
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 September 30, 2023

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

30-1135279

(State or other jurisdiction of incorporation or organization)

(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:

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

Indicate by check mark whether the registrant (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 November 10, 2023 is 17,742,705.

WISA TECHNOLOGIES, INC.
QUARTERLY REPORT ON FORM 10-Q
For the quarter ended September 30, 2023

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PART I: FINANCIAL INFORMATION

Item 1. Financial Statements

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

	<u>September 30, 2023</u>	<u>December 31, 2022</u>
	(unaudited)	(1)
Assets		
Current Assets:		
Cash and cash equivalents	\$ 212	\$ 2,897
Accounts receivable	433	273
Inventories	3,169	7,070
Prepaid expenses and other current assets	942	890
Total current assets	<u>4,756</u>	<u>11,130</u>
Property and equipment, net	109	174
Other assets	668	148
Total assets	<u>\$ 5,533</u>	<u>\$ 11,452</u>
Liabilities, Convertible Preferred Stock and Stockholders' Equity/(Deficit)		
Current Liabilities:		
Accounts payable	\$ 1,958	\$ 2,042
Accrued liabilities	1,205	1,632
Short-term loan	629	-
Total current liabilities	<u>3,792</u>	<u>3,674</u>
Convertible note payable	—	457
Warrant liabilities	221	8,945
Derivative liability	—	333
Other liabilities	635	39
Total liabilities	<u>4,648</u>	<u>13,448</u>
Commitments and contingencies (Note 8)		
Stockholders' Equity/(Deficit):		
Common stock, par value \$0.0001; 200,000,000 shares authorized; 6,579,957 and 712,564 shares issued and outstanding as of September 30, 2023 and December 31, 2022, respectively	7	7
Additional paid-in capital	241,557	226,318
Accumulated deficit	(240,679)	(228,321)
Total stockholders' equity/(deficit)	<u>885</u>	<u>(1,996)</u>
Total liabilities and stockholders' equity (deficit)	<u>\$ 5,533</u>	<u>\$ 11,452</u>

(1) The condensed consolidated balance sheet as of December 31, 2022 was derived from the audited consolidated balance sheet as of that date.

Note: Share and per share amounts have been retroactively adjusted to reflect the impact of a 1-for-100 reverse stock split effected in January 2023, as discussed in Note 1.

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

WISA TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
For the three and nine months ended September 30, 2023 and 2022
(in thousands, except share and per share data)
(unaudited)

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Revenue, net	\$ 769	\$ 937	\$ 1,663	\$ 2,449
Cost of revenue	2,438	807	4,786	2,069
Gross profit (deficit)	<u>(1,669)</u>	<u>130</u>	<u>(3,123)</u>	<u>380</u>
Operating Expenses:				
Research and development	1,838	1,939	5,664	5,359
Sales and marketing	1,404	1,539	3,787	4,165
General and administrative	1,428	1,400	4,260	3,608
Total operating expenses	<u>4,670</u>	<u>4,878</u>	<u>13,711</u>	<u>13,132</u>
Loss from operations	<u>(6,339)</u>	<u>(4,748)</u>	<u>(16,834)</u>	<u>(12,752)</u>
Interest expense, net	(52)	(173)	(812)	(174)
Change in fair value of warrant liabilities	284	274	6,134	274
Loss on debt extinguishment	—	—	(837)	—
Other expense, net	(4)	(2)	(7)	(7)
Loss before provision for income taxes	<u>(6,111)</u>	<u>(4,649)</u>	<u>(12,356)</u>	<u>(12,659)</u>
Provision for income taxes	—	—	2	2
Net loss	<u>\$ (6,111)</u>	<u>\$ (4,649)</u>	<u>\$ (12,358)</u>	<u>\$ (12,661)</u>
Net loss - basic and diluted	<u>\$ (0.97)</u>	<u>\$ (30.85)</u>	<u>\$ (2.96)</u>	<u>\$ (84.55)</u>
Weighted average number of common shares used in computing net loss	<u>6,322,464</u>	<u>150,705</u>	<u>4,179,089</u>	<u>149,751</u>

Note: Share and per share amounts have been retroactively adjusted to reflect the impact of a 1-for-100 reverse stock split effected in January 2023, as discussed in Note 1.

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

WISA TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
For the three and nine months ended September 30, 2023 and 2022
(in thousands, except share and per share data)
(unaudited)

	Common Shares		Additional Paid-in Capital	Accumulated Deficit	Stockholders' Equity (Deficit)
	Shares	Amount			
Balance as of December 31, 2022	712,564	\$ 7	\$ 226,318	\$ (228,321)	\$ (1,996)
Stock-based compensation	—	—	499	—	499
Restricted stock awards cancelled	(43)	—	—	—	—
Issuance of common stock in connection with convertible promissory note	67,500	—	708	—	708
Issuance of common stock in connection with warrant exercise	858,353	—	8,202	—	8,202
Issuance of common stock and warrants, net of offering costs	1,420,513	—	1,271	—	1,271
Net loss	—	—	—	(921)	(921)
Balance as of March 31, 2023	3,058,887	7	236,998	(229,242)	7,763
Stock-based compensation	—	—	481	—	481
Release of vested restricted common stock	71	—	—	—	—
Restricted stock awards cancelled	(96)	—	—	—	—
Issuance of common stock and warrants, net of offering costs	755,922	—	1,048	—	1,048
Issuance of common stock in connection with warrant exercise	1,486,132	—	1,895	—	1,895
Net loss	—	—	—	(5,326)	(5,326)
Balance as of June 30, 2023	5,300,916	7	240,422	(234,568)	5,861
Stock-based compensation	769,041	—	518	—	518
Issuance of common stock in connection with warrant exercise	510,000	—	617	—	617
Net loss	—	—	—	(6,111)	(6,111)
Balance as of September 30, 2023	6,579,957	7	241,557	(240,679)	885

	Common Shares		Additional Paid-in Capital	Accumulated Deficit	Stockholders' Equity (Deficit)
	Shares	Amount			
Balance as of December 31, 2021	158,191	\$ 2	\$ 228,578	\$ (212,203)	\$ 16,377
ASC842 adoption adjustment	—	—	—	33	33
Stock-based compensation	10,674	—	480	—	480
Release of vested restricted common stock	57	—	—	—	—
Restricted stock awards cancelled	(87)	—	—	—	—
Net loss	—	—	—	(3,904)	(3,904)
Balance as of March 31, 2022	168,835	2	229,058	(216,074)	12,986
Stock-based compensation	300	—	506	—	506
Release of vested restricted common stock	12	—	—	—	—
Restricted stock awards cancelled	(148)	—	—	—	—
Net loss	—	—	—	(4,108)	(4,108)
Balance as of June 30, 2022	168,999	2	229,564	(220,182)	9,384
Stock-based compensation	1,775	—	526	—	526
Release of vested restricted common stock	599	—	—	—	—
Restricted stock awards cancelled	(179)	—	—	—	—
Issuance of warrants in connection with convertible promissory note	—	—	91	—	91
Net loss	—	—	—	(4,649)	(4,649)
Balance as of September 30, 2022	171,194	2	230,181	(224,831)	5,352

Note: Share amounts have been retroactively adjusted to reflect the impact of a 1-for-100 reverse stock split effected in January 2023, as discussed in Note 1.

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

WISA TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the nine months ended September 30, 2023 and 2022
(in thousands)
(unaudited)

	Nine Months Ended September 30,	
	2023	2022
Cash flows from operating activities:		
Net loss	\$ (12,358)	\$ (12,661)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation	1,498	1,512
Depreciation and amortization	82	91
Amortization of debt discounts	779	156
Change in fair value of warrant liabilities	(6,134)	(274)
Loss on extinguishment of convertible note payable	837	—
Changes in operating assets and liabilities:		
Accounts receivable	(160)	(23)
Inventories	3,901	(2,504)
Prepaid expenses and other assets	(149)	53
Other assets	67	79
Accounts payable	(84)	1,074
Accrued liabilities	(319)	(288)
Other liabilities	(61)	(111)
Net cash used in operating activities	<u>(12,101)</u>	<u>(12,896)</u>
Cash flows from investing activities:		
Purchases of property and equipment	(50)	(36)
Net cash used in investing activities	<u>(50)</u>	<u>(36)</u>
Cash flows from financing activities:		
Repayment of convertible note payable, net of issuance costs	(1,657)	2,483
Repayment of finance lease	(15)	(15)
Proceeds from issuance of common stock and prefunded warrants, net of issuance costs	7,995	—
Proceeds from exercise of warrants	2,545	—
Proceeds from issuance of short-term loan, net of issuance costs	598	—
Net cash provided by financing activities	<u>9,466</u>	<u>2,468</u>
Net decrease in cash and cash equivalents	(2,685)	(10,464)
Cash and cash equivalents as of beginning of period	2,897	13,108
Cash and cash equivalents as of end of period	<u>\$ 212</u>	<u>\$ 2,644</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 24	\$ 17
Cash paid for income taxes	\$ 2	\$ 2
Noncash Investing and Financing Activities:		
Cashless exercise of warrants	\$ 8,191	\$ —
Issuance of warrants in connection with February 2023 offering	\$ 5,601	\$ —
Issuance of common stock in connection with convertible promissory note	\$ 708	\$ —
Record Right-of-Use Assets obtained in exchange for modified operating lease liabilities	\$ 554	\$ —
Deferred offering costs reclassified from prepaid expenses	\$ 97	\$ —
Accrual of legal fees for the short-term loan	\$ 10	\$ —
Issuance of warrants in connection with convertible notes payable	\$ —	\$ 1,076
Derivative liability recorded in connection with issuance of convertible notes payable	\$ —	\$ 286

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

WISA TECHNOLOGIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Nine Months Ended September 30, 2023 and 2022
(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.

