

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2020

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

Summit Wireless Technologies, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

30-1135279

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

**6840 Via Del Oro, Ste. 280
San Jose, CA 95119**

(Address of principal executive offices) (Zip Code)

(408) 627-4716

(Registrant's telephone number, including area code)

N/A

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

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

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

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

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

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

Large accelerated filer

Non-accelerated filer

Accelerated filer

Smaller reporting company

Emerging growth company

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

The number of shares of the registrant's common stock outstanding as of May 26, 2020 is 3,398,853.

SUMMIT WIRELESS TECHNOLOGIES, INC.
QUARTERLY REPORT ON FORM 10-Q
For the quarter ended March 31, 2020

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PART I: FINANCIAL INFORMATION

Item 1. Financial Statements

Summit Wireless Technologies, Inc.
Condensed Consolidated Balance Sheets
(in thousands, except share and per share data)

	March 31, 2020 (unaudited)	December 31, 2019 (1)
Assets		
Current Assets:		
Cash and cash equivalents	\$ 755	\$ 298
Accounts receivable	51	108
Inventories	2,650	2,666
Prepaid expenses and other current assets	1,041	944
Total current assets	<u>4,497</u>	<u>4,016</u>
Property and equipment, net	72	84
Intangible assets, net	19	28
Other assets	34	94
Total assets	<u>\$ 4,622</u>	<u>\$ 4,222</u>
Liabilities, Convertible Preferred Stock and Stockholders' Equity (Deficit)		
Current Liabilities:		
Accounts payable	\$ 2,335	\$ 1,554
Accrued liabilities	1,342	1,146
Total current liabilities	<u>3,677</u>	<u>2,700</u>
Borrowings	688	-
Derivative liability	387	387
Warrant liability	5	24
Total liabilities	<u>4,757</u>	<u>3,111</u>
Commitments and contingencies (Note 8)		
Series A 8% Senior Convertible Preferred stock, par value \$0.0001; 1,250,000 shares authorized; 250,000 shares issued and outstanding as of March 31, 2020 and December 31, 2019, (liquidation preference of \$1,076,000 and \$1,056,000)		
	<u>537</u>	<u>517</u>
Stockholders' Equity (Deficit):		
Common stock, par value \$0.0001; 200,000,000 shares authorized; 1,338,603 and 1,245,238 shares issued and outstanding as of March 31, 2020 and December 31, 2019, respectively		
	-	-
Additional paid-in capital	189,734	188,320
Accumulated other comprehensive loss	(48)	(48)
Accumulated deficit	(190,358)	(187,678)
Total stockholders' equity (deficit)	<u>(672)</u>	<u>594</u>
Total liabilities, convertible preferred stock and stockholders' equity (deficit)	<u>\$ 4,622</u>	<u>\$ 4,222</u>

(1) The condensed consolidated balance sheet as of December 31, 2019 was derived from the audited consolidated balance sheet as of that date.

Note: Share amounts have been retroactively adjusted to reflect the impact of a 1-for-20 reverse stock split effected in April 2020, as discussed in Note 11.

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

Summit Wireless Technologies, Inc.

Condensed Consolidated Statements of Operations

For the three months ended March 31, 2020 and 2019

(in thousands, except share and per share data)

(unaudited)

	Three Months Ended March 31,	
	2020	2019
Revenue, net	\$ 411	\$ 465
Cost of revenue	348	407
Gross profit	63	58
Operating Expenses:		
Research and development	1,134	1,361
Sales and marketing	698	749
General and administrative	891	615
Total operating expenses	2,723	2,725
Loss from operations	(2,660)	(2,667)
Interest expense	(37)	-
Change in fair value of warrant liability	19	111
Other income (expense), net	(2)	(3)
Loss before provision for income taxes	(2,680)	(2,559)
Provision for income taxes	-	6
Net loss	\$ (2,680)	\$ (2,565)
Convertible preferred stock dividend	(20)	-
Net loss attributable to common stockholders	\$ (2,700)	\$ (2,565)
Net loss per common share - basic and diluted	\$ (2.19)	\$ (3.33)
Weighted average number of common shares used in computing net loss per common share	1,230,598	770,381

Note: Share amounts have been retroactively adjusted to reflect the impact of a 1-for-20 reverse stock split effected in April 2020, as discussed in Note 11.

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

Summit Wireless Technologies, Inc.

Condensed Consolidated Statements of Comprehensive Loss

For the three months ended March 31, 2020 and 2019

(in thousands)

(unaudited)

	Three Months Ended March 31,	
	2020	2019
Net loss	\$ (2,680)	\$ (2,565)
Other comprehensive loss, net of tax:		
Foreign currency translation adjustment	-	(11)
Comprehensive loss	<u>\$ (2,680)</u>	<u>\$ (2,576)</u>

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

Summit Wireless Technologies, Inc.

Condensed Consolidated Statements of Convertible Preferred Stock and Stockholders' Equity (Deficit)

For the three months ended March 31, 2020 and 2019

(in thousands, except share and per share data)

(unaudited)

	Convertible Preferred Stock		Common Shares		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount				
Balance as of December 31, 2019	250,000	\$ 517	1,245,238	\$ -	\$ 188,320	\$ (48)	\$ (187,678)	\$ 594
Issuance of common stock and warrants, net of offering costs	-	-	91,062	-	725	-	-	725
Issuance of common stock in connection with notes payable	-	-	500	-	4	-	-	4
Issuance of warrants in connection with convertible notes payable	-	-	-	-	630	-	-	630
Convertible preferred stock dividend	-	20	-	-	(20)	-	-	(20)
Stock-based compensation	-	-	2,000	-	75	-	-	75
Restricted awards cancelled	-	-	(550)	-	-	-	-	-
Release of restricted common stock	-	-	353	-	-	-	-	-
Net loss	-	-	-	-	-	-	(2,680)	(2,680)
Balance as of March 31, 2020	<u>250,000</u>	<u>\$ 537</u>	<u>1,338,603</u>	<u>\$ -</u>	<u>\$ 189,734</u>	<u>\$ (48)</u>	<u>\$ (190,358)</u>	<u>\$ (672)</u>
	Convertible Preferred Stock		Common Shares		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount				
Balance as of December 31, 2018	-	\$ -	769,890	\$ -	\$ 179,503	\$ (45)	\$ (175,640)	\$ 3,818
Release of vested restricted common stock	-	-	6,193	-	(65)	-	-	(65)
Issuance of warrants for common stock	-	-	-	-	-	-	-	-
Currency translation adjustment	-	-	-	-	-	(11)	-	(11)
Net loss	-	-	-	-	-	-	(2,565)	(2,565)
Balance as of March 31, 2019	<u>-</u>	<u>\$ -</u>	<u>776,083</u>	<u>\$ -</u>	<u>\$ 179,438</u>	<u>\$ (56)</u>	<u>\$ (178,205)</u>	<u>\$ 1,177</u>

Note: Share amounts have been retroactively adjusted to reflect the impact of a 1-for-20 reverse stock split effected in April 2020, as discussed in Note 11.

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

Summit Wireless Technologies, Inc.

Condensed Consolidated Statements of Cash Flows
For the three months ended March 31, 2020 and 2019
(in thousands, except share and per share data)
(unaudited)

	Three Months Ended March 31,	
	2020	2019
Cash flows from operating activities:		
Net loss	\$ (2,680)	\$ (2,565)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	14	14
Stock-based compensation	75	-
Amortization of intangible asset	9	8
Amortization of debt discounts	37	-
Loss on disposal of property and equipment	-	-
Change in fair value of warrant liability	(19)	(111)
Expense for issuance of warrants and common stock for services	-	4
Changes in operating assets and liabilities:		
Accounts receivable	57	57
Inventories	16	(381)
Prepaid expenses and other assets	(37)	(50)
Accounts payable	512	332
Accrued liabilities	196	(128)
Net cash used in operating activities	<u>(1,820)</u>	<u>(2,820)</u>
Cash flows from investing activities:		
Purchases of property and equipment	(2)	-
Net cash used in investing activities	<u>(2)</u>	<u>-</u>
Cash flows from financing activities:		
Proceeds from issuance of common stock and warrants, net of issuance costs	725	-
Proceeds from issuance of convertible notes payable, net of issuance costs	1,665	-
Repayment of convertible notes payable	(111)	-
Taxes paid related to net share settlements of equity awards	-	(65)
Net cash provided by financing activities	<u>2,279</u>	<u>(65)</u>
Effect of exchange rate changes on cash and cash equivalents	-	(11)
Net decrease in cash and cash equivalents	<u>457</u>	<u>(2,896)</u>
Cash and cash equivalents as of beginning of period	298	3,218
Cash and cash equivalents as of end of period	<u>\$ 755</u>	<u>\$ 322</u>
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	<u>\$ -</u>	<u>\$ 6</u>
Noncash Investing and Financing Activities:		
Issuance of warrants in connection with convertible notes payable	<u>\$ 630</u>	<u>\$ -</u>
Issuance of common stock in connection with convertible notes payable	<u>\$ 4</u>	<u>\$ -</u>
Issuance of warrants in connection with common stock offering	<u>\$ 114</u>	<u>\$ -</u>
Expenses related to issuance of convertible notes in accounts payable	<u>\$ 269</u>	<u>\$ -</u>
Convertible preferred stock dividend	<u>\$ 20</u>	<u>\$ -</u>

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

SUMMIT WIRELESS TECHNOLOGIES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Three Months Ended March 31, 2020 and 2019

(unaudited)

1. Business and Viability of Operations

Summit Wireless Technologies, Inc. (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. The Company develops wireless audio semiconductors and modules for consumer electronics companies to enable mainstream consumers and audio enthusiasts to experience high quality audio.

On January 23, 2020, we entered into a funding agreement, as amended (the “Funding Agreement”), which provided for the issuance to an unaffiliated accredited investor of a convertible promissory note in the principal amount of \$111,100, reflecting a 10% original issue discount, 500 shares of our common stock and a five-year warrant exercisable for 7,936 shares of our common stock at an exercise price of \$9.80 per share in consideration for \$100,000, which was funded on January 24, 2020. Additionally, pursuant to the Funding Agreement, such investor was granted a most favored nation right. In March 2020, the outstanding debt owed to such investor pursuant to the Funding Agreement was fully repaid.

On February 28, 2020, the Company completed a private placement (the “February 2020 Private Placement”) of 91,062 units (the “Units”), each unit consisting of (i) one (1) share of common stock and (ii) a warrant to purchase 0.50 of a share of common stock (the “February 2020 Warrants”), at a price per Unit of \$9.17. The Units were issued pursuant to a Unit Purchase Agreement, dated February 4, 2020, and a subscription agreement, dated February 28, 2020 by and among the Company and the purchasers signatory thereto. The February 2020 Private Placement, which was priced above market, resulted in gross proceeds of \$835,000 before fees and other expenses associated with the transaction.

The February 2020 Warrants are exercisable to purchase up to an aggregate of 45,534 shares of common stock commencing on the date of issuance at an exercise price of \$9.80 per share, subject to adjustment upon stock splits, reverse stock splits, and similar capital changes. The February 2020 Warrants are exercisable immediately and will expire on the close of business on February 28, 2025.

On March 30, 2020, the Company completed a private placement (the “March 2020 Private Placement”) of a senior secured convertible instrument (the “March 2020 Note”) and a warrant (the “March 2020 Warrant”) to purchase 227,679 shares of common stock at an exercise price of \$6.40 per share, pursuant to which Maxim Group LLC (“Maxim”), acted as placement agent. The March 2020 Note and March 2020 Warrant were issued pursuant to a securities purchase agreement, entered into as of March 22, 2020 (the “March 2020 Purchase Agreement”) by and between the Company and an institutional investor (the “Investor”). The March 2020 Private Placement resulted in gross proceeds of \$1,700,000, before fees and other expenses associated with the transaction, including but not limited to, an \$85,000 commitment fee payable to the Investor. Additionally, the Company agreed to issue to Maxim a warrant to purchase up to an aggregate of 20,400 shares of common stock, subject to adjustment, as partial consideration for serving as placement agent in connection with the March 2020 Private Placement.

On March 31, 2020, 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-four to one-for-twenty, 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. In April 2020, a 1-for-20 reverse stock split was effected and the condensed consolidated financial statements have been retroactively adjusted. See Note 11.

SUMMIT WIRELESS TECHNOLOGIES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Three Months Ended March 31, 2020 and 2019

(unaudited)

Nasdaq Notification

On October 16, 2019, the Company received a written notification (the “Notice”) from the Nasdaq Stock Market LLC (“Nasdaq”) indicating that the Company was not in compliance with Nasdaq Listing Rule 5550(a)(2), as 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 has been granted a 180 calendar day compliance period, or until April 13, 2020, to regain compliance with Nasdaq’s minimum bid price requirements. During the compliance period, the Company’s shares of common stock will continue to be listed and traded on Nasdaq. To regain compliance, the closing bid of the common stock must meet or exceed \$1.00 per share for at least ten (10) consecutive business days during such 180 calendar day grace period. If the Company is not in compliance by April 13, 2020, the Company may be afforded a second 180 calendar day grace period. To qualify, the Company would be required to meet the continued listing requirement for market value of publicly held shares and all other initial listing standards for Nasdaq, with the exception of the minimum bid price requirements. In addition, the Company would be required to notify Nasdaq of its intent to cure such minimum bid price deficiency by effecting a reverse stock split, if necessary. If the Company does not regain compliance within the allotted compliance period(s), including any extensions that may be granted by Nasdaq, Nasdaq will provide notice that the Company’s shares of common stock will be subject to delisting. The Company intends to monitor the closing bid price for its common stock between now and April 13, 2020, and will consider available options to resolve the Company’s noncompliance with Nasdaq’s minimum bid price requirement, as may be necessary. There can be no assurance that the Company will be able to regain compliance with such minimum bid price requirement or will otherwise be in compliance with other Nasdaq listing criteria. See Note 11, Subsequent Events for more details.

