio channels and, we believe, reduces the cost per wireless channel by over 50% for soundbars and entry level home theater applications up to a 3.1 configuration. Our goal is to continue to commercialize and improve performance of a software based-solution, which other brands can integrate into their devices, that will (i) reduce integration costs for mass market use, (ii) utilize Wi-Fi for wireless connectivity, making it easy to integrate into today’s high volume, low cost SOC and modules, (iii) provide a low power consumption option to allow for use in battery powered devices, and (iv) provide compatibility with popular consumer electronic operating systems.

To date, our operations have been funded through sales of our common and preferred equity, proceeds from the exercise of warrants to purchase common stock, sale of debt instruments, and revenue from the sale of our products. Our condensed consolidated financial statements contemplate the continuation of our business as a going concern. However, we are subject to the risks and uncertainties associated with an emerging business, as noted above we have no established source of capital, and we have incurred recurring losses from operations since inception.

Potential Impacts of the Novel Coronavirus (“COVID-19”) on Our Business and Operations

The COVID-19 pandemic represents a fluid situation that presents a wide range of potential impacts of varying durations for different global geographies, including locations where we have offices, employees, customers, vendors and other suppliers and business partners.

Like most US-based businesses, the COVID-19 pandemic and efforts to mitigate the same began to impact on our business in March 2020. By that time, much of our first fiscal quarter of 2020 was completed. During our second fiscal quarter of 2020, we observed decreased demand from certain of our customers due to the temporary closure by many retailers. Our third and fourth fiscal quarters of 2020 and our fiscal year 2021 saw sustained improved customer demand as retailers slowly reopened and demand for an in-home immersive cinema experience increased, following the initial closure of many public cinemas due to COVID-19. However, another closure by retailers could impact customer demand in the future.

Given the fact that our products are sold through a variety of distribution channels, we have experienced and we continue to expect that our sales will experience some volatility as a result of the changing and less predictable operational needs of many customers as a result of the COVID 19 pandemic. We are aware that many companies, including many of our suppliers and customers, are reporting or predicting negative impacts from COVID 19 on future operating results. To date, we have experienced shipment delays from our suppliers due to COVID 19, which have not had a material adverse impact on our operating results for the quarter ended March 31, 2022. Although we have not experienced a material supply interruption, our customers have experienced, and may continue to experience, disruptions in their operations and supply chains as a result of COVID-19, which have resulted, and may in the future result, in delayed, reduced or canceled orders, or collection risks, and which have had, and may in the future have, an adverse effect on our results of operations. There can be no assurance that we will not experience material supply delays or interruptions in the future due to COVID 19.

[Table of Contents](#)

To date, travel restrictions and border closures have not materially impacted our ability to obtain inventory or manufacture or deliver products or services to customers. However, if such restrictions become more severe, they could negatively impact those activities in a way that would harm our business over the long term. Travel restrictions impacting people can restrain our ability to assist our customers and distributors as well as impact our ability to develop new distribution channels, but at present we do not expect these restrictions on personal travel to be material to our business operations or financial results.

Comparison of the Three Months Ended March 31, 2022 and 2021

Revenue

Revenue for the three months ended March 31, 2022 was \$566,000, a decrease of \$587,000, or 51%, compared to the revenue for three months ended March 31, 2021 of \$1,153,000. The decrease was a result of lower Component revenue which decreased by \$689,000, compared to the three months ended March 31, 2021, partially offset by higher Consumer Audio Product sales which increased by \$102,000, compared to the three months ended March 31, 2021. This was also due in part to the supply chain interruptions experienced by our customers as a result of COVID-19, with their delaying orders to us until other components for their products could be obtained.

Gross Profit and Operating Expenses

Gross Profit

Gross profit for the three months ended March 31, 2022 was \$62,000, a decrease of \$233,000 compared to \$295,000 gross profit for the three months ended March 31, 2021. The decrease in gross profit is mainly attributable to lower volumes of Component sales offset partially by the increase in sales of the Consumer Audio Products. The gross margin as a percent of sales was 11.0% for the three months ended March 31, 2022 compared to 25.6% for the three months ended March 31, 2021. The decrease in gross margin as a percent of sales is mainly attributable to reduced sales volumes in comparison to the fixed portion of costs included in our manufacturing.