NASDAQ Notification

On June 23, 2022, the Company received a written notification (the “Notice”) from the Listing Qualifications Department of the Nasdaq Stock Market LLC (“Nasdaq”) notifying the Company that it was not in compliance with the minimum bid price requirement for continued listing on the Nasdaq Capital Market, as set forth under Nasdaq Listing Rule 5550(a)(2) (the “Minimum Bid Price Requirement”), because the closing bid price of the Company’s common stock was below \$1.00 per share for the previous thirty (30) consecutive business days. Pursuant to Nasdaq Listing Rule 5810(c)(3)(A), the Company was granted 180 calendar days from the date of the Notice, or until December 20, 2022, to regain compliance with the Minimum Bid Price Requirement. On December 21, 2022, Nasdaq granted the Company an additional 180-day period, or until June 20, 2023, to regain compliance with the Minimum Bid Price Requirement.

On January 18, 2023, the Company received notice (the “January 18 Letter”) that Nasdaq had determined that as of January 18, 2023, the Company’s securities had a closing bid price of \$0.10 or less for ten consecutive trading days triggering application of Listing Rule 5810(c)(3)(A)(iii) which states in part: if during any compliance period specified in Rule 5810(c)(3)(A), a company’s security has a closing bid price of \$0.10 or less for ten consecutive trading days, the Listing Qualifications Department shall issue a Staff Delisting Determination under Rule 5810 with respect to that security (the “Low Priced Stocks Rule”). As a result, the Staff determined to delist the Company’s securities from Nasdaq, unless the Company timely requests an appeal of the Staff’s determination to a Hearings Panel (the “Panel”), pursuant to the procedures set forth in the Nasdaq Listing Rule 5800 Series.

On February 13, 2023, the Company received notice (the “February 13 Letter”) from Nasdaq that it had determined that the Company had cured its bid price deficiency and now complies with the Minimum Bid Price Requirement, as the closing bid price of the Company’s common stock was at least \$1.00 per share for at least a minimum of 10 consecutive business days.

On March 20, 2023, the Staff orally notified us that we were not in compliance with Nasdaq Listing Rule 5550(b)(1), which requires companies listed on Nasdaq to maintain a minimum of \$2,500,000 in stockholders’ equity for continued listing (the “Stockholders’ Equity Requirement”). We reported stockholders’ equity (deficit) of (\$1,996,000) in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022, and, as a result, did not satisfy the Stockholders’ Equity Requirement of \$2,500,000 pursuant to Listing Rule 5550(b)(1). As of March 31, 2023, we had stockholders’ equity of \$7,763,000 and, accordingly, we believe that we had regained compliance with the Stockholders’ Equity Requirement.

On October 5, 2023, we received a written notification from Nasdaq notifying the Company that it was not in compliance with the Minimum Bid Price Requirement, because the closing bid price of the Company’s common stock was below \$1.00 per share for the previous thirty (30) consecutive business days. The notification has no immediate effect on the listing of the Common Stock, which will continue to trade uninterrupted on the Nasdaq Capital Market under the ticker “WISA.” Pursuant to Nasdaq Listing Rule 5810(c)(3)(A), the Company has been granted 180 calendar days from the date of the Notice, or until April 2, 2024 (the “Compliance Period”), to regain compliance with the Minimum Bid Price Requirement. If at any time during the Compliance Period, the bid price of the Common Stock closes at or above \$1.00 per share for a minimum of ten (10) consecutive business days, Nasdaq will provide the Company with written confirmation of compliance with the Minimum Bid Price Requirement and the matter will be closed.

WISA TECHNOLOGIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Nine Months Ended September 30, 2023 and 2022
(unaudited)

1. Business and Summary of Significant Accounting Policies, continued

Reverse Stock Split

On January 24, 2023, the Company held a special meeting of its stockholders, at which its stockholders approved an amendment to the Company's certificate of incorporation, as amended, to effect a reverse stock split of all of the outstanding shares of common stock at a specific ratio within a range from one-for-five to one-for-one hundred, and to grant authorization to the board of directors to determine, in its sole discretion, the specific ratio and timing of the reverse stock split. On January 24, 2023, the board approved a 1-for-100 reverse stock split (the "Reverse Stock Split") of our outstanding shares of common stock and authorized the filing of a certificate of amendment to our certificate of incorporation, as amended, with the Secretary of State of the State of Delaware (the "Certificate of Amendment") to affect the Reverse Stock Split. On January 26, 2023, the Reverse Stock Split was effected and the condensed consolidated financial statements have been retroactively adjusted. All common stock share numbers, warrants to purchase common stock, prices and exercise prices have been retroactively adjusted to reflect the Reverse Stock Split. The common stock began trading on a split-adjusted basis at the start of trading on January 27, 2023. Unless otherwise indicated, the information presented in this Quarterly Report on Form 10-Q for the three and nine months ended September 30, 2023 (the "Report") gives effect to the Reverse Stock Split.

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 (the "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, 2022 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.

WISA TECHNOLOGIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Nine Months Ended September 30, 2023 and 2022
(unaudited)

1. Business and Summary of Significant Accounting Policies, continued

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 September 30, 2023 and December 31, 2022, there was no allowance for doubtful accounts. As of September 30, 2023, the Company had two customers accounting for 78% and 11% of accounts receivable. As of December 31, 2022, the Company had two customers accounting for 62% and 12% of accounts receivable.

The Company had three customers accounting for 40%, 28% and 21% of its net revenue for the three months ended September 30, 2023. The Company had four customers accounting for 22%, 17%, 16% and 15% of its net revenue for the nine months ended September 30, 2023. The Company had three customers accounting for 42%, 16%, and 12% of its net revenue for the three months ended September 30, 2022. The Company had three customers accounting for 20%, 18%, and 16% of its net revenue for the nine months ended September 30, 2022.

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.

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 September 30, 2023 and December 31, 2022, the Company had capitalized \$210,000 and \$206,000, respectively, of deferred offering costs in prepaid expenses and other current assets on the condensed consolidated balance sheet.

WISA TECHNOLOGIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Nine Months Ended September 30, 2023 and 2022
(unaudited)

1. Business and Summary of Significant Accounting Policies, continued

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.

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. For the three and nine month periods ended September 30, 2023 and 2022, there were no deemed dividends.

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.

WISA TECHNOLOGIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Nine Months Ended September 30, 2023 and 2022
(unaudited)

1. Business and Summary of Significant Accounting Policies, continued

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 and nine months ended September 30, 2023 and 2022, net revenue consisted of the following:

(in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Components	\$ 258	\$ 696	\$ 899	\$ 1,769
Consumer Audio Products	511	241	764	680
Total	<u>\$ 769</u>	<u>\$ 937</u>	<u>\$ 1,663</u>	<u>\$ 2,449</u>

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 September 30, 2023 and December 31, 2022.

	September 30, 2023	December 31, 2022
Contract Liabilities	\$ 12	\$ 44

During the nine months ended September 30, 2023, the Company recognized \$44,000 of revenue that was included in the contract balances as of December 31, 2022.

WISA TECHNOLOGIES, INC.
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1. Business and Summary of Significant Accounting Policies, continued

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 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.

Advertising Costs

Advertising costs are charged to sales and marketing expenses as incurred. Advertising costs for the three and nine months ended September 30, 2023 were \$238,000 and \$511,000, respectively. Advertising costs for the three and nine months ended September 30, 2022 were \$300,000 and \$704,000, 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 and nine months ended September 30, 2023 and 2022, 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 and nine months ended September 30, 2023 and 2022.

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1. Business and Summary of Significant Accounting Policies, continued

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, 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.

As of September 30, 2023, warrants to purchase 5,635,290 shares of common stock, 10,386 shares of restricted stock, 2,667 shares of restricted stock issued under an inducement grant and 5,466 shares underlying restricted stock units have been excluded from the calculation of net loss per common share because the inclusion would be antidilutive.

As of September 30, 2022, warrants to purchase 67,028 shares of common stock, 16,775 shares of restricted stock and 2,906 shares of restricted stock issued under an inducement grant and 7,316 shares underlying 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.

In June 2016, Financial Accounting Standards Board's ("FASB") issued Accounting Standards Update ("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. The Company adopted this standard on January 1, 2023, and the adoption did not have any impact on the condensed consolidated financial statements.

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.

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.

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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 September 30, 2023, the Company had cash and cash equivalents of \$0.2 million and reported net cash used in operations of \$12.1 million during the nine months ended September 30, 2023. 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 attain 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 issuance of equity securities and proceeds from the exercise of warrants to purchase common stock and the sale of debt instruments. 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):

	September 30, 2023	December 31, 2022
Raw materials	\$ 656	\$ 3,043
Work in progress	—	13
Finished goods	2,513	4,014
Total inventories	<u>\$ 3,169</u>	<u>\$ 7,070</u>

Property and equipment, net (in thousands):

	September 30, 2023	December 31, 2022
Machinery and equipment	\$ 741	\$ 691
Leasehold improvements	—	127
Tooling	<u>11</u>	<u>11</u>
	752	829
Less: Accumulated depreciation and amortization	<u>(643)</u>	<u>(655)</u>
Property and equipment, net	<u>\$ 109</u>	<u>\$ 174</u>

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3. Balance Sheet Components, continued

Depreciation and amortization expense for the three months ended September 30, 2023 and 2022 was \$18,000 and \$31,000, respectively. Depreciation and amortization expense for the nine months ended September 30, 2023 and 2022 was \$82,000 and \$91,000, respectively.