On November 18, 2019, we were officially notified by Nasdaq that we did not comply with Nasdaq Listing Rule 5550(b), which requires a minimum \$2,500,000 stockholders’ equity (the “Stockholders’ Equity Requirement”), among other continued listing criteria. We were required to submit to Nasdaq a plan to regain compliance with the Stockholders’ Equity Requirement for consideration by the Nasdaq Listing Qualifications staff (“Nasdaq Staff”) by no later than January 2, 2020. On January 2, 2020, we submitted a plan to regain compliance (the “Compliance Plan”) to the Nasdaq Staff. On March 23, 2020, the Nasdaq Staff accepted the Compliance Plan and granted us an extension period pursuant to which we must regain compliance with the Nasdaq Listing Rule 5550(b). Among other things, the terms of such extension include that we must complete an equity raise on or before May 18, 2020, and must publicly disclose on a Current Report on Form 8-K our prior non-compliance with Nasdaq Listing Rule 5550(b) and the terms of such equity raise enabling us to regain compliance with such rule. Notwithstanding the terms of such extension period, if we fail to evidence compliance with Nasdaq Listing Rule 5550(b) upon the filing of our periodic report for the period ending June 30, 2020, the Nasdaq Staff will provide written notification that our common stock will be delisted from Nasdaq, however we may appeal such delisting determination to Nasdaq’s hearing panel.

On March 24, 2020, we were officially notified by Nasdaq that we did not comply with Listing Rule 5605 (the “Audit Committee Rule”), which requires that the audit committee of our board of directors include at least three independent directors. In accordance with Nasdaq’s Listing Rules, we have been granted a cure period in order to regain compliance with the Audit Committee Rule, which period ends on (i) the earlier of (x) our next annual stockholders’ meeting or (y) February 10, 2021 or (ii) if such annual stockholders’ meeting is held before August 10, 2020, then we must evidence compliance with the Audit Committee Rule no later than that date. If we fail to evidence compliance with the Audit Committee Rule upon such period’s end, the Nasdaq Staff will provide written notification that our common stock will be delisted from Nasdaq; however, we may appeal such delisting determination to Nasdaq’s hearing panel.

Liquidity and management plans

The condensed consolidated financial statements of the Company have been prepared on a going concern basis, which contemplates the realization of assets and the discharge of liabilities in the normal course of business. The Company has incurred net operating losses each year since inception. As of March 31, 2020, the Company had cash and cash equivalents of \$0.8 million, an accumulated deficit of approximately \$190.4 million and has not generated positive cash flows from operations. The Company expects operating losses to continue in the foreseeable future because of additional costs and expenses related to research and development activities, plans to expand its product portfolio, and increase its market share. The Company’s ability to transition to attaining profitable operations is dependent upon achieving a level of revenues adequate to support its cost structure. Based on current operating levels, the Company will need to raise additional funds by selling additional equity or incurring debt. To date, the Company has not generated significant revenues and has funded its operations primarily through sales of its common stock in public markets, sales of common and preferred units prior to its initial public offering (“IPO”) and proceeds from convertible notes. Additionally, future capital requirements will depend on many factors, including the rate of revenue growth, the selling price of the Company’s products, the expansion of sales and marketing activities, the timing and extent of spending on research and development efforts and the continuing market acceptance of the Company’s products. These factors raise substantial doubt about the Company’s ability to continue as a going concern.

SUMMIT WIRELESS TECHNOLOGIES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Three Months Ended March 31, 2020 and 2019

(unaudited)

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.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information and pursuant to Article 10 of Regulation S-X of the Securities Act of 1933, as amended ("Securities Act"). Accordingly, they do not include all of the information and notes required by U.S. GAAP for complete financial statements. These unaudited condensed consolidated financial statements include all normal and recurring adjustments that the Company believes are necessary to fairly state the Company's financial position and the results of operations and cash flows. Interim period results are not necessarily indicative of results of operations or cash flows for a full year or any subsequent interim period. The condensed consolidated balance sheet as of December 31, 2019 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.

Deferred Offering Costs

Deferred offering costs, consisting of legal, accounting and filing fees relating to public offerings, are capitalized. The deferred offering costs will be offset against public offering proceeds upon the effectiveness of an offering. In the event that an offering is terminated, deferred offering costs will be expensed. As of March 31, 2020 and December 31, 2019, the Company had capitalized deferred offering costs of \$154,000 and \$0, respectively, in prepaid expenses and other current assets on the condensed consolidated balance sheet.

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 and sometimes requires partial payment in advance of shipping. As of March 31, 2020 and December 31, 2019, there was no allowance for doubtful accounts. As of March 31, 2020, the Company had two customers accounting for 79% and 11% of accounts receivable. As of December 31, 2019, the Company had three customers accounting for 37%, 28% and 20% of accounts receivable. The Company had one customer accounting for 66% of its net revenue for the three months ended March 31, 2020. The Company had two customers accounting for 64% and 32% of its net revenue for the three months ended March 31, 2019.

SUMMIT WIRELESS TECHNOLOGIES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Three Months Ended March 31, 2020 and 2019
(unaudited)

2. Summary of Significant Accounting Policies, *continued*

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.

COVID-19

In March 2020, the World Health Organization characterized the coronavirus ("COVID-19") a pandemic, and the President of the United States declared the COVID-19 outbreak a national emergency. The rapid spread of the pandemic and the continuously evolving responses to combat it have had an increasingly negative impact on the global economy. In view of the rapidly changing business environment, unprecedented market volatility and heightened degree of uncertainty resulting from COVID-19, we are currently unable to fully determine its future impact on our business. However, we are monitoring the progression of the pandemic and its potential effect on our financial position, results of operations, and cash flows.

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 Common Shares and Derivative Financial Instruments

Warrants for common shares 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 equity or liabilities. The Company assesses classification of its warrants for common shares and other derivatives at each reporting date to determine whether a change in classification between equity and liabilities is required.

SUMMIT WIRELESS TECHNOLOGIES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Three Months Ended March 31, 2020 and 2019

(unaudited)

2. Summary of Significant Accounting Policies, *continued*

The issuance of the convertible notes payable generated a beneficial conversion feature (“BCF”), which arises when a debt or equity security is issued with an embedded conversion option that is beneficial to the investor or in the money at inception because the conversion option has an effective strike price that is less than the market price of the underlying stock at the commitment date. The Company recognized the BCF by allocating the intrinsic value of the conversion option, which is the number of shares of common stock available upon conversion multiplied by the difference between the effective conversion price per share and the fair value of common stock per share on the commitment date, to common shares, resulting in a discount on the convertible debt.

Revenue Recognition

Revenue consists primarily of the sale of the wireless modules. 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.

Contract Balances

We receive payments from customers based on a billing schedule as established in our contracts. Contract assets are recorded when we have a conditional right to consideration for our completed performance under the contracts. Accounts receivables are recorded when the right to this consideration becomes unconditional. We do not have any material contract assets as of March 31, 2020 or December 31, 2019.

(in thousands)

	March 31, 2020	December 31, 2019
Contract liabilities	\$ 232	\$ 451

During the three months ended March 31, 2020 the Company recognized \$286,000 of revenue that was included in the contract balances as of December 31, 2019.

SUMMIT WIRELESS TECHNOLOGIES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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(unaudited)

2. 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.

Comprehensive Loss

Comprehensive loss includes all changes within stockholders' equity (deficit) that are not the result of transactions with stockholders. Accumulated other comprehensive loss includes the foreign currency translation adjustments arising from the consolidation of the Company's foreign subsidiary.

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 remeasuring local currency to the U.S. dollar are recorded in the condensed consolidated statement of operations in other income (expense), net and were not material for the three months ended March 31, 2020 and 2019.

Advertising Costs

Advertising costs are charged to sales and marketing expenses as incurred. Advertising costs for the three months ended March 31, 2020 and 2019 were \$13,000 and \$0, respectively.

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 common shares 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 common shares 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, convertible preferred stock, warrants for common stock, restricted stock units and shares issuable upon the conversion of convertible notes payable are considered to be potentially dilutive securities.

For the three months ended March 31, 2020, warrants to purchase 703,099 shares of common stock, 250,000 shares of convertible preferred stock and 48,596 shares of restricted stock have been excluded from the calculation of net loss per common share because the inclusion would be antidilutive. For the three ended March 31, 2019, warrants to purchase 432,091 shares of common stock, and 24,640 shares of restricted stock have been excluded from the calculation of net loss per common share because the inclusion would be antidilutive.

SUMMIT WIRELESS TECHNOLOGIES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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2. Summary of Significant Accounting Policies, *continued*

Recently Issued and Adopted Accounting Pronouncements

In June 2018, the Financial Accounting Standards Board (“FASB”) issued an Accounting Standards Update (“ASU”) No. 2018-07, “Compensation—Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting”. ASU 2018-07 applies to all entities that enter into share-based payment transactions for acquiring goods and services from nonemployees. The amendments in ASU 2018-07 expand the scope of Topic 718, Compensation - Stock Compensation, to include share-based payments transactions to nonemployees. Changes to the accounting for nonemployee awards as a result of ASU 2018-07 include: 1) equity-classified nonemployee share-based payment awards are measured at the grant date, instead of the previous requirement to remeasure the awards through the performance completion date, 2) for awards with performance conditions, compensation cost is recognized when the achievement of the performance condition is probable, rather than upon achievement, and 3) the current requirement to reassess the classification (equity or liability) for nonemployee awards upon vesting is eliminated. ASU 2018-07 clarifies that Topic 718 does not apply to financing transactions or awards granted to customers as part of a contract accounted for under Topic 606, Revenue from Contracts with Customers. The amendments in ASU 2018-07 are effective for public business entities for fiscal years beginning after December 15, 2018. The Company adopted this guidance as of January 1, 2019 and the adoption did not have a significant impact on the condensed consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, “Fair Value Measurement (Topic 820)”. The FASB developed the amendments to Accounting Standards Codification 820 as part of its broader disclosure framework project, which aims to improve the effectiveness of disclosures in the notes to financial statements by focusing on requirements that clearly communicate the most important information to users of the financial statements. This update eliminates certain disclosure requirements for fair value measurements for all entities, requires public entities to disclose certain new information and modifies some of the existing disclosure requirements. The standard will be effective for fiscal years beginning after December 15, 2019, including interim periods within such fiscal years, with early adoption permitted. The Company adopted this guidance as of January 1, 2020 and the adoption did not have a significant impact on the condensed consolidated financial statements.

Recently Issued and Not Yet Adopted Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, “Leases”. The objective of the update is to increase transparency and comparability among organizations by recognizing lease assets and liabilities on the balance sheet for leases with a lease term of more than 12 months. In addition, the update will require additional disclosures regarding key information about leasing arrangements. Under existing guidance, operating leases are not recorded as lease assets and lease liabilities on the balance sheet. In November 2019, the FASB decided to defer the mandatory effective date of ASU 2016-02 to fiscal years beginning after December 15, 2020 for certain entities, including private companies. As an emerging growth company, the Company is allowed to adopt accounting pronouncements at the same time as non-public business entities. As a result, we will adopt the update for our fiscal year beginning after December 15, 2020. The Company does not expect the adoption of this standard to significantly impact the 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.

SUMMIT WIRELESS TECHNOLOGIES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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3. Balance Sheet Components

Inventories (in thousands):

	March 31, 2020	December 31, 2019
Work in progress	\$ 322	\$ 301
Finished goods	2,328	2,365
Total inventories	\$ 2,650	\$ 2,666

Property and equipment, net (in thousands):

	March 31, 2020	December 31, 2019
Machinery and equipment	\$ 774	\$ 771
Tooling	11	11
Computer software	89	89
Furniture and fixtures	15	15
Leasehold improvements	11	11
	900	897
Less: Accumulated depreciation and amortization	(828)	(813)
Property and equipment, net	\$ 72	\$ 84

Depreciation and amortization expense for the three months ended March 31, 2020 and 2019 was \$14,000 and \$14,000, respectively.

Accrued liabilities (in thousands):

	March 31, 2020	December 31, 2019
Accrued vacation	\$ 290	\$ 263
Accrued rebate	297	204
Contingency accrual	250	-
Accrued compensation	129	38
Customer advances	232	451
Accrued audit fees	88	140
Accrued other	56	50
Total accrued liabilities	\$ 1,342	\$ 1,146

SUMMIT WIRELESS TECHNOLOGIES, INC.

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4. Borrowings

Funding Agreement

On January 23, 2020, we entered into a funding agreement, as amended (the "Funding Agreement"), which provided for the issuance to an unaffiliated accredited investor of a convertible promissory note in the principal amount of \$111,100, reflecting a 10% original issue discount, 500 shares of our common stock and a five-year warrant exercisable for 7,936 shares of our common stock at an exercise price of \$9.80 per share in consideration for \$100,000, which was funded on January 24, 2020. The Funding Agreement, was due 45 days from execution of the Funding Agreement, or March 9, 2020, and the investor was granted a most favored nation right. On March 31, 2020, the outstanding debt owed to such investor pursuant to the Funding Agreement was fully repaid. During the three months ended March 31, 2020, the Company recognized \$20,000 of interest expense from amortization of debt discounts.

Convertible Promissory Note

On March 30, 2020, the Company completed a private placement (the "March 2020 Private Placement") of a senior secured convertible instrument in the principal amount of \$2,040,000 (the "March 2020 Note") and a warrant (the "March 2020 Warrant") to purchase 227,679 shares of common stock at an exercise price of \$6.40 per share, pursuant to which Maxim Group LLC, the representative of the underwriters in this offering ("Maxim"), acted as placement agent. The March 2020 Note and March 2020 Warrant were issued pursuant to a securities purchase agreement, entered into as of March 22, 2020 (the "March 2020 Purchase Agreement") by and between the Company and an institutional investor (the "Investor"). The March 2020 Private Placement resulted in gross proceeds of \$1,700,000, before fees and other expenses associated with the transaction, including but not limited to, an \$85,000 commitment fee payable to the Investor. Additionally, the Company agreed to issue to Maxim a warrant to purchase up to an aggregate of 20,400 shares of common stock, subject to adjustment, as partial consideration for serving as placement agent in connection with the March 2020 Private Placement.

The March 2020 Note ranks senior to the Company's existing and future indebtedness and is secured to the extent and as provided in the Security Agreements entered into between the Investor and each of the Company and its wholly-owned subsidiary, in connection with the March 2020 Private Placement. The March 2020 Note is convertible in whole or in part at the option of the Investor into shares of common stock (the "Conversion Shares") at the Conversion Price (as defined below) at any time following the earlier of (i) 60 days from execution of the Purchase Agreement and (ii) the date on which a registration statement covering the shares of common stock underlying each of the March 2020 Note and the related warrant is declared effective by the U.S. Securities and Exchange Commission (the "SEC"); however, if the Company enters into an underwriting agreement within 45 days of the date on which the March 2020 Note was issued in connection with an underwritten offering that closes within 45 days of the execution of the Purchase Agreement, the Investor may not convert the March 2020 Note prior to the 61st day after the date on which such underwriting agreement was executed.