Research and Development

Research and development expenses for the three months ended March 31, 2022 were \$1,537,000, an increase of \$364,000, compared to the research and development expenses for the three months ended March 31, 2021 of \$1,173,000. The increase in research and development expenses is primarily related to increased salary and benefit expenses, consulting expenses, stock based compensation expenses and recruiting expenses of \$206,000, \$73,000, \$28,000 and \$40,000, respectively.

Sales and Marketing

Sales and marketing expenses for the three months ended March 31, 2022 were \$1,300,000, an increase of \$426,000, compared to the sales and marketing expenses for the three months ended March 31, 2021 of \$874,000. The increase in sales and marketing expenses is primarily related increased salary and benefit expenses, stock-based compensation expenses, consulting expenses, website development expenses and advertising expenses of \$132,000, \$92,000, \$81,000, \$18,000 and \$39,000, respectively.

General and Administrative

General and administrative expenses for the three months ended March 31, 2022 were \$1,126,000, an increase of \$158,000, compared to the general and administrative expenses for the three months ended March 31, 2021 of \$968,000. The increase in general and administrative expenses is primarily related to increased stock-based compensation expenses, business travel and board fees of \$94,000, \$22,000 and \$38,000, respectively, offset partially by decreased investor relations expenses of \$57,000.

Interest Expense

Interest expense for the three months ended March 31, 2022 was \$1,000, a decrease of \$2,000 compared to the interest expense for the three months ended March 31, 2021 of \$3,000.

Change in Fair Value of Warrant Liability

There was no change in the fair value of the warrant liability for the three months ended March 31, 2022 and 2021.

Deemed Dividend on Exchange of Convertible Preferred Stock for Common Stock

No deemed dividend occurred during the three months ended March 31, 2022.

Warrant Inducement Expense

No warrant inducement occurred during the three months ended March 31, 2022, compared to \$567,000 in the three months ended March 31, 2021.

Liquidity and Capital Resources

Cash and cash equivalents as of March 31, 2022 were \$9,061,000, compared to \$13,108,000 as of December 31, 2021.

We incurred a net loss of \$3,904,000 for the three months ended March 31, 2022 and used net cash in operating activities of \$4,034,000. We incurred a net loss of \$3,292,000 for the three months ended March 31, 2021 and used net cash in operating activities of \$2,771,000. Excluding non-cash adjustments, the primary reasons for the increase in the use of net cash from operating activities during the three months ended March 31, 2022, was related to the increase in inventories, partially offset by an increase in accounts payable.

We have financed our operations to date primarily through the issuance of equity securities, proceeds from the exercise of warrants to purchase common stock and sale of debt instruments. In July 2021, we raised approximately \$9,026,000 in net proceeds in a registered direct offering from the issuance and sale of 2,500,000 shares of common stock at a price of \$4.00 per share. For the year ended December 31, 2021, we raised net proceeds of approximately \$8,303,000 from exercises of warrants which were acquired by investors in conjunction with such financings completed during fiscal 2020. As of March 31, 2022, warrants exercisable for approximately 1,647,165 shares of common stock, remain outstanding, with exercise prices ranging from \$1.52 to \$2.61 per share. In December 2021, the Company entered into an “at-the-market” sales agreement with Maxim Group LLC (the “Agent”), pursuant to which the Company may sell from time to time, shares of its common stock having an aggregate offering price of up to \$4.5 million through the Agent. As of March 31, 2022, the Company has not sold any shares of common stock under the ATM Program. We believe that our current level of liquid assets will be sufficient to fund our operations through the balance of fiscal 2022.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

As a smaller reporting company, as defined in Rule 12b-2 of the Exchange Act, we are not required to provide the information required by this Item.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that material information required to be disclosed in our periodic reports filed under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms and to ensure that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer as appropriate, to allow timely decisions regarding required disclosure. Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of our disclosure controls and procedures. Based on the foregoing evaluation, our management concluded that, as of March 31, 2022, our disclosure controls and procedures was effective to provide reasonable assurance that the information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Our management, including our Chief Executive Officer (Principal Executive Officer) and Chief Financial Officer (Principal Financial Officer), does not expect that our disclosure controls and procedures will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our Company have been detected. These inherent limitations include, but are not limited to, the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Changes in Internal Controls

There were no changes in the Company's internal control over financial reporting that occurred during the three months ended March 31, 2022 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

From time to time we may be involved in various claims and legal actions arising in the ordinary course of our business. There is no action, suit, proceeding, inquiry or investigation before or by any court, public board, government agency, self-regulatory organization or body pending or, to the knowledge of the executive officers of our company or any of our subsidiaries, threatened against or affecting our company, or any of our subsidiaries in which an adverse decision could have a material adverse effect upon our business, operating results, or financial condition.