The cost and accumulated depreciation of assets acquired under finance lease included in machinery and equipment in the above table as of September 30, 2023 were \$72,000 and \$72,000 respectively.

Accrued liabilities (in thousands):

	September 30, 2023	December 31, 2022
Accrued vacation	\$ 427	\$ 422
Accrued audit fees	168	179
Accrued rebate	107	215
Accrued legal fees	96	43
Customer advance	12	44
Accrued other	395	424
Accrued compensation	—	136
Accrued lease liability, current portion	—	169
Total accrued liabilities	<u>\$ 1,205</u>	<u>\$ 1,632</u>

4. Borrowings

Convertible Promissory Note

On August 15, 2022, the Company entered into a Securities Purchase Agreement (the “August Purchase Agreement”), by and between the Company and an institutional investor (the “Convertible Note Investor”), pursuant to which the Company agreed to issue to the Investor a senior secured convertible note in the principal amount of \$3,600,000 (the “Convertible Note”) and a warrant (the “August Warrant”) to purchase up to 20,970 shares of the Company’s common stock, at an exercise price of \$99.70 per share (the “Exercise Price”), in consideration for \$3,000,000. Pursuant to the August Purchase Agreement, upon the closing of the private placement, pursuant to which Maxim Group LLC (“Maxim”) acted as placement agent (the “Private Placement”), the Company received gross proceeds of \$3,000,000. After the deduction of banker fees, commitment fees and other expenses associated with the transaction, the Company received net proceeds of \$2,483,000. The Company used the net proceeds primarily for working capital and general corporate purposes.

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4. Borrowings, continued

The Convertible Note matures on August 15, 2024, does not bear interest and ranks senior to the Company's existing and future indebtedness and is secured to the extent and as provided in the Security Agreements. The Convertible Note is convertible in whole or in part at the option of the Convertible Note Investor into shares of Common stock (the "Conversion Shares") at the Conversion Price (as defined below) at any time following the date of issuance of the Convertible Note. The Convertible Note defines "Conversion Price" as equal to the lesser of (a) 90% of the average of the five lowest daily VWAPs (as defined in the Convertible Note) during the previous twenty trading days prior to delivery to the Company of the Convertible Note Investor's applicable notice of conversion (the "Conversion Notice") and (b) \$92.60 (the "Base Conversion Price"). The Base Conversion Price is subject to full ratchet antidilution protection, subject to a floor conversion price of \$0.50 per share (the "Floor Price"), a limitation required by the rules and regulations of Nasdaq, and certain exceptions upon any subsequent transaction at a price lower than the Base Conversion Price then in effect and standard adjustments in the event of stock dividends, stock splits, combinations or similar events; provided that in the event the Conversion Price equals the Floor Price, the Company is required to pay the Convertible Note Investor a cash amount determined pursuant to a formula in the Convertible Note, and provided further that the Floor Price will not apply in the event that the Company obtains Stockholder Approval (as defined in the August Purchase Agreement) in accordance with Nasdaq rules. At any time after the closing date of the Private Placement, in the event that the Company issues or sells any shares of common stock or common stock Equivalents (as defined in the Convertible Note), subject to certain exceptions, at an effective price per share lower than the Base Conversion Price then in effect or without consideration, then the Base Conversion Price shall be reduced to the price per share paid for such shares of common stock or common stock Equivalents. Additionally, upon three days' written notice to the holder after receipt of a Conversion Notice, in lieu of delivering Conversion Shares, the Company has the right to pay the Convertible Note Investor in cash an amount equal to 105% of the portion of the outstanding principal amount stated in such Conversion Notice. Further, at the Convertible Note Investor's option, the Convertible Note is convertible into shares of common stock or redeemable for 103% of the portion of the outstanding principal amount to be converted in the event that any transaction causes the Conversion Price to be lower than the Floor Price. Subject to certain exceptions, commencing on the Conversion Trigger Date and for a nine-month period after such date, the Convertible Note Investor may convert only up to an aggregate of \$250,000 in outstanding principal amount during any calendar month, provided, that if Stockholder Approval has been obtained, the Convertible Note is in default at the time or the Company meets certain capitalization conditions, such conversion limitation would not apply.

The obligations and performance of the Company under the Convertible Note and the August Purchase Agreement are secured by a senior lien granted pursuant to security agreements between the Convertible Note Investor and the Company, on (a) all of the assets of the Company; (b) a senior lien granted pursuant to trademark security agreements between the Convertible Note Investor and the Company; (c) a senior lien granted pursuant to a patent security agreement between the Convertible Note Investor and the Company on all of the patent assets of the Company; and (d) a pledge of certain securities pursuant to a pledge agreement between the Convertible Note Investor, the Company (such agreements listed in (a)-(d) above, collectively, the "Security Agreements"). The payment and performance obligations of the Company under the Convertible Note and the August Purchase Agreement are guaranteed pursuant to a guaranty by the Company in favor of the Convertible Note Investor.

In connection with the Private Placement, the Company issued warrants to the Convertible Note Investor and Maxim to purchase common shares of 20,970 and 1,944, respectively (see Note 5 – Fair Value Measurements). The sum of the fair value of the warrants, the original issue discount for interest, issuance costs and the derivative liability for the embedded conversion feature for the Convertible Note were recorded as debt discounts totaling \$2,509,000 to be amortized to interest expense over the respective term using the effective interest method. During the three and nine months ended September 30, 2023, the Company recognized \$0 and \$738,000, respectively, of interest expense from the amortization of debt discounts related to the Convertible Note.

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4. Borrowings, continued

In connection with the Private Placement, the Company entered into a placement agency agreement with Maxim (the “Placement Agency Agreement”), and agreed to issue to Maxim, a warrant to purchase up to an aggregate of 1,944 shares of Common Stock (the “Maxim Warrant”) at an exercise price of \$99.70 per share, which is exercisable at any time on or after the six-month anniversary of the closing date of the Private Placement and will expire on the fifth (5th) anniversary of its date of issuance.

Effective August 24, 2022, the Company and the Convertible Note Investor agreed to amend Section 3.1(b) of the Convertible Note to provide that the Conversion Price could not be lower than the Floor Price until stockholder approval has been obtained, after which stockholder approval the Floor Price may be reduced to no lower than \$0.25, subject to adjustment pursuant to the terms of the Convertible Note. The changes were effected by cancellation of the Convertible Note and the issuance of a replacement senior secured convertible note (the “New Convertible Note”) to the Convertible Note Investor. The New Convertible Note contains identical terms as the Convertible Note, except for the amendment to the Section 3.1(b).

On November 21, 2022, the Company and Maxim entered into an agreement to amend the Maxim Warrant (the “Maxim Warrant Amendment”). Specifically, the Maxim Warrant Amendment sets forth certain circumstances in which the lock up restrictions to which the Maxim Warrant is subject would not apply. The Maxim Warrant Amendment also clarifies certain limitations with respect to demand registration rights, and provides that Maxim’s piggy-back registration rights expire on the fifth (5th) anniversary of the Maxim Warrant’s date of issuance.

Convertible promissory note (in thousands):

	September 30, 2023	December 31, 2022
Convertible note payable	\$ —	\$ 2,089
Debt discount	—	(1,632)
Net total	<u>\$ —</u>	<u>\$ 457</u>

The New Convertible Note contains several embedded conversion features. The Company concluded that those conversion features require bifurcation from the New Convertible Note and subsequent accounting in the same manner as a freestanding derivative. The Company recognized a derivative liability of \$286,000 upon execution of the note agreement and such amount was included in the \$2,509,000 of debt discounts noted above. Subsequent changes in the fair value of these conversion features are measured at each reporting period and recognized in the consolidated statement of operations. The Company recorded no balance of the derivative liability as of September 30, 2023 after the convertible note payoff in April 2023.

On November 28, 2022, the Company entered into a waiver of rights (the “Waiver”) with the Convertible Note Investor, pursuant to which the Convertible Note Investor agreed to waive certain prohibitions under the August Purchase Agreement with respect to the offering of units in December 2022 in exchange for the issuance by the Company, on the closing date of such offering, of an additional number of Series A warrants to purchase shares of Common Stock (the “Series A Warrants”) and an additional number of Series B warrants to purchase shares of Common Stock (the “Series B Warrants”) equal to the quotient obtained by dividing \$750,000 by the public offering price for the units sold in the offering (such Warrants, the “Waiver Warrants”).

In connection with the public offering the Company consummated on December 1, 2022 (the “December 2022 Offering”), the Company issued 53,572 Series A Warrants and 53,572 Series B Warrants to the Convertible Note Investor (See Note 6). The Company’s obligation to issue shares of common stock underlying the Waiver Warrants is expressly conditioned upon stockholder approval of all of the transactions contemplated by the August Purchase Agreement. At a Special Meeting of Stockholders held on January 24, 2023, the Company received stockholder approval of the transactions contemplated by the August Purchase Agreement.

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4. Borrowings, continued

On February 1, 2023, the holder of the Convertible Note converted approximately \$708,000, a portion of the outstanding principal amount into 67,500 shares of the Company's common stock.

On April 11, 2023, the Company paid \$1,656,744 to the holder of the Convertible Note which repaid the entirety of the outstanding balance and included the unpaid principal, interest through the payoff date, and a pre-payment premium of \$276,000 which was recorded as a component of loss on debt extinguishment.