SUMMIT WIRELESS TECHNOLOGIES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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4. Borrowings, continued

The March 2020 Note defines “Conversion Price” as equal to the lesser of (a) 90% of the average of the five lowest daily VWAPs during the previous twenty trading days prior to delivery to the Company of the Investor’s applicable notice of conversion (the “Conversion Notice”) and (b) \$6.40 (the “Base Conversion Price”). The Base Conversion Price is subject to full ratchet antidilution protection, subject to certain price limitations required by the rules and regulations of the Nasdaq Stock Market (“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. 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 Investor in cash an amount equal to 103% of the portion of the outstanding principal amount stated in such Conversion Notice. Further, at the Investor’s option, the March 2020 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 as required by Nasdaq rules and regulations. Subject to certain exceptions, commencing on the Conversion Trigger Date and for a nine-month period after such date, the Investor may convert only up to an aggregate of \$102,000 in outstanding principal amount during any calendar month.

At any time after issuance of the March 2020 Note, the Company may repay all (but not less than all) of the outstanding principal amount of the March 2020 Note upon ten days’ written notice to the Investor (the “Prepayment Notice”). If the Company exercises its right to prepay the March 2020 Note, the Investor shall have the right, upon five days written notice to the Company after receipt of the Prepayment Notice, to convert up to 33% of the principal amount of the March 2020 Note at the Conversion Price. The Investor also has the right to make the Company repay 105% of the outstanding principal amount of the March 2020 Note in the event of a Change of Control (as defined in the Purchase Agreement).

At any time after the closing date of the March 2020 Private Placement, in the event that the Company issues or sells any shares of common stock or common stock equivalents (as defined in the March 2020 Note), subject to certain exceptions, at an effective price 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.

In connection with the March 2020 Note, the Company issued warrants to investors and Maxim to purchase common shares of 227,679 and 20,400, respectively (see Note 6 – Convertible Preferred Stock and Stockholders’ Equity (Deficit) for fair value computation). The sum of the fair value of the warrants, the original issue discount for interest and issuance costs for the March 2020 Notes were recorded as debt discounts to be amortized to interest expense over the respective term using the effective interest method. During the three months ended March 31, 2020, the Company recognized \$17,000 of interest expense from the amortization of debt discounts.

The March 2020 Note contains several embedded conversion features. The Company determined that there was no significant value for the embedded conversion features as the underlying events to trigger the conversion features were not likely to occur. The Company did not record any embedded conversion liability related to the March 2020 Note.

SUMMIT WIRELESS TECHNOLOGIES, INC.

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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 March 31, 2020 and December 31, 2019 by level within the fair value hierarchy, are as follows:

(in thousands)

	March 31, 2020		
	Quoted prices in active markets	Significant other observable inputs	Significant unobservable inputs
	(Level 1)	(Level 2)	(Level 3)
Liabilities:			
Derivative liability	\$ -	\$ -	\$ 387
Warrant liability	\$ -	\$ -	\$ 5

(in thousands)

	December 31, 2019		
	Quoted prices in active markets	Significant other observable inputs	Significant unobservable inputs
	(Level 1)	(Level 2)	(Level 3)
Liabilities:			
Derivative liability	\$ -	\$ -	\$ 387
Warrant liability	\$ -	\$ -	\$ 24

There were no transfers between Level 1, 2 or 3 during the three months ended March 31, 2020 or March 31, 2019.

SUMMIT WIRELESS TECHNOLOGIES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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5. Fair Value Measurements, continued

Warrant Liability

The following table includes a summary of changes in fair value of the Company's warrant liability measured at fair value using significant unobservable inputs (Level 3) for the three months ended March 31, 2020 and 2019:

(in thousands)	For the three months ended	
	March 31, 2020	March 31, 2019
Beginning balance	\$ 24	210
Additions	-	4
Change in fair value	(19)	(111)
Ending balance	<u>\$ 5</u>	<u>103</u>

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

A summary of the weighted average significant unobservable inputs (Level 3 inputs) used in measuring the Company's warrant liability that is categorized within Level 3 of the fair value hierarchy as of March 31, 2020 and December 31, 2019 is as follows:

	As of December 31,	
	March 31, 2020	December 31, 2019
Common Stock Price	\$ 6.80	\$ 12.20
Term (Years)	3.01	3.26
Volatility	65%	62%
Risk-free rate of interest	0.29%	1.62%
Dividend Yield	0.0%	0.0%

Derivative Liability

The following table includes a summary of changes in fair value of the Company's derivative liability measured at fair value using significant unobservable inputs (Level 3) for the three months ended March 31, 2020 and 2019:

(in thousands)	For The Three Months Ended	
	March 31, 2020	March 31, 2019
Beginning balance	\$ 387	\$ -
Additions	-	-
Change in fair value	-	-
Ending balance	<u>\$ 387</u>	<u>\$ -</u>

As of March 31, 2020, the Company measured the fair value of the derivative by estimating the fair value of the Series A Preferred Stock as if conversion occurred on March 31, 2020. The Company calculated value of the conversion feature using the Fixed Conversion Price of the Series A Preferred Stock, as adjusted to 95% of the volume weighted average price of the common stock for the previous ten trading days and the specified floor price of \$30.00. There was no change in the fair value of the derivative liability for the three months ended March 31, 2020 because the volume weighted average price of the common stock was below the specified floor price.

SUMMIT WIRELESS TECHNOLOGIES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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6. Convertible Preferred Stock and Stockholders' Equity (Deficit)

Series A 8% Senior Convertible Preferred Stock

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

The Series A Preferred Stock contains an embedded conversion feature that the Company has determined is a derivative requiring bifurcation. The fair value of the derivative liability at the issuance of the Series A Preferred Stock was \$216,000, which was recorded as a derivative liability with the offset recorded as a discount to the Series A Preferred Stock. (See Note 5 – Fair Value Measurements for the fair value computation).

The authorized, issued and outstanding shares of Series A Preferred Stock and liquidation preferences as of March 31, 2020, were as follows:

	Number of Shares Authorized	Number of Shares Issued and Outstanding	Proceeds Net of Issuance Costs	Conversion Price per Share	Liquidation Preference
Series A 8 % Senior Convertible Preferred Stock	1,250,000	250,000	\$ 920,000	\$ 80.00	\$ 1,076,000

The Series A Preferred Stock rights, privileges and preferences are as follows:

Dividends — The holders of the Series A Preferred Stock are entitled to receive cumulative dividends at the rate per share of 8% per annum, payable on conversion. The form of the dividend payment on the Series A Preferred Stock will be determined based on the legal availability of funds for the payment and the satisfaction of the Equity Conditions (as defined in the Certificate of Designations) for the 5 consecutive trading days immediately prior to the payment date. The form of the payment, depending on the priority, may be made in cash or shares of common stock at the Company's option. If funds are not available and the Equity Conditions have not been met, the dividends will accrue to the next payment date or accrete to the stated value. The Company accrued dividends of \$20,000 for the three months ended March 31, 2020.

Liquidation Rights — In the event of any liquidation, dissolution, or winding-up of the Company, each holder of Series A Preferred Stock is entitled to receive an amount equal to the stated value, plus accrued and unpaid dividends and any other fees or liquidated damages before any distribution will be made to holders of junior securities. If assets are insufficient for such payment, then the entire assets will be distributed only to the holders of the Series A Preferred Stock. A fundamental or change of control transaction is not deemed a liquidation.

SUMMIT WIRELESS TECHNOLOGIES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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6. Convertible Preferred Stock and Stockholders' Equity (Deficit), *continued*

Conversion— Each share of Series A Preferred Stock is convertible at the option of the holder into the number of shares of common stock (subject to adjustment for certain events, including dilutive issuances, stock splits, and reclassifications) determined by multiplying such number by the ratio of the stated value by a conversion price, which price is originally equal to \$80.00 (the "Fixed Conversion Price"). However, if the closing price of the common stock is less than the Fixed Conversion Price, then the Fixed Conversion Price may be reduced to equal 95% of the lowest volume weighted average price of the common stock for the previous 10 trading days, which price shall not be less than \$30.00. Notwithstanding the foregoing, unless the Company obtains stockholder approval pursuant to the rules and regulations of The NASDAQ Capital Market, the Company cannot issue shares of common stock upon conversion of the Series A Preferred Stock in the event that such issuance exceeds 19.99% of the issued and outstanding shares of the Company's common stock as of April 18, 2019 or if such conversion is considered a "change of control" under NASDAQ rules and regulations.

Voting Rights— Each holder has the right to one vote for each share of common stock into which such preferred stock could be converted. So long as any shares of Series A Preferred Stock are outstanding, the Company shall not, without first obtaining the approval of more than 67% of the holders of Series A Preferred Stock then outstanding, voting together as a separate class (a) alter or amend the Certificate of Designations or alter or change adversely the powers, rights or preferences of the Series A Preferred Stock, including amending the Company's certificate of incorporation or other charter documents in any manner adversely affecting the holders of the Series A Preferred Stock; (b) authorize or create any class of stock ranking as to dividends, redemption or distribution of assets upon a liquidation senior to, or otherwise pari passu with, the Series A Preferred Stock; (c) increase the total number of authorized shares of Series A Preferred Stock; or (d) enter into any agreement with respect to any of the foregoing.

Redemption— The Series A Preferred Stock is not mandatorily redeemable as it does not have a set redemption date or a date after which the shares may be redeemed by the holders. However, if a Triggering Event (as defined in the Certificate of Designations) occurs, then each holder will receive 120% of the aggregate stated value, plus all accrued and unpaid dividends and any other fees or liquidated damages. Additionally, upon such an event, the dividend rate of the Series A Preferred Stock increases to 18% per annum. A Triggering Event is defined as any (1) default on credit obligations; (2) default on payment of certain Series A Preferred Stock payments or a default under the Certificate of Designations and any related transaction document entered into in connection with the issuance of the Series A Preferred Stock; (3) bankruptcy of the Company; (4) ineligibility for listing of the Company's common stock on a trading market; (5) change of control or fundamental transaction entered into by the Company, or other transaction entered into by the Company where more than 51% of the Company's assets are sold; (6) failure of the Company to perform certain regulatory reporting; (7) failure to timely deliver certificates representing shares of common stock upon conversion of the shares of Series A Preferred Stock; (8) failure of the Company to maintain a sufficient number of reserved shares pursuant to the Preferred SPA; and (9) judgment is entered or filed against the Company or its subsidiaries in excess of an aggregate of \$100,000 or the Company or any of its subsidiaries experiences a loss of property in excess of an aggregate of \$100,000. The Company has elected not to adjust the carrying values of the Series A Preferred Stock to the liquidation preferences of such shares because it is uncertain whether or when an event would occur that would obligate the Company to pay the liquidation preferences to holders of shares and at the balance sheet date, these circumstances were not probable. Subsequent adjustments to the carrying values of the liquidation preferences will be made only when it becomes probable that such a liquidation event will occur.

SUMMIT WIRELESS TECHNOLOGIES, INC.

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6. Convertible Preferred Stock and Stockholders' Equity (Deficit), *continued*

Rights Upon a Subsequent Financing — So long as holders of shares of Series A Preferred Stock hold such shares with an aggregate stated value equal to or exceeding \$250,000, upon any issuance of shares of our common stock, common stock equivalents (as defined in the Preferred SPA), conventional debt or a combination of such securities and/or debt (a "Subsequent Financing"), unless the proposed terms of a Subsequent Financing shall have first been delivered to such holders in reasonable detail and such holders have first been granted the option to purchase such securities pursuant to such terms, such holders have the right to purchase all, and no less than all, of the securities offered to investors in a Subsequent Financing on the same terms, conditions and price provided for in the Subsequent Financing. In addition, so long as holders of shares of Series A Preferred Stock hold such shares with an aggregate stated value equal to or exceeding \$500,000, if we effect a Subsequent Financing, such holders have a right to tender shares of Series A Preferred Stock for the securities offered pursuant to a Subsequent Financing.

Subsequent Equity Sales — In the event that we or any of our subsidiaries issue additional shares of common stock and/or common stock equivalents in connection with a financing pursuant to which the effective price per share for such securities is less than the then conversion price of the Series A Preferred Stock, then subject to certain exceptions set forth in the Certificate of Designations, such conversion price will be reduced to such the effective price of such issued securities.

Common Stock

On January 30, 2018, the Company's board of directors approved the establishment of the Company's 2018 Long-Term Stock Incentive Plan (the "LTIP") and termination of its Carve-Out Plan (the "Plan"). Under the LTIP, the aggregate maximum number of shares of common stock (including shares underlying options) that may be issued under the LTIP pursuant to awards of Restricted Shares or Options will be limited to 15% of the outstanding shares of common stock, which calculation shall be made on the first trading day of each new fiscal year; provided that, in any year no more than 8% of the common stock or derivative securitization with common stock underlying 8% of the common stock may be issued in any fiscal year. Thereafter, the 15% evergreen provision governs the LTIP. For fiscal year 2020, up to 99,619 shares of common stock are available for participants under the LTIP.

In connection with the termination of the Plan, on January 31, 2018, the Company issued to its employees and directors 64,224 and 7,656 shares of restricted common stock ("January 2018 Restricted Stock Grant"), respectively. Such shares of restricted common stock were granted outside the LTIP's first year share availability pool, are fully vested, and were released to the employees and directors in three tranches at the rate of 33.4%, 33.3% and 33.3% on September 1, 2018, March 1, 2019 and September 1, 2019, respectively. In the event an employee voluntarily resigns, the release dates of the shares will be extended such that only 16.5% of the shares are released every nine months, until 100% are released. In the event that a director voluntarily resigns, each of the release dates will be extended nine months.

For the three months ended March 31, 2020, 353 shares of restricted stock were released with an intrinsic value of approximately \$2,000. As of March 31, 2020, there were 705 shares of restricted stock remaining under the January 2018 Restricted Stock Grant to be released to a terminated employee in two equal tranches over the next 11 months.

SUMMIT WIRELESS TECHNOLOGIES, INC.

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6. Convertible Preferred Stock and Stockholders' Equity (Deficit), *continued*

On January 4, 2019, the Company awarded 20,000 deferred shares to Michael Howse, a member of the Company's board of directors, in connection with a Deferred Shares Agreement under the LTIP. The shares vest immediately prior to a significant change in ownership, defined as a Fundamental Transaction in the agreement. In light of this performance vesting condition, the Company has not recorded any stock compensation expense for the issuance of these shares during the three ended March 31, 2020.

On September 9, 2019, the Company issued 7,500 shares of restricted common stock to George Oliva, the Company's new Chief Financial Officer, as an inducement grant. Such shares were issued outside the Company's LTIP. The Company will record stock compensation expense over the four-year vest period.