Item 1A. Risk Factors

Our business, financial condition and operating results are subject to a number of risk factors, both those that are known to us and identified below and others that may arise from time to time. These risks and uncertainties are not the only ones we face and additional risks and uncertainties not presently known to us or that we currently consider immaterial may also impair our business operations. These risk factors could cause our actual results to differ materially from those suggested by forward-looking statements in this Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2022 (this "Report") and elsewhere, and may adversely affect our business, financial condition or operating results. If any of these risk factors should occur, moreover, the trading price of our common stock could decline, and investors in our common stock could lose all or part of their investment. These risk factors, along with other information contained in this Report, should be carefully considered in evaluating our prospects.

We depend upon the timely delivery of products from our vendors and purchases from our partners and customers.

We depend on manufacturers and component customers to deliver and purchase hardware and consumer electronics in quantities sufficient to meet customer demand. In addition, we depend on these manufacturers and customers to introduce new and innovative products and components to drive industry sales. During the first quarter of 2022, we have experienced sales declines indirectly through disruption in the supply chain for several of our industry partners or customers whose own supply chains have been disrupted based on a variety of macroeconomic events that may or may not be related to the COVID-19 pandemic, which have resulted in delays throughout the consumer electronics industry. Any material delay in the introduction or delivery, or limited allocations of products or offerings could result in reduced sales by us, which could have a material adverse impact on our financial results. Any reduction in allocation of components or new hardware platforms or other technological advances by vendors or our customers (in which our technology is part of their hardware offering) to third parties such as big box retailers, could also have a material adverse impact on our financial results.

Disruptions and delays in our supply chains as a result of the COVID-19 pandemic could adversely impact manufacturers' and other customers' ability to meet customer demand. Additionally, the prioritization of shipments of certain products as a result of the COVID-19 pandemic could cause delays in the shipment or delivery of our products. Such disruptions could also result in reduced sales by us, which could materially and adversely impact on our financial results.

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

[Table of Contents](#)

Item 6. Exhibits

Exhibit Number	Description
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	Interactive Data Files (embedded within the Inline XBRL document)
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

In accordance with SEC Release 33-8238, Exhibits 32.1 and 32.2 are being furnished and not filed.

SIGNATURES

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

WISA Technologies, Inc.

Date: May 11, 2022

By: /s/ Brett Moyer
Brett Moyer
Chief Executive Officer
(Duly Authorized Officer and Principal Executive Officer)

Date: May 11, 2022

By: /s/ George Oliva
George Oliva
Principal Financial Officer
(Duly Authorized Officer and Principal Financial Officer)

**CERTIFICATION
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, Brett Moyer, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Summit Wireless Technologies, Inc. (the “registrant”):
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13-a13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures; and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: May 11, 2022

/s/ Brett Moyer

Name: Brett Moyer
Title: Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, George Oliva, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Summit Wireless Technologies, Inc. (the “registrant”):
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13-a13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures; and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: May 11, 2022

/s/ George Oliva

Name: George Oliva
Title: Chief Financial Officer
(Principal Financial Officer)

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

In connection with the Quarterly Report on Form 10-Q of Summit Wireless Technologies, Inc. (the "Company") for the period ended March 31, 2022 (the "Report"), I, Brett Moyer, Chief Executive Officer of the Company, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 11, 2022

/s/ Brett Moyer

Name: Brett Moyer

Title: Chief Executive Officer
(Principal Executive Officer)

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

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

In connection with the Quarterly Report on Form 10-Q of Summit Wireless Technologies, Inc. (the "Company") for the period ended March 31, 2022 (the "Report"), I, George Oliva, Chief Financial Officer of the Company, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 11, 2022

/s/ George Oliva

Name: George Oliva
Title: Chief Financial Officer
(Principal Financial Officer)

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.