Short-Term Loan

On September 8, 2023, the Company entered into a Loan and Security Agreement with Meriwether Group Capital Hero Fund LP ("Meriwether"). Pursuant to the Loan and Security Agreement, Meriwether provided the Company with a term loan in the principal amount of \$650,000 that is scheduled to mature on November 7, 2023, subject to further extension ("Meriwether Loan"). In addition, the Company has the right to request additional funding under the Meriwether Loan.

Borrowings under the Meriwether Loan will bear interest at a rate per annum equal to 18%. On the maturity date, subject to any extension, the Company is obligated to make a payment equal to all unpaid principal and accrued interest. Pursuant to the Meriwether Loan, the Company shall pay to Meriwether a fully earned, non-refundable, origination fee in the amount of \$50,000. The Company shall also pay to Meriwether a fully earned, non-refundable, exit fee in the amount of \$50,000 due and payable on the maturity date. The origination fee, the exit fee and the issuance costs associated with the Meriwether Loan were recorded as debt discounts totaling \$113,000 to be amortized to interest expense over the respective term using the effective interest method. During the three and nine months ended September 30, 2023, the Company recognized \$41,000, of interest expense from the amortization of debt discounts related to the Meriwether Loan.

The Meriwether Loan also provides that all present and future indebtedness and the obligations of the Company to Meriwether shall be secured by a first priority security interest in all real and personal property collateral of the Company.

The Meriwether Loan contains customary representations, warranties and affirmative and negative covenants. In addition, the Meriwether Loan contains customary events of default that entitle Meriwether to cause the Company's indebtedness under the Loan and Security Agreement to become immediately due and payable, and to exercise remedies against the Company and the collateral securing the term loan. Under the Meriwether Loan, an event of default will occur if, among other things, the Company fails to make payments under the Meriwether Loan, the Company breaches any of the covenants under the Meriwether Loan, a material adverse change occurs, the Company, or its assets, become subject to certain legal proceedings, such as bankruptcy proceedings. Upon the occurrence and for the duration of an event of default, a default interest rate equal to 24.0% per annum will apply to all obligations owed under the Meriwether Loan.

On October 10, 2023, Meriwether agreed to extend the maturity date of the Meriwether Loan to December 7, 2023. See Note 11 - Subsequent Events.

Short-term loan (in thousands):

	<u>September 30,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>
Short-term loan	\$ 700	\$ —
Debt discount	(71)	—
Net total	<u>\$ 629</u>	<u>\$ —</u>

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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 September 30, 2023 and December 31, 2022 by level within the fair value hierarchy, are as follows:

(in thousands)	September 30, 2023		
	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Liabilities:			
Warrant liabilities	\$ —	\$ —	\$ 221
	\$ —	\$ —	\$ 221
(in thousands)	December 31, 2022		
	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Liabilities:			
Derivative liability	\$ —	\$ —	\$ 333
Warrant liabilities	\$ —	\$ —	\$ 8,945
	\$ —	\$ —	\$ 9,278

There were no transfers between Level 1, 2 or 3 during the three and nine months ended September 30, 2023 or September 30, 2022.

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5. Fair Value Measurements, continued

Derivative Liability

As described previously in Note 4, the conversion provisions embedded in the New Convertible Note require bifurcation and measurement at fair value as a derivative. The fair value was calculated using a Monte Carlo simulation to create a distribution of potential market capitalizations and share prices for the Company on a weekly basis over the assumed period, given the various scenarios. The average value of the New Convertible Note was discounted to the valuation date to determine a calibrated discount rate so that the fair value of the New Convertible Note was \$3 million. The value of the New Convertible Note was compared with the value of a hypothetical note with no conversion rights in order to determine the fair value of the conversion feature. The derivative liability was written off upon the repayment of the New Convertible Note.

<u>(in thousands)</u>	<u>September 30,</u>	
	<u>2023</u>	<u>2022</u>
Beginning balance	\$ 333	\$ —
Additions	—	286
Change in fair value	—	—
Write off in connection with extinguishment of debt	(333)	—
Ending balance	<u>\$ —</u>	<u>\$ 286</u>

Warrant Liabilities

The following table includes a summary of changes in fair value of the Company's warrant liabilities measured at fair value using significant unobservable inputs (Level 3) for the nine months ended September 30, 2023 and 2022. For September 30, 2023, the fair value of such warrants was determined using the Black-Scholes Model based on the following key inputs and assumptions: common stock price of \$0.59; exercise prices of \$1.29 – \$10.49; expected yield of 0.0%; expected volatility of 115.7%; risk-free interest rate of 4.6% and expected life between 3.9 and 4.4 years.

<u>(in thousands)</u>	<u>September 30,</u>	
	<u>2023</u>	<u>2022</u>
Beginning balance	\$ 8,945	\$ 8
Additions	5,601	985
Change in fair value	(6,134)	(274)
Exercise of warrant liabilities	(8,191)	—
Ending balance	<u>\$ 221</u>	<u>\$ 719</u>

The changes in fair value of the warrant liabilities are recorded in change in fair value of warrant liabilities in the condensed consolidated statements of operations.

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6. Stockholders' Equity

Common Stock

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. 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. At a Special Meeting of Stockholders on January 24, 2023, the Stockholders approved certain amendments to the LTIP to: (i) increase the annual share limit of Common Stock that may be issued in any single fiscal year only for the 2023 fiscal year under the LTIP from 8% of the shares of Common Stock outstanding to 15% of the shares of Common Stock outstanding (which amount equates to the maximum amount that may be issued in the aggregate under the LTIP), and (ii) permit immediately quarterly calculations based on the number of shares of Common Stock outstanding as of the first trading day of each fiscal quarter, rather than solely as of the first trading day of the fiscal year.

As of September 30, 2023, up to 207,567 shares of common stock are available for participants under the LTIP. For the three and nine months ended September 30, 2023, 3,585 shares of restricted stock issued under the LTIP were released with an intrinsic value of approximately \$5,000. For the three and nine months ended September 30, 2022, 613 and 2,843 shares of restricted stock, respectively, issued under the LTIP, were released with an intrinsic value of approximately \$37,000 and \$294,000, respectively.

A summary of activity related to restricted stock awards (excluding the deferred shares) for the nine months ended September 30, 2023 is presented below:

<u>Stock Awards</u>	<u>Shares</u>	<u>Weighted-Average Grant Date Fair Value</u>
Non-vested as of January 1, 2023	14,107	\$ 189.45
Granted	769,041	\$ 1.20
Vested	(3,585)	\$ 262.04
Forfeited	(136)	\$ 206.13
Non-vested as of September 30, 2023	<u>779,427</u>	<u>\$ 3.35</u>

As of September 30, 2023, the unamortized compensation costs related to the unvested restricted stock awards was approximately \$1,947,000 which is to be amortized on a straight-line basis over a weighted-average period of approximately 2.0 years.

Inducement Grant

On September 13, 2021, the Company issued 3,100 shares of restricted common stock to Eric Almgren, the Company's Chief Strategist, as an inducement grant ("September 2021 Inducement Grant"). As of September 30, 2023, the unamortized compensation cost related to the unvested September 2021 Inducement Grant was approximately \$249,000 which is being amortized on a straight-line basis over a period of approximately 1.0 years. The Company recorded stock-based compensation of \$191,000, related to this grant for the nine months ended September 30, 2023. As of September 30, 2023, 2,667 shares are unvested. For the nine months ended September 30, 2023, 111 shares of restricted stock were released under the September 2021 Inducement Grant with an intrinsic value of less than \$1,000.

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6. Stockholders' Equity, continued

2020 Stock Incentive Plan

A summary of activity related to restricted stock units under the Company's 2020 Stock Incentive Plan for the nine months ended September 30, 2023 is presented below:

<u>Stock Units</u>	<u>Shares</u>	<u>Weighted-Average Grant Date Fair Value</u>
Non-vested as of January 1, 2023	2,161	\$ 238.33
Granted	—	\$ —
Vested	(71)	\$ 375.49
Forfeited	(74)	\$ 255.09
Non-vested as of September 30, 2023	<u>2,016</u>	<u>\$ 231.14</u>

As of September 30, 2023, the unamortized compensation costs related to the unvested restricted stock units was approximately \$14,000 which is to be amortized on a straight-line basis over a weighted-average period of approximately 0.5 years.

For the three and nine months ended September 30, 2023, 71 shares of restricted stock issued under the 2020 Stock Plan, were released with an intrinsic value of approximately \$92.00. For the three and nine months ended September 30, 2022, 599 and 668 shares of restricted stock issued under the 2020 Stock Plan, were released with an intrinsic value of approximately \$430 and \$500, respectively.

2022 Plan

A summary of activity related to restricted stock units under the Company's Technical Team Retention Plan of 2022 (the "2022 Plan") for the nine months ended September 30, 2023 is presented below:

<u>Stock Units</u>	<u>Shares</u>	<u>Weighted-Average Grant Date Fair Value</u>
Non-vested as of January 1, 2023	3,700	\$ 52.00
Granted	—	\$ —
Vested	—	\$ —
Forfeited	(250)	\$ 52.00
Non-vested as of September 30, 2023	<u>3,450</u>	<u>\$ 52.00</u>

As of September 30, 2023, the unamortized compensation cost related to the unvested restricted stock units was approximately \$130,000 which is to be amortized on a straight-line basis over a weighted-average period of approximately 2.3 years. For the three and nine months ended September 30, 2023 and 2022, no shares of restricted stock issued under the 2022 Plan were released.