During the three months ended March 31, 2020, the Company issued 2,000 common shares to employees under the Company's LTIP. During the three months ended March 31, 2019, the Company did not issue any shares under the Company's LTIP.

February 2020 Private Placement

On February 28, 2020, the Company completed a private placement (the "February 2020 Private Placement") of 91,062 units (the "Units"), each unit consisting of (i) one (1) share of common stock and (ii) a warrant to purchase 0.50 of a share of common stock (the "February 2020 Warrants"), at a price per Unit of \$9.17. The Units were issued pursuant to a Unit Purchase Agreement, dated February 4, 2020, and a subscription agreement, dated February 28, 2020 by and among the Company and the purchasers signatory thereto. The February 2020 Private Placement, which was priced above market, resulted in gross proceeds of \$835,000 before fees and other expenses associated with the transaction.

The February 2020 Warrants are exercisable to purchase up to an aggregate of 45,534 shares of common stock commencing on the date of issuance at an exercise price of \$9.80 per share, subject to adjustment upon stock splits, reverse stock splits, and similar capital changes. The February 2020 Warrants are exercisable immediately and will expire on the close of business on February 28, 2025. The exercise of the February 2020 Warrants are subject to beneficial ownership limitations such that each holder of such February 2020 Warrant may exercise it to the extent that such exercise would result in such holder being the beneficial owner in excess of 4.99% (or, upon election of such holder, 9.99%), which beneficial ownership limitation may be increased or decreased up to 9.99% upon notice to the Company, provided that any increase in such limitation will not be effective until 61 days following notice to the Company.

SUMMIT WIRELESS TECHNOLOGIES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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6. Convertible Preferred Stock and Stockholders' Equity (Deficit), *continued*

Warrants for Common Shares

The Company has issued warrants to purchase common shares to employees and consultants as compensation for services rendered, as well as in conjunction with the purchase of common shares in equity and debt transactions.

Information regarding warrants for common stock outstanding and exercisable as of March 31, 2020 is as follows:

Exercise Price	Warrants Outstanding as of March 31, 2020	Remaining Life (years)	Warrants Exercisable as of March 31, 2020
\$6.40 - \$9.80	306,102	4.92	285,702
\$15.80 - \$17.50	93,562	2.64	89,812
\$24.80 - \$99.00	230,571	1.75	224,457
\$108 - \$207.00	72,864	2.35	72,864
\$35.82	<u>703,099</u>	<u>3.72</u>	<u>672,835</u>

Warrants exercisable as of March 31, 2020 excludes warrants to purchase 9,864 common shares issued to Alexander Capital L.P., which are fully vested, but are exercisable in the amounts of 6,114 and 3,750 after May 21, 2020 and October 16, 2020, respectively, and 20,400 common shares issued to Maxim Group LLC, which are fully vested, but are exercisable after September 19, 2020. Additionally, warrants to purchase 20,722 common shares which are shown above with a price of \$15.80 are Pre-Funded Warrants under which the holder must only pay \$0.20 per share to complete the exercise.

7. Income Taxes

The Company recorded a provision for income taxes of \$0 for the three months ended March 31, 2020 and \$6,000 for the three months ended March 31, 2019. The provision for income taxes recorded for the three months ended 2019 was primarily due to state income tax expense.

The Company's effective tax rate was 0.0% for the three months ended March 31, 2020 and (0.2)% for the three months ended March 31, 2019. The difference between the effective tax rate and the federal statutory tax rate for the three months ended March 31, 2020 and 2019 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 March 31, 2020 and December 31, 2019, the Company retains a full valuation allowance on its deferred tax assets. The realization of the Company's deferred tax assets depends primarily on its ability to generate taxable income in future periods. The amount of deferred tax assets considered realizable in future periods may change as management continues to reassess the underlying factors it uses in estimating future taxable income.

The provision for income taxes for the three months ended March 31, 2020 and 2019 was calculated on a jurisdiction basis.

SUMMIT WIRELESS TECHNOLOGIES, INC.

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7. **Income Taxes**, continued

On March 27, 2020, the Coronavirus Aid, Relief and Economic Security (“CARES”) Act was signed into law. The CARES Act includes provisions relating to refundable payroll tax credits, deferment of the employer portion of certain payroll taxes, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations and technical corrections to tax depreciation methods for qualified improvement property. The Company is currently analyzing the impact of these changes and therefore an estimate of the impact to income taxes is not yet available.

8. **Commitments and Contingencies**

Operating Leases

The Company rents its Beaverton, Oregon office under an operating lease, which was set to expire in October 2018. In July 2018, the Company extended its lease through October 31, 2020. Under the terms of the lease, the Company is responsible for taxes, insurance and maintenance expense. The Company recognizes rent expense on a straight-line basis over the lease period. Rent expense for the three months ended March 31, 2020 and 2019 was \$113,000 and \$90,000, respectively.

Future annual minimum lease payments under the non-cancelable operating lease as of March 31, 2020 are \$213,000 for the year ending December 31, 2020.

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.

On April 3, 2020, we received a letter (the “April 3rd Alexander Counsel Letter”) from counsel for Alexander Capital, L.P. (“Alexander”), alleging that we were in apparent breach of a certain engagement agreement, dated February 6, 2020, that we entered into with Alexander (the “Engagement Agreement”), which appointed Alexander as our exclusive placement agent and financial advisor, due to our consummation of the March 2020 Private Placement, in which Maxim acted as placement agent. Such letter also claimed that due to such alleged breach, and in accordance with the terms of the Engagement Agreement, we owed Alexander an aggregate of \$170,000 and warrants to purchase up to 22,768 shares of common stock in connection with the March 2020 Private Placement. The April 3rd Alexander Counsel Letter further stated that Alexander would be willing to forego any claim to the issuance of warrants to it and to settle the dispute in consideration of our payment of \$170,000 (the “Alexander Settlement Offer”).

By letter dated April 7, 2020, we responded to the April 3rd Alexander Counsel Letter and disputed Alexander’s claims. On April 10, 2020, we received a second letter (the “April 10th Alexander Counsel Letter”), from Alexander’s counsel, responding to our April 7th letter and which disputed all of our arguments relating to the termination of the Engagement Agreement; (ii) appeared to withdraw the Alexander Settlement Offer; and (iii) referred to the engagement of Maxim as underwriter in connection with the April 2020 Offering, claimed that such engagement is a further breach of the Engagement Agreement and states that Alexander believes that it would be entitled to seek further damages for breach. Additionally, there is language in the April 10th Alexander Counsel Letter stating that if we had engaged Maxim prior to closing a financing on February 28, 2020 in which Alexander was placement agent, without disclosing our prior engagement of Maxim to investors in that financing, that this would raise additional issues. Finally, Alexander demanded that we cease the April 2020 Offering immediately and that if we proceed with such offering, it will seek to be compensated as if it had acted as underwriter in such offering. On April 16, 2020, we received a third letter from Alexander’s counsel that Alexander intends to file an action in connection with such claims.

SUMMIT WIRELESS TECHNOLOGIES, INC.

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8. Commitments and Contingencies, continued

In connection with Alexander's threatened litigation which was triggered as a result of the March 2020 Private Placement, the Company recorded a contingency reserve of \$250,000 in the three months ended March 31, 2020. See Note 11, Subsequent Events for more details.

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

9. Related Parties

Brett Moyer

Mr. Moyer has served as the Company's President, Chief Executive Officer and member of the board of directors since the Company's founding in August 2010.

On October 7, 2019, Mr. Moyer entered into a Warrant Amendment Agreement with the Company. Mr. Moyer exercised Original Warrants for a total of 453 shares of common stock and the Company received proceeds of \$7,246. On November 3, 2019, Mr. Moyer entered into a Settlement Agreement with the Company, pursuant to which the Company issued Mr. Moyer 65 additional shares of common stock. As of March 31, 2020 and December 31, 2019, Mr. Moyer owned 1.8% and 1.9% of the outstanding shares of the Company's common stock, respectively.

Gary Williams

Mr. Williams has served as the Company's Chief Accounting Officer since September 2019, as the Company's VP of Finance since August 2010 and previously served as the Company's Chief Financial Officer from August 2010 to September 2019.

On October 7, 2019, Mr. Williams entered into a Warrant Amendment Agreement with the Company. Mr. Williams exercised Original Warrants for a total of 179 shares of common stock and the Company received proceeds of \$2,862. On November 3, 2019, Mr. Williams entered in a Settlement Agreement with the Company, pursuant to which the Company issued Mr. Williams 26 additional shares of common stock. As of March 31, 2020 and December 31, 2019, Mr. Williams owned less than 1.0% of the outstanding shares of the Company's common stock.

Jonathan Gazdak

Mr. Gazdak is Managing Director – Head of Investment Banking for Alexander Capital, L.P., an investment banking firm based in New York. Mr. Gazdak has been a member of the board of directors since June 2015. Alexander Capital, L.P. has acted as the lead investment bank in a number of the Company's private financings and as an underwriter for the Company's IPO. As of March 31, 2020 and December 31, 2019, Mr. Gazdak owned less than 1% of the outstanding shares of the Company's common stock.

On October 7, 2019, Mr. Gazdak entered into a Warrant Amendment Agreement with the Company. Mr. Gazdak exercised Original Warrants for a total of 157 shares of common stock and the Company received proceeds of \$2,510. On November 6, 2019, Mr. Gazdak entered into a Settlement Agreement with the Company, pursuant to which the Company issued Mr. Gazdak 23 additional shares of common stock. In connection with the Company's entry in the Warrant Amendment Agreements, Alexander Capital, L.P. was paid a cash fee of \$51,374.

SUMMIT WIRELESS TECHNOLOGIES, INC.

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9. Related Parties, continued

On April 4, 2019, the Company signed another engagement letter with Alexander Capital, L.P. under which Alexander Capital, L.P. earns a fee on total investments by its clients. In connection with the issuance of the initial tranche of the Series A Preferred Stock, Alexander Capital, L.P. earned a fee of \$80,000 and the Company agreed to issue it a warrant to purchase 2,041 shares of common stock. Such warrant is exercisable at a per share price of \$43.60 and is exercisable at any time during the five-year period commencing 180 days from the effective date of the issuance of such common stock, which period shall not exceed five years from such effective date.

On April 17, 2019, the Company entered into an underwriting agreement with Alexander Capital, L.P. in connection with an offering by the Company of 203,787 shares of common stock, pursuant to which Alexander Capital, L.P. was paid cash fees of \$406,554 as well as a non-accountable expense allowance of \$54,207 and reimbursements of \$100,000 and pursuant to which the Company agreed to issue a warrant to purchase 6,114 shares of common stock. Such warrant is exercisable at a per share price of \$33.20 and is exercisable at any time during the five-year period commencing 180 days from the effective date of the issuance of such common stock, which period shall not exceed five years from such effective date.

On October 16, 2019, the Company entered into another underwriting agreement with Alexander Capital, L.P. in connection with an offering by the Company of up to an aggregate of 125,000 shares of common stock, pursuant to which Alexander Capital, L.P. was paid cash fees of \$131,250 as well as a non-accountable expense allowance of \$17,500 and reimbursements of \$43,750 and pursuant to which the Company agreed to issue a warrant to purchase 3,750 shares of common stock. Such warrant is exercisable at a per share price of \$17.50 and is exercisable at any time during the five-year period commencing one year from the effective date of the issuance of such stock, which period shall not exceed five years from such effective date.

On February 6, 2020, the Company entered into another placement agency agreement with Alexander Capital, L.P. in connection with an offering by the Company of up to an aggregate of \$835,000 of the Company's securities, pursuant to which Alexander Capital, L.P. was paid cash fees of \$83,000 and pursuant to which the Company agreed to issue to Alexander Capital, L.P. a warrant to purchase 4,553 shares of common stock. Such warrant is exercisable at a per share price of \$8.80 and is exercisable at any time during the five-year period commencing on the date of issuance.

Brian Herr

Mr. Herr is Chief Investment Officer and Co-Head of Structured Credit and Asset Finance, for the Medalist Partners platform (f/k/a Candlewood Structured Strategy Funds), serves as a partner and co-portfolio manager for each of the Medalist Partners Harvest Master Fund, Ltd. and Medalist Partners Opportunity Master Fund A, LP (collectively, the "Medalist Funds"), and is a former director of the Company who resigned from the board of directors effective February 10, 2020.

On October 8, 2019, each of the Medalist Funds entered into a Warrant Amendment Agreement with the Company. In connection with and prior to the Warrant Amendment Agreement that each of the Medalist Funds entered into, the Company also executed Amendment No. 1 to the Series F Warrants held by each of the Medalist Funds (the "Series F Warrant Amendment"), pursuant to which each such Series F Warrant was further amended to add, among other things, fundamental transaction and subsequent rights offerings provisions as well as a 9.99% beneficial ownership limitation (the "Beneficial Ownership Limitation").

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9. **Related Parties**, continued

Pursuant to Warrant Amendment Agreements that were entered into with each of the Medalist Funds, with respect to the Series F Warrants and Series G Warrants, if the exercise of an Original Warrant at the Reduced Exercise Price would cause each of the Medalist Funds to exceed the Beneficial Ownership Limitation, in lieu of receiving such number of shares of common stock in excess of the Beneficial Ownership Limitation, the Company will only issue such number of shares of common stock to each of the Medalist Funds as would not cause each of the Medalist Funds to exceed the maximum number of shares of common stock permitted under the Beneficial Ownership Limitation, and each of the Medalist Funds shall be issued, at an exercise price equal to the Reduced Exercise Price less \$15.80 per share, pre-funded common stock purchase warrants covering such number of shares of common stock as would otherwise have been in excess of the Beneficial Ownership Limitation (the "Pre-Funded Warrants"). In connection with such exercises, the Medalist Funds were issued Pre-Funded Warrants to purchase an aggregate of 20,719 shares of common stock. The Company received aggregate gross proceeds of approximately \$327,000 in connection with the Pre-Funded Warrants.

On November 4, 2019, the Company entered into a Settlement Agreement with the Medalist Funds, pursuant to which the Company agreed to pay the Medalist Funds an aggregate of \$47,223 in cash, with such cash meant to compensate the Medalist Funds for the difference between the Amended Exercise Price and the lower priced shares of common stock that were offered to investors in connection with the Company's October 2019 registered direct offering pursuant to which it issued 125,000 shares of common stock to certain institutional investors at an offering price of \$14.00 per share (the "Registered Direct Offering"). In addition, pursuant to the Settlement Agreement, the Company and the Medalist Funds agreed to extend the date by which the Company would file a registration statement on Form S-3 to register all of the Resale Shares from November 4, 2019 to November 18, 2019.