February 2023 Offering

On January 31, 2023, the Company entered into a securities purchase agreement with certain institutional investors, pursuant to which the Company agreed to issue and sell to such investors (i) in a registered direct offering, 201,544 shares of common stock and pre-funded warrants (the "February 2023 Pre-Funded Warrants") to purchase up to 381,762 shares of common stock, at an exercise price of \$0.0001 per share of common stock, and (ii) in a concurrent private placement, common stock purchase warrants, exercisable for an aggregate of up to 874,959 shares of common stock, at an exercise price of \$10.49 per share of common stock (the "February 2023 Offering"). In February and March of 2023, all the February 2023 Pre-Funded Warrants were exercised for cash.

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6. Stockholders' Equity, continued

On February 3, 2023, the Company closed the February 2023 Offering, and received net proceeds of approximately \$5.3 million after deducting placement agent fees and other offering expenses payable by the Company.

Also, in connection with the February 2023 Offering, on January 31, 2023, the Company entered into a placement agency agreement with Maxim, pursuant to which Maxim agreed to act as placement agent on a "best efforts" basis in connection with the offering and (ii) the Company agreed to pay Maxim an aggregate fee equal to 8.0% of the gross proceeds raised in the offering.

Also in connection with the offering, the Company entered into an amendment (the "Amendment") to the securities purchase agreement, dated as of November 29, 2022, by and between the Company and certain institutional investors (the "November Purchase Agreement") approved by a certain investor (the "November Investor") who purchased at least 50.1% in interest of the shares of Common Stock and the pre-funded warrants to purchase shares of Common Stock, if any, based on the initial subscription amounts under the November Purchase Agreement, pursuant to Section 5.5 of the November Purchase Agreement. Pursuant to the Amendment, Section 4.11 of the November Purchase Agreement, which prohibits the Company's ability to issue shares of Common Stock or Common Stock Equivalents (as defined in the November Purchase Agreement) or filing any registration statement or amendment or supplement thereto under the Securities Act, until ninety (90) days after the closing date of the transactions contemplated by the November Purchase Agreement, was amended to permit the offering discussed above and the issuance and sale of the securities offered and sold in such offering.

March 2023 Offering

On March 27, 2023, the Company entered into a securities purchase agreement with certain institutional investors, pursuant to which the Company agreed to issue and sell to such investors (i) in a registered direct offering, 837,207 shares of common stock of the Company and (ii) in a concurrent private placement, common stock purchase warrants, exercisable for an aggregate of up to 1,674,414 shares of common stock, at an exercise price of \$1.91 per share (the "March 2023 Offering").

On March 29, 2023, the Company closed the March 2023 Offering and received net proceeds of approximately \$1.6 million, after deducting fees payable to the financial advisor and other offering expenses.

April 2023 Offering

On April 7, 2023, the Company entered into a securities purchase agreement with certain institutional investors, pursuant to which the Company issued and sold to such investors (i) in a registered direct offering, 743,066 shares of common stock of the Company and (ii) in a concurrent private placement, common stock purchase warrants exercisable for an aggregate of up to 1,486,132 shares of Common Stock, at an exercise price of \$1.41 per share of Common Stock (the "April 2023 Offering").

On April 12, 2023, the Company closed the April 2023 Offering and received net proceeds of approximately \$1.0 million, after deducting fees payable to the financial advisor and other offering expenses.

Warrants for Shares of Common Stock

A summary of the warrant activity and related information for the nine months ended September 30, 2023 and 2022 is provided as follows.

In connection with February 2023 Offering, the Company issued Common Stock Purchase Warrants to investors to purchase up to 874,959 shares of the Company's common stock, at an exercise price of \$10.49 per share. The grant date fair value of such warrants was \$5,600,000, which was recorded as a liability with the offset recorded to additional paid-in capital on the condensed consolidated balance sheets. The fair value of such warrants was determined using the Black-Scholes Model based on the following weighted average assumption: common stock price on the date of grant of \$8.90; expected yield of 0.0%; expected volatility of 96%; risk-free interest rate of 3.67% and expected life of 5 years.

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6. Stockholders' Equity, continued

In connection with March 2023 Offering, the Company issued Common Stock Purchase Warrants to investors to purchase up to 1,674,414 shares of the Company's common stock, at an exercise price of \$1.91 per share. The grant date fair value of such warrant was \$2,113,000, which was recorded as equity. The fair value of such warrants was determined using the Black-Scholes Model based on the following weighted average assumption: common stock price on the date of grant of \$1.66; expected yield of 0.0%; expected volatility of 104%; risk-free interest rate of 3.67% and expected life of 5 years.

In connection with April 2023 Offering, the Company issued Common Stock Purchase Warrants to investors to purchase up to 1,486,132 shares of the Company's common stock, at an exercise price of \$1.41 per share. The grant date fair value of such warrant was \$1,596,000, which was recorded as equity. The fair value of such warrants was determined using the Black-Scholes Model based on the following weighted average assumption: common stock price on the date of grant of \$1.32; expected yield of 0%; expected volatility of 115.6%; risk-free interest rate of 3.46% and expected life of 5 years.

During the three months ended September 30, 2023, 510,000 warrants to purchase common stock were exercised for cash, resulting in net proceeds of approximately \$617,000. There were no exercises of warrants to purchase common stock in the three months ended September 30, 2022.

Warrant Inducement - May 2023

On May 15, 2023, the Company entered into warrant exercise inducement offer letters (the "May Inducement Letters") with the holders of common stock purchase warrants exercisable for an aggregate of up to 1,486,132 shares of common stock at an exercise price of \$1.41 per share issued on April 12, 2023 (the "April Warrants"). The April Warrant holders agreed to exercise for cash April Warrants to purchase up to 1,486,132 shares of common stock in exchange for the Company's agreement to issue 2,972,264 new warrants (the "May Inducement Warrants") on substantially the same terms as the April Warrants. The Company received net proceeds of approximately \$1.9 million from the exercise of the April Warrants. Each May Inducement Warrant is exercisable at a price per share of common stock of \$1.33, which was equal to the Minimum Price (as defined by the Nasdaq Listing Rules).

Each May Inducement Warrant is immediately exercisable upon issuance and will expire on the fifth anniversary of its issuance. The exercise price of the May Inducement Warrants is subject to appropriate adjustment in the event of recapitalization events, stock dividends, stock splits, stock combinations, reclassifications, reorganizations or similar events affecting the Company's common stock. The May Inducement Warrants are callable by the Company at a redemption price of \$0.50 per Inducement Warrant, provided that the resale of the shares of common stock underlying the May Inducement Warrants are then registered or may be resold under Rule 144 under the Securities Act.

Warrant Inducement - July 2023

On July 26, 2023, the Company entered into warrant exercise inducement offer letters (the "July Inducement Letters") with holders of the May Inducement Warrants pursuant to which the Company agreed to issue new inducement warrants (the "July Inducement Warrants") to purchase a number of shares of Common Stock equal to 100% of the number of shares of Common Stock received upon exercise of the May Inducement Warrants during the period provided for in the July Inducement Letters, with such July Inducement Warrants to be issued on substantially the same terms as the May Inducement Warrants. The holders exercised 510,000 of the May Inducement Warrants pursuant to certain of the July Inducement Letters, and the Company received net proceeds of approximately \$617,000 from such exercises. In exchange for the exercises of the May Inducement Warrants, the Company issued July Inducement Warrants exercisable for an aggregate of up to 510,000 shares of common stock at an exercise price of \$1.29 per share.

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6. Stockholders' Equity, continued

Each July Inducement Warrant was immediately exercisable upon issuance and will expire on the fifth anniversary of its issuance. The exercise price of the July Inducement Warrants is subject to appropriate adjustment in the event of recapitalization events, stock dividends, stock splits, stock combinations, reclassifications, reorganizations or similar events affecting the Company's common stock. The July Inducement Warrants are callable by the Company at a redemption price of \$0.50 per July Inducement Warrant, provided that the resale of the shares of common stock underlying the July Inducement Warrants are then registered or may be resold under Rule 144 under the Securities Act.

Information regarding warrants for common stock outstanding and exercisable as of September 30, 2023 is as follows:

Exercise Price	Warrants Outstanding as of September 30, 2023	Weighted Average Remaining Life (years)	Warrants Exercisable as of September 30, 2023
\$1.29 - \$1.91	4,716,784	4.6	4,716,784
\$10.49	874,959	4.3	874,959
\$99.70	1,944	3.9	1,944
\$152.00	400	3.2	400
\$200.00 - \$12,500.00	41,203	1.9	41,103
\$5.45 *	5,635,290	4.5	5,635,190

* Weighted average

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

Exercise Price	Warrants Outstanding as of December 31, 2022	Weighted Average Remaining Life (years)	Warrants Exercisable as of December 31, 2022
\$14.00	1,187,145	4.9	1,080,001
\$50.00	20,971	4.6	20,971
\$99.70 - \$261.00	18,434	2.6	16,390
\$300.00 - \$980.00	24,799	2.6	24,799
\$1,580.00 - \$12,500.00	1,766	0.2	1,766
\$31.55 *	1,253,115	4.8	1,143,927

* Weighted Average

Warrants exercisable as of December 31, 2022 exclude warrants to purchase 100 shares of common stock issued to a marketing firm, which vest upon the achievement of certain milestones, warrants to purchase 1,944 shares of common stock issued to Maxim which became exercisable on February 15, 2023, and warrants to purchase 107,144 shares of common stock issued to a Convertible Note Investor that require shareholder approval prior to being exercisable, which was received at a special meeting of our stockholders held on January 24, 2023. Additionally, warrants to purchase 207 shares of common stock which are shown above with a price of \$1,580.00 are pre-funded warrants under which the holder shall pay \$20.00 per share to complete the exercise.

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7. Income Taxes

The Company recorded a provision for income taxes of \$0 and \$2,000 for the three and nine months ended September 30, 2023, respectively, and \$0 and \$2,000 for the three and nine months ended September 30, 2022, respectively.

The Company's effective tax rate was (0.02)% for the nine months ended September 30, 2023 and 2022. The difference between the effective tax rate and the federal statutory tax rate for the nine months ended September 30, 2023 and 2022 primarily relates to the valuation allowance on the Company's deferred tax assets.

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 September 30, 2023 and December 31, 2022, 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 and nine months ended September 30, 2023 and 2022 was calculated on a jurisdiction basis.

8. Commitments and Contingencies

Operating Leases

The Company leases office space under a non-cancellable operating lease that was set to expire in January 2024. In May 2023, the Company signed a lease amendment that extended the lease expiration date to June 30, 2029, and agreed to new monthly rates. The lease amendment was considered a lease modification and the Company adjusted its right-of-use asset and operating lease liabilities accordingly as shown in the table below.

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 September 30, 2023 and December 31, 2022 (in thousands).

	September 30, 2023	December 31, 2022
Assets:		
Operating lease right-of-use assets	\$ 637	\$ 120
Liabilities:		
Operating lease liabilities, current	\$ —	\$ 154
Operating lease liabilities, non-current	\$ 635	\$ 39

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8. Commitments and Contingencies, continued

Operating lease right-of-use assets are included in other assets. Operating lease liabilities, current, are included in accrued liabilities and operating lease liabilities, non-current, are include in other liabilities.

Lease Costs:

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

	<u>Three Months Ended</u> <u>September 30, 2023</u>	<u>Nine Months Ended</u> <u>September 30, 2023</u>
Operating lease cost	\$ 42	\$ 97
Short term lease cost	13	41
Total lease cost	<u>\$ 55</u>	<u>\$ 138</u>

As of September 30, 2023, the maturity of operating lease liabilities was as follows:

<u>(in thousands)</u>	
Payments due in:	
Year ending December 31, 2023 (remaining 3 months)	\$ 21
Year ending December 31, 2024	62
Year ending December 31, 2025	183
Year ending December 31, 2026	189
Year ending December 31, 2027	194
Thereafter	303
Total minimum lease payments	952
Less: Amounts representing interest	(317)
Present value of capital lease obligations	<u>\$ 635</u>

Lease Term and Discount Rate:

	<u>September 30, 2023</u>
Weighted-average remaining lease term (in years)	5.75
Weighted-average discount rate	13.0 %

Other Information:

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

	<u>Three Months Ended</u> <u>September 30, 2023</u>	<u>Nine Months Ended</u> <u>September 30, 2023</u>
Operating cash outflows from operating leases	\$ 43	\$ 129

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8. Commitments and Contingencies, continued

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. The lease expired in August 2023.

Management Team Retention Bonus

On September 1, 2022, the Company adopted its Management Team Retention Bonus Plan (the “Retention Plan”), to incentivize certain management level employees (the “Managers”) to remain intact through and shortly following a potential “Change of Control” (as defined in the Retention Plan). The aggregate Retention Plan bonus amounts for all Managers was \$1,250,000.

The Retention Plan provided that each Manager is eligible to receive a lump sum cash amount under the Retention Plan, on the earlier of the six-month anniversary of the date of a Change of Control or at the time of such Manager’s involuntary termination other than for “Cause” (as defined in the Retention Plan) or termination for “Good Reason” (as defined in the Retention Plan). The Retention Plan expired on June 30, 2023 unused, and no accruals were made.

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.

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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 Aps, a company with focus on service-branding in lifestyle products as well as pro line products based in Denmark and co-founder and director of Inizio Capital, an investment company based in the Cayman Islands.

For the three months ended September 30, 2023 and 2022, Hansong Technology purchased modules from the Company of approximately \$20,000 and \$146,000, respectively, and made payments to the Company of approximately \$0 and \$191,000, respectively. For the three months ended September 30, 2023 and 2022, Hansong Technology sold speaker products to the Company of approximately \$24,000 and \$908,000, respectively, and the Company made payments to Hansong Technology of approximately \$50,000 and \$516,000, respectively.

For the nine months ended September 30, 2023 and 2022, Hansong Technology purchased modules from the Company of approximately \$69,000 and \$337,000, respectively, and made payments to the Company of approximately \$189,000 and \$191,000, respectively. For the nine months ended September 30, 2023 and 2022, Hansong Technology sold speaker products to the Company of approximately \$83,000 and \$1,367,000, respectively, and the Company made payments to Hansong Technology of approximately \$1,103,000 and \$1,306,000, respectively.

At September 30, 2023 and 2022, the Company owed Hansong Technology approximately \$324,000 and \$851,000, respectively. At September 30, 2023 and 2022, Hansong Technology owed the Company approximately \$49,000 and \$146,000, respectively.

As of September 30, 2023 and December 31, 2022, 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. Since March 2004, Mr. Howitt has served as the founder and CEO of Meriwether Group LLC ("MWG"), a strategic consulting firm that works with disruptive consumer brands by integrating their visions, developing growth strategies, scaling their brands, and increasing revenue in order to build enterprise value. MWG, which is also majority-owned by Mr. Howitt, owns a 25% general partner interest in Meriwether Group Capital Hero Fund LP ("Meriwether").

On September 8, 2023, the Company entered into a Loan and Security Agreement with Meriwether. Pursuant to the Loan and Security Agreement, Meriwether provided the Company with a term loan in the principal amount of \$650,000 that is scheduled to mature on November 7, 2023, subject to further extension. See Note 4 Short-Term Loan for additional information.

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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 and nine months ended September 30, 2023 and 2022 was as follows:

(in thousands)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2023	2022	2023	2022
Asia Pacific	\$ 252	\$ 631	\$ 850	\$ 1,357
North America	504	244	769	681
Europe	8	62	39	411
Other	5	—	5	—
Total	<u>\$ 769</u>	<u>\$ 937</u>	<u>\$ 1,663</u>	<u>\$ 2,449</u>

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

11. Subsequent Event**October 2023 Public Offering**

On October 17, 2023, the Company completed a public offering consisting of an aggregate of 87,000 units (each a “Unit” and collectively, the “Units”), with each Unit consisting of (A) one (1) share of the Company’s series B convertible preferred stock, par value \$0.0001 per share (the “Series B Preferred Stock”), and (B) two series B preferred stock purchase warrants (each, a “Preferred Warrant” and collectively, the “Preferred Warrants”), with each Preferred Warrant exercisable for one share of Series B Preferred Stock (the “Preferred Warrant Shares”), at the public offering price of \$55.00 per Unit. The Preferred Warrants are immediately exercisable, each with an exercise price of \$55.00 and expire on October 17, 2025. The offering price of \$55.00 per Unit reflects the issuance of the Series B Preferred Stock with an original issue discount of 45%.

The gross proceeds to the Company from the offering were approximately \$4.8 million, prior to underwriting discounts, commissions, and offering expenses. Subsequent to the pricing of the offering, the Company entered into letter agreements with certain holders of outstanding common stock purchase warrants, pursuant to which the Company agreed to purchase from the holders an aggregate of 1,674,414 warrants with an exercise price of \$1.91, 2,462,264 warrants with an exercise price of \$1.33 and 510,000 warrants with an exercise price of \$1.29 (collectively, the “Existing Warrants”), for \$0.50 per Existing Warrant. The Company used \$2.3 million of the \$4.8 million gross proceeds discussed above to repurchase the Existing Warrants on October 17, 2023, and expects to use the remainder of the proceeds from the offering for working capital and general corporate purposes and to potentially repay outstanding indebtedness.

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11. Subsequent Event, continued

Certificate of Designation of Series B Preferred Stock

On October 16, 2023, the Company filed a Certificate of Designation of Preferences, Rights and Limitations of Series B Convertible Preferred Stock (the "Certificate of Designation") with the Secretary of State of the State of Delaware designating 375,000 shares of the Company's authorized preferred stock as Series B Preferred Stock, with a liquidation preference of \$100.00 per share, and further establishing the powers, preferences and rights of the shares of Series B Preferred Stock and the qualifications, limitations or restrictions thereof. The Series B Preferred Stock does not have voting rights, except as required by Delaware law and other limited circumstances. Dividends on the Series B Preferred Stock shall be paid in-kind ("PIK dividends") in additional shares of Series B Preferred Stock based on the stated value of \$100.00 per share at the dividend rate of 20.0% per annum (the "Dividend Rate"). The PIK dividends will be paid to holders of the Series B Preferred Stock of record at the close of business on the one-year anniversary of the closing of the offering (the "Dividend Record Date"). PIK dividends on each share of Series B Preferred Stock shall be paid three business days after the Dividend Record Date in additional fully paid and nonassessable, registered shares of Series B Preferred Stock in a number equal to the quotient obtained by dividing (A) the product obtained by multiplying (i) the Dividend Rate and (ii) the stated value of \$100.00 per share, by (B) \$55.00, the offering price per Unit.