On February 6, 2020, Mr. Herr notified the Company of his decision to resign from the Company's board of directors effective February 10, 2020. Mr. Herr resigned to focus on managing the Medalist Funds and not due to any disagreement between the Company and Mr. Herr, or any matter related to the Company's operations, policies or practices. As of March 31, 2020 and December 31, 2019, the Medalist Funds owned 7.6% and 8.3% of the outstanding shares of the Company's common stock, respectively.

Michael Howse

The Company is party to an agreement with Michael Howse, dated April 6, 2018, as amended effective as of December 27, 2018 (the "Howse Agreement"), pursuant to which Mr. Howse was appointed interim role as chief strategy officer on an "at-will" basis in consideration for a monthly cash salary as well as (i) a warrant to purchase 5,500 shares of our common stock, exercisable at a per share price of \$40.00 and which vested monthly over a nine-month period and which fully vested on January 6, 2019 and (ii) a warrant to purchase 8,250 shares of our common stock, exercisable at a per share price of \$40.00, which shall vest, so long as Mr. Howse continues to serve as interim chief strategy officer and/or as a member of our board of directors, (x) as to 5,500 shares of common stock upon the achievement of a significant milestone and (y) as to 2,750 shares of common stock upon the achievement of an additional significant milestone. The foregoing exercise prices are subject to adjustment as provided in each warrant. Pursuant to the Howse Agreement, such warrants shall fully vest on the earlier of (1) immediately prior to a Fundamental Transaction, as defined in such agreement, (2) Mr. Howse's removal from our board of directors for any reason other than his resignation, his intentional illegal conduct or gross misconduct, or his conviction for any felony, theft, embezzlement or violent crime. In addition, pursuant to the Howse Agreement, we also agreed to appoint Mr. Howse to our board of directors, where he may only be removed for cause, or his termination or resignation.

SUMMIT WIRELESS TECHNOLOGIES, INC.

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9. Related Parties, continued

Under the Howse Agreement, if the Company raises capital in one or more financings from certain pre-approved strategic investors, or is acquired by a third-party during the period that Mr. Howse serves as interim chief strategy officer (or within six months thereafter), he will receive a percentage cash bonus concurrently with the closing of such transaction based on the amount raised or consideration paid for the Company, as applicable, (A) which bonus doubles in the event that the Company does not incur an amount equal to 2% or more of the Consideration (as defined in the Howse Agreement) in fees to any investment bank in connection with such transaction, if such transaction is a Fundamental Transaction (such fees, "General Expenses"), and (B) 50% of which bonus may be paid as a convertible note or preferred equity with the same terms as the other participants in such transaction, if such transaction is a financing. Pursuant to the Howse Agreement, we may terminate Mr. Howse at any time, with or without cause, upon 90 days' prior written notice. Such agreement provides for Company-sponsored benefits in accordance with our policies. Pursuant to the Howse Agreement, effective November 1, 2018, Mr. Howse was placed on our payroll and is now considered a part-time Company employee.

In connection with the Howse Agreement, the Company is also party to the Deferred Shares Agreement, pursuant to which the Company granted Mr. Howse up to 20,000 Deferred Shares under the LTIP. Pursuant to such agreement, if a Fundamental Transaction has not occurred within 180 days of the earlier of the date on which Mr. Howse no longer serves (i) as our interim chief strategy officer or (ii) on our board of directors, all of the Deferred Shares shall be forfeited and Mr. Howse will have no further rights to such shares. Pursuant to such agreement, the Deferred Shares shall vest immediately prior to a Fundamental Transaction, and the number of Deferred Shares that shall vest is based on the Consideration paid for the Company in such transaction, which number of Deferred Shares that shall vest to double in the event that the Company does not incur General Expenses. As of March 31, 2020, Mr. Howse has vested warrants to purchase 13,750 shares of common stock and owns 0% of the outstanding shares of the Company's common stock.

Helge Kristensen

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

In August 2019, we issued a \$360,000 purchase order to Hansong Technology. Pursuant to such purchase order, we will pay \$360,000 to Hansong Technology for the purchase of certain products. Additionally, Hansong Technology purchased \$63,523 of our modules pursuant to purchase orders issued in 2019, with \$22,923 received by us in 2019 and the remaining amount expected to be received in 2020. As of March 31, 2020 and December 31, 2019, Mr. Kristensen and affiliates owned less than 1.0% of the outstanding shares of the Company's common stock.

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9. Related Parties, continued

Significant Shareholders

On April 18, 2019, the Company entered into a Securities Purchase Agreement, dated as of April 18, 2019, with Ms. Walsh (the “Preferred SPA”), pursuant to which the Company issued 250,000 shares of its Series A 8% Senior Convertible Preferred Stock, par value \$0.0001 per share (the “Series A Preferred Stock”), which shares have a stated value of \$4.00, grant holders the same voting rights as holders of our shares of common stock, and are convertible into shares of common stock at a price of \$80.00 per share, which price cannot be reduced below \$30.00, and which is subject to adjustment under the Certificate of Designations of the Preferences, Rights and Limitations of the Series A Preferred Stock upon certain subsequent transactions and events described therein, in consideration for \$1,000,000 (the “Initial Tranche”). The Series A Preferred Stock may be issued in tranches of at least \$500,000 and in an aggregate of up to \$5,000,000. In connection with the Initial Tranche, the Company also issued to Ms. Walsh a warrant to purchase 12,756 shares of common stock, which is immediately exercisable, has a five-year life, has an exercise price of \$39.60 and is subject to 4.99/9.99% blockers and to adjustment for stock dividends and splits. Pursuant to the Preferred SPA, holders of shares of the Series A Preferred Stock (i) have the right to require the Company to register the shares of Series A Preferred Stock as well as the shares of common stock underlying such shares and the warrant issued to Ms. Walsh within 180 days of the Closing Date (as defined in the Preferred SPA) on which purchasers have committed to purchase an aggregate of amount of Series A Preferred Stock with an aggregate stated value equal to or exceeding \$1,000,000.

In connection with the October 16, 2019 Registered Direct Offering, Ms. Walsh purchased 50,000 shares of common stock at a price of \$14.00 per share. The Company received proceeds of \$700,000 from such purchase.

On October 7, 2019, Ms. Walsh entered into a Warrant Amendment Agreement with the Company. Ms. Walsh exercised Original Warrants for a total of 25,992 shares of common stock and the Company received proceeds of \$416,000. On November 3, 2019, Ms. Walsh entered into a Settlement Agreement with the Company, pursuant to which the Company agreed to issue Ms. Walsh 3,714 additional shares of common stock.

As of March 31, 2020 and December 31, 2019, Ms. Walsh owned 100% of the Company’s Series A Preferred Stock and 21.2% and 22.8%, respectively, of the outstanding shares of the Company’s common stock.

10. Segment Information

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

Net revenue from customers is designated based on the geographic region to which the product is delivered. Net revenue by geographic region for the three months ended March 31, 2020 and 2019 was as follows:

(in thousands)	For the three months ended March 31,	
	2020	2019
United States	\$ 38	\$ 3
Europe	24	149
Asia Pacific	349	313
Total	\$ 411	\$ 465

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

SUMMIT WIRELESS TECHNOLOGIES, INC.

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11. Subsequent Events

Reverse Stock Split

On April 8, 2020, the Company announced that its board of directors had approved a 1-for-20 reverse split (the "Reverse Stock Split") of its common stock that became effective on April 9, 2020. The common stock began trading on a split-adjusted basis on that day under the new CUSIP number 86633R 203. 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 par value of the common stock and the Series A Preferred Stock outstanding and its par value were not adjusted for the Reverse Stock Split.

Closing of Public Offering

On April 23, 2020, the Company announced that it closed an underwritten public offering of 1,525,000 shares of its common stock, pre-funded common stock purchase warrants to purchase up to an aggregate of 475,000 shares of common stock, and common stock purchase warrants to purchase up to an aggregate of 2,000,000 shares of the Company's common stock. Each share of common stock or pre-funded common stock purchase warrant was sold together with one common stock purchase warrant to purchase one share of common stock at a combined price to the public of \$3.25 per share and common stock purchase warrant (or \$3.24 per pre-funded common stock purchase warrant and common stock purchase warrant). Gross proceeds before deducting underwriting discounts, commissions and other offering expenses were approximately \$6.5 million. In addition, the Company granted to Maxim Group LLC a 45-day option to purchase up to an additional 300,000 shares of common stock and/or common stock purchase warrants to purchase up to an aggregate of 300,000 shares of common stock, at the public offering price, less discounts and commissions, of which Maxim has partially exercised its option to purchase additional common stock purchase warrants to purchase up to an aggregate of 229,100 shares of common stock. Each common stock purchase warrant is immediately exercisable for one share of common stock at an exercise price of \$3.25 per share and will expire five years from issuance.

Nasdaq Notice

On April 24, 2020, the Company announced that it has received written notification from Nasdaq that the Company has regained compliance with Nasdaq's minimum bid price requirement of at least \$1.00 per share under Nasdaq Listing Rule 5550(a)(2) for continued listing on The Nasdaq Capital Market. The Company had previously been notified by Nasdaq on October 16, 2019, that the Company's closing bid price per share had been below \$1.00 for a period of 30 consecutive business days and that the Company did not meet the minimum bid price requirement under Nasdaq Listing Rule 5550(a)(2). According to the notification letter, the Company had 180 days to regain compliance by meeting or exceeding the minimum bid price for a period of at least 10 consecutive trading days, but the closing bid price of the Company's common stock did not satisfy this requirement. On April 24, 2020, however, Nasdaq notified the Company that it has determined that the closing bid price of the Company's common stock for the 10 consecutive business days from April 9, 2020 through April 23, 2020 had been at least \$1 per share. Accordingly, the Company has regained compliance with the minimum bid price requirement, and the matter is closed.

Repayment of Convertible Promissory Note

On April 29, 2020, the outstanding debt of \$2,040,000, owed to the Investor pursuant to the March 2020 Note, was fully repaid.

SUMMIT WIRELESS TECHNOLOGIES, INC.

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11. Subsequent Events, continued

Note Agreement

On May 3, 2020, we were granted a loan (the “May 2020 Loan”) from Wells Fargo Bank, National Association in the aggregate amount of \$846,636, pursuant to the Paycheck Protection Program (the “PPP”) under Division A, Title I of the Coronavirus Aid, Relief, and Economic Security Act, which was enacted on March 27, 2020. The May 2020 Loan was funded on May 7, 2020.

The May 2020 Loan, which is in the form of a PPP promissory note and agreement, dated May 3, 2020 (the “Note Agreement”), matures on May 3, 2022 and bears interest at a rate of 1.00% per annum, payable monthly commencing on November 1, 2020. The May 2020 Loan may be prepaid by us at any time prior to maturity with no prepayment penalties. We intend to use the May 2020 Loan amount for payroll costs, costs used to continue group health care benefits, rent, and utilities. Under the terms of the Note Agreement, certain amounts of the May 2020 Loan may be forgiven if they are used for qualifying expenses, as described in the Note Agreement.

Alexander Settlement Agreement

On May 14, 2020, we entered into the Alexander Settlement Agreement, pursuant to which, in consideration for Alexander releasing us from all claims against us arising out of the Engagement Agreement, other than indemnification for certain third-party claims, we agreed to (i) pay Alexander a one-time cash payment of \$125,000 and (ii) issue to Alexander 50,000 shares of our common stock (the “Alexander Settlement Shares”). We also released Alexander from the same type of claims against Alexander, other than indemnification for certain third-party claims. In connection with the Alexander Settlement Agreement, on May 14, 2020, we also entered into a leak-out agreement with Alexander (the “Leak-Out Agreement”), pursuant to which Alexander shall not dispose of more than 5,000 shares of common stock in any trading day, commencing on the date of such agreement and ending on the date on which Alexander no longer holds any Alexander Settlement Shares.

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

Cautionary Notice Regarding Forward Looking Statements

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

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

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

Overview

We were formed as Summit Semiconductor, LLC, a Delaware limited liability company, on July 23, 2010. We converted to a Delaware corporation, effective December 31, 2017, at which time we changed our name to Summit Semiconductor, Inc. Effective as of September 11, 2018, we changed our name to Summit Wireless Technologies, Inc. We run our operations through Summit Wireless Technologies, Inc., as well as through our wholly-owned subsidiaries, Summit Wireless Japan K.K., a Japanese corporation and WiSA, LLC, a Delaware limited liability company. The address of our corporate headquarters is 6840 Via Del Oro, Ste. 280, San Jose, CA 95119. Our website address is www.summitwireless.com. The information contained in or accessible through our website is not part of this report and is intended for informational purposes only.

We are an early stage technology company and our primary business focus is to enable mainstream consumers and audio enthusiasts to experience high quality audio. We intend to continue selling our semiconductors and wireless modules to consumer electronics companies while also increasing our focus on implementing a software licensing business segment.

We believe that the future of audio technology is in wireless devices and that we are well positioned to deliver best-in-class immersive wireless sound technology for intelligent devices and next generation home entertainment systems. We currently sell modules which wirelessly transmit and receive audio directly to speakers, and which are also fully certified and compatible with the Wireless Speaker and Audio (“WiSA”) Association’s current compliance test specification, which tests the interoperability of products that offer wireless, interference free, uncompressed high-definition audio. Additionally, we plan to license our proprietary software technology to other companies enabling Wi-Fi based smart devices to support immersive wireless audio.

Our marketing strategy focuses on, what we believe, are three key wireless audio technology needs: interoperability, immersive audio quality, and lower signal latency.

1. **Interoperability:** As part of the effort to grow the wireless multichannel home audio segment, we are a founding member of the WiSA Association, an association dedicated to providing industry leadership and consumer choice through interoperability testing between brands. Products developed to the WiSA standard work seamlessly together and eliminate complicated setups common to traditional wired audio systems.
2. **Immersive Audio Quality:** We currently sell custom semiconductor chips and wireless modules to a growing list of major consumer electronics brands. Our current wireless module technology transmits wireless audio to each speaker at Blu-ray quality (uncompressed 24-bit audio up to 96 kHz sample rates). To our knowledge, our custom chip and module technology is the only technology available today that can stream up to eight (8) separate wireless audio channels for an immersive wireless surround sound experience.
3. **Lower Latency:** Our technology delivers wireless audio channels with low latency, critical for removing lip-sync issues between audio and video sources.