The Series B Preferred Stock has a term of two (2) years and is convertible at the option of the holder at any time into shares of Common Stock at a conversion price of \$0.4147, which is subject to adjustment. If any shares of Series B Preferred Stock are outstanding at the end of the two (2) year term, then the Company will promptly redeem all of such outstanding shares of Series B Preferred Stock on a pro rata basis among all of the holders of Series B Preferred Stock commencing on October 17, 2025, in cash at a price per share of Series B Preferred Stock equal to the sum of (x) 100% of the stated value plus (y) all accrued and unpaid dividends and (z) all other amounts due in respect of the Series B Preferred Stock. If, on October 17, 2025, the Company is unable to redeem such outstanding Series B Preferred Stock in cash due to prohibitions under Delaware law, then the Company shall, provided there is no prohibition under Delaware law, redeem the Series B Preferred Stock by paying to the holders the unpaid cash redemption payment in duly authorized, validly issued, fully paid and non-assessable shares of Common Stock equal in number to the quotient obtained by dividing such unpaid amount by the closing price of the Common Stock on the Nasdaq Capital Market on October 17, 2025.

Short-Term Loan Extension

On October 10, 2023, Meriwether extended the maturity date of the Meriwether Loan to December 7, 2023 for a fee of \$20,000.

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

Cautionary Notice Regarding Forward Looking Statements

This Quarterly Report on Form 10-Q (this “Report”) 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”). Forward-looking statements discuss matters that are not historical facts. Because they discuss future events or conditions, forward-looking statements may include words such as “anticipate,” “believe,” “estimate,” “intend,” “could,” “should,” “would,” “may,” “seek,” “plan,” “might,” “will,” “expect,” “predict,” “project,” “forecast,” “potential,” “continue,” negatives thereof or similar expressions. These forward-looking statements are found at various places throughout this Report and include information concerning possible or assumed future results of WiSA Technologies, Inc.’s (“WiSA”, the “Company”, “our”, “us” or “we”) operations; business strategies; future cash flows; financing plans; plans and objectives of management; any other statements regarding future operations, future cash needs, business plans and future financial results, and any other statements that are not historical facts.

From time to time, forward-looking statements also are included in our other periodic reports on Form 10-K, 10-Q and 8-K, in our press releases, in our presentations, on our website and in other materials released to the public. Any or all of the forward-looking statements included in this Report and in any other reports or public statements made by us are not guarantees of future performance and may turn out to be inaccurate. These forward-looking statements represent our intentions, plans, expectations, assumptions and beliefs about future events and are subject to risks, uncertainties and other factors, including risks related to market, economic and other conditions; our current liquidity position, the need to obtain additional financing to support ongoing operations, WiSA’s ability to continue as a going concern; WiSA’s ability to maintain the listing of its common stock on Nasdaq, WiSA’s ability to manage costs and execute on its operational and budget plans; and, WiSA’s ability to achieve its financial goals. Many of those factors are outside of our control and could cause actual results to differ materially from the results expressed or implied by those forward-looking statements. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements might not occur or might occur to a different extent or at a different time than we have described. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this Report. All subsequent written and oral forward-looking statements concerning other matters addressed in this Report and attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this Report.

Except to the extent required by law, we undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, a change in events, conditions, circumstances or assumptions underlying such statements, or otherwise.

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 IP software onto commercially available internet of things (or IoT), modules with integrated Wi-Fi technology.

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 (or 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 IP 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

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chip (or SOC), that is currently in production. The Company's "Discovery" module first announced in January 2021 is the first IoT module solution with our embedded wireless audio software that specifically targets the high growth Dolby ATMOS soundbar market with a low-cost transceiver. The Discovery module is capable of supporting ATMOS configurations up to 5.1.4, requiring five separate wireless audio channels. 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, 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.

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.

Strategic Advisor

On October 31, 2022, we announced that we are moving forward in our exploration of strategic alternatives to consider a wide range of options. To explore strategic opportunities specifically involved in our IP and licensable software used in WiSA E and WiSA DS technologies, our board of directors approved the engagement of AQ Technology Partners during the third quarter of 2022. To date, five companies have executed non-disclosure agreements in consideration of a potential transaction. We, with our advisors, are evaluating a broad range of strategic transactions. Potential strategic transactions that may be explored or evaluated as part of this process include the potential for capital raising transactions, an acquisition, sale of assets, including substantially all of our assets, merger, business combination, partnership, joint venture, licensing and/or another strategic alternative. Despite devoting efforts to identify and evaluate potential strategic transactions, the process may not result in any definitive offer to consummate a strategic transaction, or, if we receive such a definitive offer, the terms may not be as favorable as anticipated or may not result in the execution or approval of a definitive agreement. Even if we enter into a definitive agreement, we may not be successful in completing a transaction or, if we complete such a transaction, it may not enhance stockholder value or deliver expected benefits.

Comhear, Inc. Non-Binding Letter of Intent

On May 15, 2023, we announced that we have signed a non-binding letter of intent to acquire Comhear, Inc. ("Comhear"), a developer of AI-enabled adaptive audio technology. Under the proposed acquisition, we would acquire all shares of Comhear common stock in exchange for newly issued shares of our common stock. The letter of intent for the proposed transaction is non-binding, and the parties intend to enter into one or more definitive agreements with respect thereto. Completion of the transaction is subject to, among other matters, the completion of due diligence, the negotiation of definitive agreements providing for the proposed transaction, and satisfaction of various conditions to be negotiated therein and customary for transactions of the type contemplated, including, but not limited to, receipt of regulatory approvals, the provision of an audit of Comhear's financial statements, and board of director and WiSA shareholder approvals. However, there can be no assurance that the parties will successfully negotiate and enter into definitive agreements regarding the proposed transaction, or that the proposed transaction will be completed as currently contemplated, or at all.

Comparison of the Three and Nine Months Ended September 30, 2023 and 2022

Revenue

Revenue for the three months ended September 30, 2023 was \$769,000, a decrease of \$168,000 or 18%, compared to the revenue for the three months ended September 30, 2022 of \$937,000. The decrease in overall sales is primarily related to a slow-down in consumer spending on consumer electronics which resulted in lower Component revenue of \$437,000 offset partially by higher Consumer Audio Product revenue of \$269,000, when compared to the three months ended September 30, 2022.

Revenue for the nine months ended September 30, 2023 was \$1,663,000, a decrease of \$786,000 or 32%, compared to the revenue for the nine months ended September 30, 2022 of \$2,449,000. The decrease in overall sales is primarily related to a slow-down in consumer

spending on consumer electronics which resulted in lower Component revenue of \$870,000 offset slightly by higher Consumer Audio Product revenue of \$84,000, when compared to the nine months ended September 30, 2022.

Gross Profit and Operating Expenses

Gross Profit (Deficit)

Gross deficit for the three months ended September 30, 2023 was (\$1,669,000) a decrease of \$1,799,000, compared to \$130,000 gross profit for the three months ended September 30, 2022. The gross margin (deficit) as a percent of sales was (217%) for the three months ended September 30, 2023, compared to 14% for the three months ended September 30, 2022. The decrease in gross profit and gross margin as a percent of sales is mainly attributable to a \$1.4 million increase in inventory reserves primarily attributable to our semiconductor chips, lower sales volumes in relation to the fixed portion of costs and lower pricing of our Consumer Audio Products.

Gross deficit for the nine months ended September 30, 2023 was (\$3,123,000), a decrease of \$3,503,000 compared to \$380,000 gross profit for the nine months ended September 30, 2022. The gross margin (deficit) as a percent of sales was (188%) for the nine months ended September 30, 2023, compared to 16% for the nine months ended September 30, 2022. The decrease in gross profit and gross margin as a percent of sales is mainly attributable to a \$2.8 million increase in inventory reserves primarily attributable to our semiconductor chips, lower sales volumes in relation to the fixed portion of costs and lower pricing of our Consumer Audio Products.

Research and Development

Research and development expenses for the three months ended September 30, 2023 were \$1,838,000, a decrease of \$101,000, compared to the research and development expenses for the three months ended September 30, 2022 of \$1,939,000. The decrease in research and development expenses is primarily related to decreased salary and benefit expenses of \$71,000 and consulting expenses, which includes outside engineering expenses of \$52,000.

Research and development expenses for the nine months ended September 30, 2023 were \$5,664,000, an increase of \$305,000 compared to the research and development expenses for the nine months ended September 30, 2022 of \$5,359,000. The increase in research and development expenses is primarily related to increased consulting expenses, which includes outside engineering and direct materials used in research and development of \$292,000 and \$48,000, respectively, partially offset by reduced recruiting fees of \$128,000.

Sales and Marketing

Sales and marketing expenses for the three months ended September 30, 2023 were \$1,404,000, a decrease of \$135,000, compared to the sales and marketing expenses for the three months ended September 30, 2022 of \$1,539,000. The decrease in sales and marketing expenses is primarily related to lower website development and advertising fees of \$96,000 and \$61,000, respectively, partially offset by increased consulting fees of \$31,000.

Sales and marketing expenses for the nine months ended September 30, 2023 were \$3,787,000 a decrease of \$378,000, compared to the sales and marketing expenses for the nine months ended September 30, 2022 of \$4,165,000. The decrease in sales and marketing expenses is primarily related to lower advertising expenses and website expenses of \$191,000 and \$160,000, respectively.

General and Administrative

General and administrative expenses for the three months ended September 30, 2023 were \$1,428,000, an increase of \$28,000, compared to the general and administrative expenses for the three months ended September 30, 2022 of \$1,400,000. The increase in general and administrative expenses is primarily related to increased investor relations expenses of \$173,000, offset partially by reduced legal fees of \$107,000.

General and administrative expenses for the nine months ended September 30, 2023 were \$4,260,000, an increase of \$652,000, compared to the general and administrative expenses for the nine months ended September 30, 2022 of \$3,608,000. The increase in general and administrative expenses is primarily related to increased investor relations expenses, accounting fees and legal fees of \$465,000, \$100,000 and \$61,000, respectively.