We believe that a growing adoption of wireless audio technology in support of video by leading brands will revolutionize the way that people experience media content through their mobile devices, televisions (“TVs”), game consoles, personal computers (“PCs”), soundbars and smart speakers. We believe that our proprietary software, for which patent applications have been submitted, will provide similar functionality and quality and allow us to embed our software into smart devices with Wi-Fi. A prototype version of our software technology has been demonstrated to select customers (pursuant to confidentiality agreements) at the 2020 Consumer Electronics Show in Las Vegas, Nevada. We believe that our software based-solution, which other brands can integrate into their devices, will (i) reduce integration costs for mass market use, (ii) leverage widely accepted Wi-Fi connectivity, (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.

On January 23, 2020, we entered into a funding agreement, as amended (the “Funding Agreement”), which provided for the issuance to an unaffiliated accredited investor of a convertible promissory note in the principal amount of \$111,100, reflecting a 10% original issue discount, 500 shares of our common stock and a five-year warrant exercisable for 7,936 shares of our common stock at an exercise price of \$9.80 per share in consideration for \$100,000, which was funded on January 24, 2020. Additionally, pursuant to the Funding Agreement, such investor was granted a most favored nation right. As of the date of this report, the outstanding debt owed to such investor pursuant to the Funding Agreement has been fully repaid.

On February 28, 2020, we completed a private placement (the “February 2020 Private Placement”) of 91,062 units (the “Units”), each unit consisting of (i) one (1) share of common stock and (ii) a warrant to purchase 0.50 of a share of common stock (the “February 2020 Warrants”), at a price per Unit of \$9.17. The Units were issued pursuant to a Unit Purchase Agreement, dated February 4, 2020, and a subscription agreement, dated February 28, 2020 by and among us and the purchasers signatory thereto. In connection with the February 2020 Private Placement, we paid Alexander Capital, L.P. (“Alexander”) cash fees of \$83,000 and issued to Alexander a warrant to purchase 4,553 shares of common stock. Such warrant is exercisable at a per share price of \$8.80 and is exercisable at any time during the five-year period commencing on the date of issuance. The February 2020 Private Placement, which was priced above market, resulted in gross proceeds of \$835,000 before fees and other expenses associated with the transaction. We used the net proceeds of approximately \$725,000 from the offering for working capital purposes and increasing stockholders’ equity in order to comply with Nasdaq Listing Rule 5550(b) and for general corporate purposes.

The February 2020 Warrants are exercisable to purchase up to an aggregate of 45,534 shares of common stock commencing on the date of issuance at an exercise price of \$9.80 per share, subject to adjustment upon stock splits, reverse stock splits, and similar capital changes. The February 2020 Warrants are exercisable immediately and will expire on the close of business on February 28, 2025. The exercise of the February 2020 Warrants are subject to beneficial ownership limitations such that each holder of such February 2020 Warrant may exercise it to the extent that such exercise would result in such holder being the beneficial owner in excess of 4.99% (or, upon election of such holder, 9.99%), which beneficial ownership limitation may be increased or decreased up to 9.99% upon notice to us, provided that any increase in such limitation will not be effective until 61 days following notice to us.

On March 30, 2020, we completed a private placement (the “March 2020 Private Placement”) of a senior secured convertible instrument (the “March 2020 Note”) and a warrant (the “March 2020 Warrant”) to purchase 227,679 shares of common stock at an exercise price of \$6.40 per share, pursuant to which Maxim Group LLC (“Maxim”) acted as placement agent. The March 2020 Note and March 2020 Warrant were issued pursuant to a securities purchase agreement, entered into as of March 22, 2020 (the “March 2020 Purchase Agreement”) by and between us and an institutional investor (the “Investor”). The March 2020 Private Placement resulted in gross proceeds of \$1,700,000, before fees and other expenses associated with the transaction, including but not limited to, an \$85,000 commitment fee payable to the Investor. The net proceeds to be received by us in connection with the March 2020 Private Placement will be used primarily for working capital, debt repayment and general corporate purposes. Additionally, we agreed to issue to Maxim a warrant to purchase up to an aggregate of 20,400 shares of common stock, subject to adjustment, as partial consideration for serving as placement agent in connection with the March 2020 Private Placement.

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

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

Like most US-based businesses, the COVID-19 pandemic and efforts to mitigate the same began to have impacts on our business in March 2020. By that time, much of our first fiscal quarter was completed. Since late March 2020, we have observed recent decreases in demand from certain customers.

Given the fact that our products are sold through a variety of distribution channels, we expect that our sales will experience more volatility as a result of the changing and less predictable operational needs of many customers as a result of the COVID-19 pandemic. We are aware that many companies, including many of our suppliers and customers, are reporting or predicting negative impacts from COVID-19 on future operating results. Although we observed significant declines in demand for our products and services from certain customers during April 2020, we believe that it remains too early for us to know the exact impact that COVID-19 will have on overall demand for such products, technology, and services. We also cannot be certain how demand may shift over time, as the impacts of the COVID-19 pandemic may go through several phases of varying severity and duration.

In light of broader macro-economic risks and already known impacts on certain industries that use our products and services, we have taken and are taking targeted steps to lower our operating expenses because of the COVID-19 pandemic. We continue to monitor the impacts of COVID-19 on our operations closely and this situation could change based on a significant number of factors that are not entirely within our control and are discussed in this and other sections of this quarterly report on Form 10-Q. We do not expect there to be material changes to our assets on our balance sheet or our ability to timely account for those assets. Further, in connection with the preparation of this quarterly report on Form 10-Q and the interim financial statements contained herein, we reviewed the potential impacts of the COVID-19 pandemic on intangible assets and have determined there to be no material impact at this time. We have also reviewed the potential impacts on future risks to the business as it relates to collections, returns and other business-related items.

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. We have taken steps to restrain and monitor our operating expenses and therefore we do not expect any such impacts to materially change the relationship between costs and revenues.

Like most companies, we have taken a range of actions with respect to how we operate to assure that we comply with government restrictions and guidelines as well as best practices to protect the health and well-being of our employees and our ability to continue operating our business effectively. To date, we have been able to operate our business effectively using these measures and to maintain all internal controls. We also have not experienced challenges in maintaining business continuity and do not expect to incur material expenditures to do so. However, the impacts of COVID-19 and efforts to mitigate the same have remained unpredictable and it remains possible that challenges may arise in the future.

The actions that we have taken so far during the pandemic include, but are not limited to:

- requiring all employees who can work from home to work from home;
- increasing our IT networking capability to best assure that employees can work effectively outside the office;
- for employees who must perform essential functions in one of our offices:
 - having employees maintain a distance of at least six feet from other employees whenever possible;
 - having employees stay segregated from other employees in the office with whom they require no interaction; and
 - requiring employees to wear masks while they are in the office whenever possible.

We currently believe that revenue for the three months ending June 30, 2020 will decline significantly year over year due to the conditions noted. If business interruptions resulting from COVID-19 were to be prolonged or expanded in scope, our business, financial condition, results of operations and cash flows would be negatively impacted. We will continue to actively monitor this situation and will implement actions necessary to maintain business continuity.

Comparison of the Three Ended March 31, 2020 and 2019

Revenue

Revenue for the three months ended March 31, 2020 was \$411,000, a decrease of \$54,000, or 12%, compared to the same period of 2019. The decrease in revenue was attributable to lower module sales.

Cost of Revenue and Operating Expenses

Cost of Revenue

Cost of revenue for the three months ended March 31, 2020 was \$348,000, a decrease of \$59,000, or 14%, compared to the same period of 2019. Cost of revenue decreased primarily as a result of decreased module sales between comparable time periods.

Research and development

Research and development expenses for the three months ended March 31, 2020 were \$1,134,000, a decrease of \$227,000, compared to the same period of 2019. The decrease in research and development expenses is primarily related to decreased consulting and recruiting fees of \$210,000 and \$29,000, respectively.

Sales and marketing

Sales and marketing expenses for the three months ended March 31, 2020 were \$698,000, a decrease of \$51,000, compared to the same period of 2019. The decrease in sales and marketing expenses is primarily related to reduced consulting fees of approximately \$121,000, which includes \$5,000 of decreased stock compensation charges, offset partially by increased salary and benefit expenses of \$48,000 and increased stock compensation charges of \$20,000.

General and Administrative

General and administrative expenses for the three months ended March 31, 2020 were \$891,000, an increase of \$276,000, compared to the same period of 2019. The increase in general and administrative expenses is primarily related to increased salary and benefit expenses of \$73,000, as the Company added a senior financial executive in September 2019, increased stock compensation and accounting expenses of \$38,000 and \$36,000, respectively, and a contingency accrual of \$250,000 related to the Alexander threatened litigation discussed in Note 8 – Contingencies. The increase was partially offset by decreased legal fees and investor relation expenses of \$28,000 and \$65,000, respectively.

Interest Expense

Interest expense for the three months ended March 31, 2020 was \$37,000, compared to \$0 for the same period of 2019. Interest expense for the three months ended March 31, 2020 was primarily due to the amortization of debt discounts associated with the convertible debt that the Company incurred in March 2020. No interest expense was booked in the three months ended March 31, 2019, as the Company had no outstanding debt.

Change in Fair Value of Warrant Liability

Change in fair value of warrant liability for the three months ended March 31, 2020 resulted in a gain of \$19,000, compared to a gain of \$111,000 in the same period of 2019. The gain for each of the three months ended March 31, 2020 and 2019, was due to the decrease in our common stock price during the period.

Liquidity and Capital Resources

Cash and cash equivalents as of March 31, 2020 were \$755,000, compared to \$298,000 as of December 31, 2019. The increase in cash and cash equivalents during the three months ended March 31, 2020 was directly related to the February 2020 Private Placement, whereby the Company raised net proceeds of \$725,000 and the sale of convertible notes, under which the Company raised net proceeds of \$1,665,000. The cash provided by these financing activities was somewhat offset by the use of cash to fund operations and working capital of \$1,820,000.

We incurred a net loss of \$2,680,000 for the three months ended March 31, 2020 and used net cash in operating activities of \$1,820,000. For the three months ended March 31, 2019, we incurred a net loss of \$2,565,000 and used net cash in operating activities of \$2,820,000. Excluding non-cash adjustments, the primary reasons for the decrease in the use of net cash from operating activities during the three months ended March 31, 2020 was related to the increase in accounts payable and accrued liabilities of \$512,000 and \$196,000, respectively.

We are an early stage company and have generated losses from operations since inception. In order to execute our long-term strategic plan to further develop and fully commercialize our core products, we will need to raise additional funds, through public or private equity offerings, debt financings, or other means. These conditions raise substantial doubt about our ability to continue as a going concern.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

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

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that material information required to be disclosed in our periodic reports filed under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms and to ensure that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer as appropriate, to allow timely decisions regarding required disclosure. Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of our disclosure controls and procedures. Based on the foregoing evaluation, our management concluded that, as of March 31, 2020, our disclosure controls and procedures were not effective to provide reasonable assurance that the information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Our management, including our Chief Executive Officer (Principal Executive Officer) and Chief Financial Officer (Principal Financial Officer), does not expect that our disclosure controls and procedures will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our Company have been detected. These inherent limitations include, but are not limited to, the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Changes in Internal Controls

There were no changes in the Company's internal control over financial reporting that occurred during the three months ended March 31, 2020 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, we are not required to provide the information required by this Item.

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

On January 23, 2020, we entered into a funding agreement, as amended (the "Funding Agreement"), which provided for the issuance to an unaffiliated accredited investor of a convertible promissory note in the principal amount of \$111,100, reflecting a 10% original issue discount, 500 shares of our common stock, par value \$0.0001 per share ("Common Stock"), and a five-year warrant exercisable for 7,936 shares of our Common Stock at an exercise price of \$9.80 per share in consideration for \$100,000, which was funded on January 24, 2020. The proceeds for such issuance were used primarily for general corporate purposes. Additionally, pursuant to the Funding Agreement, such investor was granted a most favored nation right. As of the date of this report, the outstanding debt owed to such investor pursuant to the Funding Agreement has been fully repaid.

On February 28, 2020, the Company completed a private placement (the "February 2020 Private Placement") of 91,062 units (the "Units"), each unit consisting of (i) one (1) share of Common Stock and (ii) a warrant to purchase 0.50 of a share of Common Stock (the "February 2020 Warrants"), at a price per Unit of \$9.17. The Units were issued pursuant to a Unit Purchase Agreement, dated February 4, 2020, and a subscription agreement, dated February 28, 2020 by and among the Company and the purchasers signatory thereto. The February 2020 Private Placement, which was priced above market, resulted in gross proceeds of \$835,000 before fees and other expenses associated with the transaction. In connection with the February 2020 Private Placement, the Company issued paid Alexander Capital, L.P. ("Alexander") cash fees of \$83,000 issued to Alexander a warrant to purchase 4,553 shares of Common Stock. Such warrant is exercisable at a per share price of \$8.80 and is exercisable at any time during the five-year period commencing on the date of issuance. The proceeds of such offering were used primarily toward increasing stockholders' equity in order to comply with Nasdaq Listing Rule 5550(b) and for general corporate purposes. The February 2020 Warrants are exercisable to purchase up to an aggregate of 45,534 shares of Common Stock commencing on the date of issuance at an exercise price of \$9.80 per share, subject to adjustment upon stock splits, reverse stock splits, and similar capital changes. The February 2020 Warrants are exercisable immediately and will expire on the close of business on February 28, 2025. The exercise of the February 2020 Warrants are subject to beneficial ownership limitations such that each holder of such February 2020 Warrant may exercise it to the extent that such exercise would result in such holder being the beneficial owner in excess of 4.99% (or, upon election of such holder, 9.99%), which beneficial ownership limitation may be increased or decreased up to 9.99% upon notice to the Company, provided that any increase in such limitation will not be effective until 61 days following notice to the Company.

On March 30, 2020, the Company completed a private placement (the "March 2020 Private Placement") of a senior secured convertible instrument (the "March 2020 Note") and a warrant (the "March 2020 Warrant") to purchase 227,679 shares of Common Stock at an exercise price of \$6.40 per share, pursuant to which Maxim Group LLC, the representative of the underwriters in this offering ("Maxim"), acted as placement agent. The March 2020 Note and March 2020 Warrant were issued pursuant to a securities purchase agreement, entered into as of March 22, 2020 (the "March 2020 Purchase Agreement") by and between the Company and an institutional investor (the "Investor"). The March 2020 Private Placement resulted in gross proceeds of \$1,700,000, before fees and other expenses associated with the transaction, including but not limited to, an \$85,000 commitment fee payable to the Investor. The net proceeds received by the Company in connection with the March 2020 Private Placement were used primarily for working capital, debt repayment and general corporate purposes. Additionally, the Company agreed to issue to Maxim a warrant to purchase up to an aggregate of 20,400 shares of Common Stock, subject to adjustment, as partial consideration for serving as placement agent in connection with the March 2020 Private Placement. As of the date of this report, the outstanding debt owed to the Investor pursuant to the March 2020 Note has been fully repaid.

The sales and the issuances of the promissory note, Units, March 2020 Note, warrants issued to the investors, as applicable, described above were offered and sold in reliance upon exemptions from registration pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended (the "Securities Act") and/or Rule 506 of Regulation D promulgated under the Securities Act ("Regulation D"). We made this determination based on the representations of each investor which included, in pertinent part, that each such investor was either (a) an "accredited investor" within the meaning of Rule 501 of Regulation D or (b) a "qualified institutional buyer" within the meaning of Rule 144A under the Securities Act and upon such further representations from each investor that (i) such investor acquired the securities for his, her or its own account for investment and not for the account of any other person and not with a view to or for distribution, assignment or resale in connection with any distribution within the meaning of the Securities Act, (ii) such investor agreed not to sell or otherwise transfer the purchased securities unless they are registered under the Securities Act and any applicable state securities laws, or an exemption or exemptions from such registration are available, (iii) such investor had knowledge and experience in financial and business matters such that he, she or it was capable of evaluating the merits and risks of an investment in us, (iv) such investor had access to all of our documents, records, and books pertaining to the investment and was provided the opportunity to ask questions and receive answers regarding the terms and conditions of the offering and to obtain any additional information which we possessed or were able to acquire without unreasonable effort and expense, and (v) such investor had no need for the liquidity in its investment in us and could afford the complete loss of such investment. In addition, there was no general solicitation or advertising for securities issued in reliance upon these exemptions.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit Number	Description
<u>10.1</u>	<u>Settlement Agreement and Release, dated May 14, 2020, by and between the Company and Alexander Capital, L.P.</u>
<u>10.2</u>	<u>Leak-Out Agreement, dated May 14, 2020, by and between the Company and Alexander Capital, L.P.</u>
<u>31.1</u>	<u>Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
<u>31.2</u>	<u>Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
<u>32.1</u>	<u>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</u>
<u>32.2</u>	<u>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</u>
101.INS	XBRL Instance Document
101.SCH	XBRL Schema Document
101.CAL	XBRL Calculation Linkbase Document
101.DEF	XBRL Definition Linkbase Document
101.LAB	XBRL Label Linkbase Document
101.PRE	XBRL Presentation Linkbase Document

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.

Summit Wireless Technologies, Inc.

Date: May 27, 2020

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

Date: May 27, 2020

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

SETTLEMENT AGREEMENT AND RELEASE

This Confidential Settlement Agreement and Release (the "Settlement Agreement") is made by and between Alexander Capital, L.P. ("ACLP") on the one hand, and Summit Wireless Technology, Inc. ("WISA") on the other hand. ACLP and WISA are each referred to as a "Party" and are collectively referred to as the "Parties."

WHEREAS, ACLP has various claims against WISA (the "Claims") stemming from WISA's alleged breach of the Engagement Agreement, dated February 6, 2020, between the Parties (the "Engagement Agreement");

WHEREAS, WISA denies any liability relating to the Claims and maintains a number of affirmative defenses thereto;

WHEREAS, ACLP and WISA have reached an agreement to settle their disputes relating to the Claims and desire to reduce said agreement to writing; and

NOW THEREFORE, in consideration for the mutual promises contained herein, and for the good and valuable consideration recited herein, the receipt and sufficiency of which is hereby acknowledged, ACLP and WISA agree as follows:

1. Remuneration. WISA shall pay to ACLP and ACLP shall accept, the total sum of One Hundred and Twenty-Five Thousand Dollars and No Cents (\$125,000.00) (the "Settlement Payment") within one (1) business day from the date that Sullivan & Worcester, counsel for WISA ("Sullivan") receives, on behalf of WISA, a fully executed Settlement Agreement. The Settlement Payment shall be wired to ACLP according to the following instructions: Alexander Capital LP; ABA# 021000021; Account # 457170137.

Within one (1) business day after the execution and delivery of this Settlement Agreement by both Parties, WISA shall issue to ACLP Fifty Thousand (50,000) shares of WISA's common stock, par value \$0.0001 per share (the "Settlement Shares"), pursuant to a prospectus supplement filed as a supplement (the "Prospectus Supplement") to the base prospectus filed as part of WISA's Registration Statement on Form S-3, filed with the Securities and Exchange Commission ("SEC") (Registration No. 333-233433), which was declared effective on September 6, 2019 (the "Shelf Registration Statement"). Registration of the Settlement Shares, pursuant to the Prospectus Supplement, which will be filed under the Shelf Registration Statement, shall ensure that the Settlement Shares are properly registered according to all federal securities laws, rules, and regulations, including but not limited to SEC and FINRA Regulations. Sale of the Settlement Shares shall be subject to the restrictions set forth in a Leak-Out Agreement, in the form of Exhibit A annexed to this Settlement Agreement. The Settlement Shares shall be transferred into ACLP's possession according to the following instructions: Alexander Capital DTC: XXXX; Prop Acct XXXX.

WISA acknowledges that this is a material term of the Settlement Agreement, and that any failure to ensure the Settlement Shares are properly registered, pursuant to the terms and conditions of the Prospectus Supplement and the Shelf Registration Statement will be a material breach of this Settlement Agreement. WISA further warrants and guarantees that it shall fully indemnify ACLP for any and all costs and expenses incurred, including but not limited to legal costs and fees, should ACLP be subject to any litigation, regulatory action, or regulatory investigation concerning the valid issuance and proper registration of the Settlement Shares. WISA agrees that subject to any required indemnification obligations to ACLP hereunder, it will pay any such expenses promptly upon being presented with an invoice for such reasonable costs incurred by ACLP.

2. Limited Release of WISA. In exchange for the consideration detailed in Paragraph 1 above, ACLP for itself, its administrators, representatives, successors and assigns (the "ACLP Releasers") agrees to release any and all claims it may have against WISA and its predecessors and successors in interest, affiliates, representatives, subsidiaries, parents, divisions, claims managers, heirs, assigns, insurers, re-insurers, shareholders, creditors, liquidators, administrators, executors, former and present directors and officers, all employees, principals, agents or registered representatives ("WISA's Related Persons and Entities") from any and all manner of action and actions, cause and causes of action, suits, proceedings, arbitrations, claims, grievances, debts, sums of money, claims for attorney fees, interest, expenses and costs, covenants, contracts, controversies, agreements, promises, damages, losses, and demands of any nature whatsoever, known or unknown, suspected or unsuspected, in law or in equity, civil or criminal, vested or contingent, which ACLP ever had or now has or asserts against WISA and/or WISA's Related Persons and Entities, for, upon, or by reason of any matter, cause, or thing whatsoever from the beginning of the world to the date hereof, concerning or related to: the February 6, 2020 Engagement Agreement (the "ACLP Released Claims"). As detailed in Paragraph 8 below, WISA's obligation to indemnify ACLP under the Engagement Agreement is explicitly excluded from this release; any and all claims for indemnification shall survive this Settlement Agreement.

Further, ACLP agrees that, contingent upon WISA's making the Settlement Payment and issuing the Settlement Shares to ACLP, as set forth in Paragraph 1 above under this Settlement Agreement, it will release WISA from the Preferential Right clause contained in Section 6 of the Engagement Agreement dated February 6, 2020.

3. Default. It is a material breach of this Settlement Agreement for the obligations described in Paragraph 1, as described above, to not be completed how and when due, subject to ACLP's compliance with the restrictions set forth in Exhibit A. If WISA is in material breach of this Settlement Agreement, by failing to meet those obligations, or in any other manner, ACLP is explicitly permitted to seek damages for such a breach. Either Party is entitled to costs or fees incurred by the other Party in the event of its material breach.

4. Fees. Each Party shall be responsible for their own attorneys' fees and costs.

5. Non-Disparagement. Each Party shall refrain from disparaging the other Party in public or private comment or writing. Further, no Party shall disparage any employee, director, or independent contractor working for the other Party. WISA explicitly acknowledges that it will not comment negatively, nor will it permit its directors, employees, independent contractors, or agents to comment negatively upon ACLP's professionalism, business skills, ability to raise funds, or other capabilities related to its services as a placement agent, financial advisor, or underwriter, nor shall WISA and its directors, employees, independent contractors, or agents, comment negatively on the same traits regarding any current or former ACLP director, employee, independent contractor, or agent. Notwithstanding the foregoing, WISA and ACLP will respond accurately and fully to any question, inquiry or request for information as may be required by legal process, law, or regulation. Violation of this clause shall be a material breach of this Settlement Agreement.

6. Limited Release of ACLP. WISA for itself, its administrators, representatives, successors and assigns (the "WISA Releasers"), does hereby irrevocably and unconditionally release and forever discharge ACLP and its predecessors and successors in interest, affiliates, representatives, subsidiaries, parents, divisions, claims managers, heirs, assigns, insurers, re-insurers, shareholders, creditors, liquidators, administrators, executors, former and present directors and officers, all employees, principals, attorneys, agents or registered representatives, ("ACLP's Related Persons and Entities") from any and all manner of action and actions, cause and causes of action, suits, proceedings, arbitrations, claims, grievances, debts, sums of money, claims for attorney fees, interest, expenses and costs, covenants, contracts, controversies, agreements, promises, damages, losses, and demands of any nature whatsoever, known or unknown, suspected or unsuspected, in law or in equity, civil or criminal, vested or contingent, which WISA ever had or now has or asserts against ACLP and/or ACLP's Related Persons and Entities, for, upon, or by reason of any matter, cause, or thing whatsoever from the beginning of the world to the date hereof, concerning or related to: the February 6, 2020 Engagement Agreement (the "WISA Released Claims"). As detailed in Paragraph 8 below, ACLP's obligation to indemnify WISA under the Engagement Agreement is explicitly excluded from this release; any and all claims for indemnification shall survive this Settlement Agreement.

7. Representations, Warranties and Covenants.

(a) ACLP. ACLP hereby represents, warrants, covenants and agrees as follows:

(i) No Assignment of Claims. Neither ACLP, nor any other ACLP Releaser, nor anyone acting on any of their behalves, has ever sold, assigned, transferred, conveyed or otherwise disposed of all or any part of the ACLP Released Claims released thereby hereunder, whether known or unknown.

(ii) No Proceedings Initiated. Neither ACLP, nor any other ACLP Releaser, nor any individual or entity related to any of them, nor anyone acting on any of their behalves, has filed or initiated any charge or claim, relating to any of the ACLP Released Claims, against WISA or any of WISA's Related Persons and Entities in any administrative or judicial proceeding.

(iii) No Voluntary Assistance. Provided that WISA is in material compliance with the terms of this Settlement Agreement, neither ACLP, nor any other ACLP Releasor, nor any individual or entity related to any of them, will voluntarily assist, support, or cooperate with, directly or indirectly, any entity or person alleging or pursuing any claim, administrative charge, or cause of action, relating to any of the ACLP Released Claims, against WISA or any of or any of WISA's Related Persons and Entities hereunder, including, without limitation, by providing testimony or other information, audio or video recordings, or documents, other than as legally required.

(iv) Covenant Not-to-Sue. Provided that WISA is in material compliance with the terms of this Agreement, ACLP, for itself and the other ACLP Releasors, hereby covenants and agrees not to file, initiate or pursue a lawsuit against WISA or any of WISA's Related Persons and Entities, with respect to any of the ACLP Released Claims, and will not ask any other person or entity to initiate such a lawsuit on its or their behalves.

(v) No Admission. The releases granted by ACLP hereunder shall not be construed as an admission by WISA or any of WISA's Related Persons and Entities of any liability, or any acts of wrongdoing, or the violation of any federal, state or local law, ordinance, regulation or custom, nor shall it be considered as evidence of any such alleged liability, wrongdoing, or violation of any federal, state or local law, ordinance, regulation or custom.

(vi) Investigation. Each ACLP Releasor acknowledges and agrees that it has made an acceptable investigation of the facts pertaining to this settlement, this Settlement Agreement, and the matters pertaining hereto and thereto. Each ACLP Releasor further acknowledges and agrees that no Party to this Settlement Agreement has made representations outside of those contained in this Settlement Agreement, and each ACLP Releasor expressly agrees and represents that it has not relied on any representation outside of this Settlement Agreement.

(b) WISA. WISA hereby represents, warrants, covenants and agrees as follows:

(i) No Assignment of Claims. Neither WISA, nor any other WISA Releasor, nor anyone acting on any of their behalves, has ever sold, assigned, transferred, conveyed or otherwise disposed of all or any part of the WISA Released Claims released thereby hereunder, whether known or unknown.

(ii) No Proceedings Initiated. Neither WISA, nor any other WISA Releasor, nor any individual or entity related to any of them, nor anyone acting on any of their behalves, has filed or initiated any charge or claim, relating to any of the WISA Released Claims, against ACLP or any of ACLP's Related Persons and Entities in any administrative or judicial proceeding.

(iii) No Voluntary Assistance. Provided that ACLP is in material compliance with the terms of this Settlement Agreement, neither WISA, nor any other WISA Releasor, nor any individual or entity related to any of them, will voluntarily assist, support, or cooperate with, directly or indirectly, any entity or person alleging or pursuing any claim, administrative charge, or cause of action, relating to any of the WISA Released Claims, against ACLP or any of or any of ACLP's Related Persons and Entities hereunder, including, without limitation, by providing testimony or other information, audio or video recordings, or documents, other than as legally required.

(iv) Covenant Not-to-Sue. Provided that ACLP is in material compliance with the terms of this Agreement, WISA, for itself and the other WISA Releasors, hereby covenants and agrees not to file, initiate or pursue a lawsuit against ACLP or any of or any of ACLP's Related Persons and Entities, with respect to any of the WISA Released Claims, and will not ask any other person or entity to initiate such a lawsuit on its or their behalves.

(v) No Admission. The releases granted by WISA hereunder shall not be construed as an admission by ACLP or any of ACLP's Related Persons and Entities of any liability, or any acts of wrongdoing, or the violation of any federal, state or local law, ordinance, regulation or custom, nor shall it be considered as evidence of any such alleged liability, wrongdoing, or violation of any federal, state or local law, ordinance, regulation or custom.

(vi) Investigation. Each WISA Releasor acknowledges and agrees that it has made an acceptable investigation of the facts pertaining to this settlement, this Settlement Agreement, and the matters pertaining hereto and thereto. Each WISA Releasor further acknowledges and agrees that no Party to this Settlement Agreement has made representations outside of those contained in this Settlement Agreement, and each WISA Releasor expressly agrees and represents that it has not relied on any representation outside of this Settlement Agreement.