Interest Expense, net

Interest expense, net for the three and nine months ended September 30, 2023 was \$52,000 and \$812,000, respectively. Interest expense, net for the three and nine months ended September 30, 2022 was \$173,000 and \$174,000, respectively.

Interest expense for the three months ended September 30, 2023 was primarily due to the amortization of debt discounts associated with the short-term loan that the Company issued in September 2023. Interest expense for the nine months ended September 30, 2023 was primarily due to the amortization of debt discounts associated with the senior secured convertible note that the Company issued in August 2022 and repaid in full on April 11, 2023.

Interest expense for the three and nine months ended September 30, 2022 was primarily due to the amortization of debt discounts associated with the convertible debt that the Company issued in August 2022.

Change in Fair Value of Warrant Liabilities

Change in fair value of warrant liabilities for the three months ended September 30, 2023 was \$284,000, compared to \$274,000 for the three months ended September 30, 2022. The change in fair value of the warrant liabilities for the three months ended September 30, 2023 was primarily due to the decrease in the price of our common stock at September 30, 2023 compared to the price of our common stock on the date of the warrant issuance as well as the decline in our common stock price from June 30, 2023, related to existing warrant liabilities.

Change in fair value of warrant liabilities for the nine months ended September 30, 2023 was \$6,134,000, compared to \$274,000 for the nine months ended September 30, 2022. The change in fair value of the warrant liabilities for the nine months ended September 30, 2023 was due to the issuance of warrants in February 2023 and the subsequent decrease in the price of our common stock at September 30, 2023 compared to the price of our common stock on the date of the warrant issuance as well as the decline in our common stock price from December 31, 2022, related to existing warrant liabilities.

Loss on Debt Extinguishment

During the three and nine months ended September 30, 2023, the Company recorded a loss on debt extinguishment of \$0 and \$837,000. The loss is directly related to the Company's April 2023 repayment of the Convertible Note in the amount of \$1,656,744. The repayment of the entirety of the outstanding balance of such note, included the unpaid principal, interest through the payoff date, and a pre-payment premium of \$276,000. The loss also includes the expensing of the related unamortized debt discounts totaling \$894,000, offset partially by a \$333,000 gain on termination of a derivative liability that was established in connection with the Convertible Note.

Liquidity and Capital Resources

Cash and cash equivalents as of September 30, 2023 were \$212,000 compared to \$2,897,000 as of December 31, 2022.

We incurred a net loss of \$12,358,000 for the nine months ended September 30, 2023 and used net cash in operating activities of \$12,101,000. We incurred a net loss of \$12,661,000 for the nine months ended September 30, 2022 and used net cash in operating activities of \$12,896,000. Excluding non-cash adjustments, the primary reasons for the decrease in the use of net cash from operating activities during the nine months ended September 30, 2023, was related to a decrease in inventories, partially offset by an increase in accounts receivable and prepaid expenses and a decrease in accrued liabilities.

We have financed our operations to date primarily through the issuance of equity securities, proceeds from the exercise of warrants common stock and sale of debt instruments. In August 2022, we received net proceeds of \$2.5 million from the issuance of a convertible promissory note to an investor. In December 2022, we received net proceeds of \$6.4 million, from the issuance of 540,000 shares of common stock (includes the exercise of 36,000 pre-funded warrants) and the issuance of 1,080,000 warrants to purchase common stock. In February 2023, we received net proceeds of approximately \$5.3 million from the issuance of 583,306 shares of common stock (includes the exercise of 381,762 pre-funded warrants) and the issuance of 874,959 warrants to purchase common stock. In March 2023, we received net proceeds of approximately \$1.6 million from the issuance of 837,207 shares of common stock and the issuance of 1,674,414 warrants to purchase common stock. In April 2023, we received net proceeds of approximately \$1.0 million through the issuance of common stock and warrants. In May 2023, we received net proceeds of approximately \$1.9 million in connection with a warrant inducement. In July 2023, we received net proceeds of approximately \$0.6 million in connection with a warrant inducement. In September 2023, we secured a term loan in the principal amount of \$650,000 from a related party. In October 2023, we received gross proceeds of approximately \$4.8 million, prior to underwriting discounts, commissions, and offering expenses, from the issuance

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of 87,000 shares of preferred stock and the issuance of 174,000 warrants to purchase preferred stock. We will need to raise additional proceeds via the issuance of equity securities and/or the sale of debt instruments in the fourth quarter of 2023 to fund operations for fiscal year 2024.

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 Securities and Exchange Commission's ("SEC") rules and forms and to ensure that such information is accumulated and communicated to our management, including our Principal Executive Officer and Principal Financial Officer as appropriate, to allow timely decisions regarding required disclosure. Under the supervision and with the participation of our management, including our Principal Executive Officer and Principal Financial Officer, we conducted an evaluation of our disclosure controls and procedures. Based on the foregoing evaluation, our Principal Executive Officer and Principal Financial Officer concluded that, as of September 30, 2023, 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 Principal Executive Officer and Principal Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Our management, including our Principal Executive Officer and 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 September 30, 2023 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

As a smaller reporting company, the Company is not required to include the disclosure required under this Item 1A.

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

In May 2023, the Company consummated a private placement of securities, pursuant to which the Company issued and sold common stock purchase warrants exercisable for an aggregate of up to 2,972,264 shares of common stock at an exercise price of \$1.33 per share of common stock (the “May Warrants”). The May Warrants were not registered under the Securities Act, and were offered pursuant to an exemption from the registration requirements of the Securities Act provided in Section 4(a)(2) of the Securities Act and Rule 506(b) promulgated thereunder. The shares of common stock issuable upon exercise of the May Warrants were subsequently registered for resale pursuant to a Registration Statement on Form S-1 (File No.333-272278), which was declared effective by the Securities and Exchange Commission June 7, 2023.

In July 2023, the Company entered into warrant exercise inducement offer letters (the “Inducement Letters”) with holders of the May Warrants pursuant to which such holders agreed to exercise for cash May Warrants, in full or in part, in exchange for the Company’s agreement to issue new warrants (the “Inducement Warrants”) to purchase up to a quantity of shares of common stock equal to 100% of the number of shares of common stock issued pursuant to the exercise of the May Warrants. Pursuant to the Inducement Letters, the Company issued Inducement Warrants to purchase an aggregate of up to 510,000 shares of common stock. The Inducement Warrants were issued on substantially the same terms as the May Warrants, except that each Inducement Warrant is exercisable at a price per share of common stock of \$1.29, which is equal to the Minimum Price (as defined by the Nasdaq Listing Rules). Each Inducement Warrant was immediately exercisable upon issuance, with an expiry on the fifth anniversary of its issuance, and is callable by the Company at a redemption price of \$0.50 per warrant, provided that the resale of the shares of common stock underlying the Inducement Warrants are then registered or may be resold under Rule 144 under the Securities Act. The Company issued the Inducement Warrants in reliance on the exemptions from registration pursuant to Section 4(a)(2) of the Securities Act and Rule 506(b) promulgated thereunder. The shares of common stock issuable upon exercise of the Inducement Warrants were subsequently registered for resale pursuant to a Registration Statement on Form S-1 (File No. 333-274155), which was declared effective by the Securities and Exchange Commission on August 30, 2023.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

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Item 6. Exhibits

<u>Exhibit Number</u>	<u>Description</u>
3.1	Certificate of Designation of Preferences, Rights, and Limitations of Series B Convertible Preferred Stock (incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on October 19, 2023).
4.1	Form of Inducement Warrant (incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on August 1, 2023).
4.2	Form of Warrant to Purchase Shares of Series B Convertible Preferred Stock (incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on October 19, 2023).
10.1	Form of Inducement Letter (incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on August 1, 2023).
10.2	Form of Waiver Agreement (incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on September 1, 2023).
10.3	Loan and Security Agreement by and between the Company and Meriwether Group Capital Hero Fund LP (incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on September 8, 2023).
10.4	Form of Securities Purchase Agreement, by and between WiSA Technologies, Inc. and the purchasers signatory thereto (incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on October 19, 2023).
10.5	Placement Agency Agreement, by and between WiSA Technologies, Inc. and Maxim Group LLC, as sole placement agent (incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on October 19, 2023).
10.6	Form of Side Letter, by and between WiSA Technologies, Inc. and the holder signatory thereto (incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on October 19, 2023).
10.7	Warrant Agency Agreement, by and between WiSA Technologies, Inc., and VStock Transfer, LLC (incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on October 19, 2023).
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: November 14, 2023

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

Date: November 14, 2023

By: /s/ Gary Williams
Gary Williams
Vice President of Finance and Chief Accounting Officer
(Duly Authorized Officer, Principal Financial Officer and Principal Accounting 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 WiSA 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 13a-13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this 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: November 14, 2023

/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, Gary Williams, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of WiSA 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: November 14, 2023

/s/ Gary Williams

Name: Gary Williams

Title: Vice President of Finance and Chief Accounting Officer
(Principal Financial Officer and Principal Accounting 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 WiSA Technologies, Inc. (the "Company") for the period ended September 30, 2023 (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: November 14, 2023

/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 WiSA Technologies, Inc. (the "Company") for the period ended September 30, 2023 (the "Report"), I, Gary Williams, Vice President of Finance and Chief Accounting 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: November 14, 2023

/s/ Gary Williams

Name: Gary Williams

Title: Vice President of Finance and Chief Accounting Officer
(Principal Financial Officer and Principal Accounting 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.