8. Termination of Engagement Agreement. The Parties hereby acknowledge and agree that the Engagement Agreement shall be terminated and of no further force or effect, as of the date of this Settlement Agreement, and neither Party shall have any further rights or obligations thereunder; provided, however, that (a) ACLP shall have the right, with respect to any financing raised by WISA, from the date of this Settlement Agreement, through and until the date that is twelve (12) months thereafter, (i) to be paid the Fees and Compensation as set forth in Section 3(a) and Section 3(b) of the Engagement Agreement and (ii) to be reimbursed for Expenses as set forth in Section 3(c) of the Engagement Agreement, that (b) notwithstanding the releases contained in Paragraph 2 and Paragraph 6 above both WISA and ACLP shall retain their respective rights to indemnification as set forth in Exhibit B of the Engagement Agreement, with respect solely to third-party claims and not direct claims – the Parties further agreeing that any breach of this Settlement Agreement is subject to Indemnification under Exhibit B of the Engagement Agreement, and that (c) the Preferential Right contained in Section 6 of the Engagement Agreement shall not terminate until WISA fulfills its obligations under Paragraph 1, above, as described in Paragraph 2, above. Additionally, Paragraphs 10 and 12 of the Engagement Agreement shall also survive the termination of the Engagement Agreement for such period as provided therein.

9. General Representations and Warranties.

(a) ACLP hereby represents and warrants to WISA as follows: (i) ACLP is duly organized, validly existing, and in good standing and has all requisite power and authority to carry on its business as presently conducted and as proposed to be conducted; (ii) the individual signing this Settlement Agreement, on behalf of ACLP, is an individual with capacity to enter into this Agreement on ACLP's behalf; (iii) all action required to be taken by ACLP in order to authorize its entrance into this Settlement Agreement has been taken as of the date hereof, and the person signing this Agreement on behalf of ACLP, is duly authorized to do so; (iv) this Settlement Agreement has been, or when executed and delivered, will be, duly and validly executed and delivered by ACLP and will constitute valid and legally binding obligations of ACLP, enforceable against ACLP in accordance with its terms, subject to (A) any applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and similar laws of general applicability affecting creditors' rights generally and (B) general principles of equity, whether considered in a proceeding at law or in equity; and (v) ACLP has conferred with legal counsel of its choosing as to the significance and legal effect of this Settlement Agreement.

(b) WISA hereby represents and warrants to ACLP as follows: (i) WISA is duly organized, validly existing, and in good standing and has all requisite power and authority to carry on its business as presently conducted and as proposed to be conducted; (ii) the individual signing this Settlement Agreement, on behalf of WISA, is an individual with capacity to enter into this Agreement on WISA's behalf; (iii) all action required to be taken by WISA in order to authorize its entrance into this Settlement Agreement has been taken as of the date hereof, and the person signing this Agreement on behalf of WISA, is duly authorized to do so; (iv) this Settlement Agreement has been, or when executed and delivered, will be, duly and validly executed and delivered by WISA and will constitute valid and legally binding obligations of WISA, enforceable against WISA in accordance with its terms, subject to (A) any applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and similar laws of general applicability affecting creditors' rights generally and (B) general principles of equity, whether considered in a proceeding at law or in equity; and (v) WISA has conferred with legal counsel of its choosing as to the significance and legal effect of this Settlement Agreement.

(c) Each Party covenants and agrees that all representations and warranties made thereby herein shall be true and correct on the date of this Settlement Agreement.

10. Integration. This Settlement Agreement contains all agreements, covenants, representations and warranties, express or implied, oral or written, of the Parties hereto concerning the subject matter hereof. No other agreements, covenants, representations, or warranties, express or implied, oral or written, have been made by any Party hereto to any other Party concerning the subject matter hereof. All prior and contemporaneous conversations, negotiations, possible and alleged agreements, representations, covenants, and warranties concerning the subject matter hereof are merged and integrated herein.

11. Modification and Waiver. This Settlement Agreement may not be modified, amended, or terminated except by an instrument in writing, signed by each of the Parties affected thereby. No failure to exercise and no delay in exercising any right, remedy, or power under this Settlement Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any right, remedy, or power under this agreement preclude any other or further exercise thereof, or the exercise of any other right, remedy, or power provided herein, or by law or in equity.

12. No Admissions. This Settlement Agreement represents the compromise of disputed claims and causes of action and there is no admission of liability by any Party hereto, liability being expressly denied.

13. Construction. In signing this Settlement Agreement, the Parties have relied wholly upon their own judgment and advice of their own counsel and have not been influenced to any extent whatsoever in making this Settlement Agreement by any representations or statements made by any other Party hereto. The Parties have jointly drafted this Settlement Agreement and no Party shall be entitled to the benefit of any rule of law that states that in the event of an ambiguity the document shall be interpreted against the interests of the drafting Party. The Parties each acknowledge that they have read this Settlement Agreement, that they are relying solely upon the contents of this Settlement Agreement, and are not relying upon any other oral or written representations, warranties, or inducements whatsoever as an inducement to enter into this Settlement Agreement, other than those referenced herein, and acknowledge that no oral or written, express or implied representations, warranties, or covenants have been made which are not referenced in this Settlement Agreement.

14. Severability. If for any reason any provision of this Settlement Agreement is determined to be invalid or unenforceable, the remaining provisions of this Settlement Agreement nevertheless shall be construed, performed, and enforced as if the invalidated or unenforceable provision had not been included in the Settlement Agreement's text. In the event that any term hereof is found or deemed to be illegal or otherwise invalid or unenforceable, the other terms shall stand, and the Parties may attempt to negotiate a valid new provision concerning the same subject matter.

15. Choice of Law; Venue. This Settlement Agreement is to be interpreted and construed in accordance with the laws of the State of New York without reference to any choice of law provisions of that State. Any disputes regarding this Settlement Agreement or the interpretation thereof shall be litigated exclusively within the federal or state courts located in New York County, New York, and the parties hereto waive any objection to such jurisdiction and venue as it relates to a dispute regarding this Settlement Agreement or the interpretation thereof.

16. Confidentiality. The Parties acknowledge that confidentiality and nondisclosure are material considerations for the Parties entering into this Settlement Agreement. As such, the provisions of this Settlement Agreement shall be held in strictest confidence by the Parties and shall not be publicized or disclosed in any manner whatsoever, including but not limited to, the print or broadcast media, any public network such as the Internet, any other outbound data program such as computer generated mail, reports, faxes, or any source likely to result in publication or computerized access. Notwithstanding the prohibition in the preceding sentence: (a) the Parties may disclose this Settlement Agreement in confidence to their respective attorneys, accountants, auditors, tax preparers, and financial advisors; (b) the Parties may disclose this Settlement Agreement as necessary to fulfill standard or legally required corporate reporting or disclosure requirements; (c) the Parties may disclose this Settlement Agreement upon request from any government entity, regulatory organization, or court of law; and (d) the parties may disclose this Settlement Agreement insofar as such disclosure may be necessary to enforce its terms or as otherwise required by law. Nothing contained in this Paragraph 16 shall prevent either Party from stating that the Parties have “amicably resolved all differences,” provided, however, that in so doing, the Parties shall not disclose the fact or amount of any payments made or to be made hereunder and shall not disclose any other terms of this Settlement Agreement or the settlement described herein. Notwithstanding the foregoing, neither Party shall disclose any information, the disclosure of which would be prohibited by law. Additionally, each Party shall continue to comply with all obligations of confidentiality and the treatment of material non-public information, which obligations shall survive the termination of the Engagement Agreement. Notwithstanding anything to the contrary in rest of this Settlement Agreement, the Parties understand that this Settlement Agreement does not restrict either of them from initiating communications directly with, or responding to, any inquiry from, or providing testimony before, the SEC, FINRA, any other self-regulatory organization or any other state or federal regulatory authority, regarding this Settlement Agreement or its underlying facts or circumstances.

17. Notices: Method of Delivery. Written notice under this Agreement must be delivered personally or by email to the persons identified in this Paragraph 17. Notice may also be given by (a) certified mail (postage prepaid, return receipt requested), (b) by personal delivery, (c) by any reputable and commercially available overnight delivery service or (d) by email and shall be deemed given (i) within five (5) days after deposited in the U.S. mail by certified mail (postage prepaid, return receipt requested), (ii) when delivered personally, (iii) one (1) day after deposited with a reputable overnight delivery service, or (iv) upon receipt by the sending party of confirmation of receipt of an email notice. Any notices permitted or required under this Agreement shall be sent in the manner set forth in this Paragraph 17, addressed to the following:

If to ALCP

Alexander Capital, L.P.
17 State Street
New York, NY 10004
Attention: Joseph Amato
Email: jamato@alexandercapitallp.com

Copies of all notices to ACLP (which shall not constitute notice under this Agreement) should be sent to:

Holcomb + Ward LLP
3455 Peachtree Road, Suite 500
Atlanta, GA 30326
Attention: Bryan Ward
Email: bryan.ward@holcombward.com

If to WISA

Summit Wireless Technologies, Inc.
6840 Via Del Oro, Suite 280
San Jose, CA 95119
Attention: Brett Moyer, CEO
Email: bmoyer@summitwireless.com

Copies of all notices to WISA (which shall not constitute notice under this Agreement) should be sent to:

Sullivan & Worcester LLP
1633 Broadway
New York, NY 10019
Attention: David E. Danovitch, Esq.
Email: ddanovitch@sullivanlaw.com

18. Counterparts. If this Settlement Agreement is executed in facsimile or electronic counterparts (such as a pdf file), then each counterpart shall be deemed an original, and all counterparts so executed shall constitute one agreement binding on all of the Parties hereto, notwithstanding that all of the Parties are not a signatory to the same counterpart.

19. Headings. Paragraph headings are included for convenience only and do not affect the substantive provisions in this Settlement Agreement.

20. Representations of Knowledge, Authority, and Volition. The Parties have read the foregoing Settlement Agreement and know the contents thereof. The undersigned signing on behalf of WISA represents that he/she is authorized to execute this Settlement Agreement on behalf of the other person(s) or entity(ies) for whom he/she executes this Settlement Agreement. The undersigned signing on behalf of ACLP represents that he/she is authorized to execute this Settlement Agreement on behalf of the other person(s) or entity(ies) for whom he/she executes this Settlement Agreement.

EACH OF THE UNDERSIGNED REPRESENTS THAT THEY HAVE SIGNED THIS SETTLEMENT AGREEMENT AS THEIR OWN FREE ACT AND DEED, HAVING HAD SUFFICIENT TIME TO REVIEW AND TO CONSULT WITH COUNSEL BEFORE SIGNING.

Signature Page Follows

IN WITNESS WHEREOF, the Parties hereto have caused this Settlement Agreement and Release to be executed as of the dates set forth below.

Dated: May ____, 2020

Summit Wireless Technologies, Inc.

By: _____
Its: _____

Dated: May ____, 2020

Alexander Capital, L.P.

By: _____
Its: _____

EXHIBIT A

Form of Leak-Out Agreement

Attached

LEAK-OUT AGREEMENT

May 14, 2020

This agreement (the "**Leak-Out Agreement**") is being delivered to you in connection with an understanding by and among Summit Wireless Technologies, Inc., a Delaware corporation (the "**Company**"), and Alexander Capital, L.P. (the "**Holder**").

Reference is hereby made to that certain Settlement Agreement and Release, executed and delivered by the Company and Holder on May 14, 2020 (the "**Settlement Agreement**"), pursuant to which the Company agreed to issue to Holder 50,000 shares (the "**Settlement Shares**") of the Company's common stock, par value \$0.0001 per share (the "**Common Stock**") as partial consideration for the releases set forth in the Settlement Agreement. Capitalized terms not defined herein shall have the meaning as set forth in the Settlement Agreement.

The Holder agrees solely with the Company that, subject to any other contemporaneously executed leak-out or lock-up agreement that may be executed between or among the Holder and the Company in proximity to this Leak-Out Agreement (collectively, the "**Other Leak-Out Agreements**") regarding the Holder's trading with terms that are no less restrictive than the terms contained herein, following the date hereof (such date, the "**Effective Date**") until the date that the Holder no longer holds any of the Settlement Shares (the "**Restricted Period**"), neither the Holder, nor any affiliate, representative, subsidiary, parent, partner, officer, employee, agent, attorney or any heirs or successors to any of the foregoing ("**Affiliate**") of the Holder which (x) had or has knowledge of the transactions contemplated by the Settlement Agreement, or (y) has or shares discretion relating to the Holder's investments or trading or information concerning the Holder's investments, including in respect of the Settlement Shares (together, the "**Holder's Trading Affiliates**"), collectively, shall sell dispose or otherwise transfer, directly or indirectly, (including, without limitation, any sales, short sales, swaps or any derivative transactions that would be equivalent to any sales or short positions) during the Restricted Period, shares of Common Stock in an amount more than, during any Trading Day during the Restricted Period, 5,000 shares of Common Stock per Trading Day. For the purposes hereof, "**Trading Day**" means a day on which the Common Stock is traded on the Nasdaq Capital Market, the NYSE American, the Nasdaq Global Market, the Nasdaq Global Select Market, the New York Stock Exchange or any successors of any of the foregoing, as applicable.

Notwithstanding anything herein to the contrary, during the Restricted Period, none of Holder's Trading Affiliates shall be prevented from executing unsolicited transactions of Common Stock nor shall they be prevented from fulfilling any obligation to any customer or client as required by state or federal securities laws or any regulations of any body, including but not limited to FINRA and the SEC. Further, no transaction covered by this paragraph shall be applied toward the foregoing 5,000 shares of Common Stock per Trading day limit.

Notwithstanding anything herein to the contrary, during the Restricted Period, the Holder may, directly or indirectly, sell or transfer all, or any part, of the Settlement Shares to any Person (an "**Assignee**") in a transaction which does not need to be reported on the Nasdaq consolidated tape, without complying with (or otherwise limited by) the restrictions set forth in this Leak-Out Agreement; provided, that as a condition to any such sale or transfer an authorized signatory of the Company and such Assignee duly execute and deliver a leak-out agreement in the form of this Leak-Out Agreement (an "**Assignee Agreement**", and each such transfer a "**Permitted Transfer**") and, subsequent to a Permitted Transfer, sales of the Holder and the Holder's Trading Affiliates and all Assignees (other than any such sales that constitute Permitted Transfers) shall be aggregated for all purposes of this Leak-Out Agreement and all Assignee Agreements.

Any notices, consents, waivers or other communications required or permitted to be given under the terms of this Leak-Out Agreement must be in writing and shall be given in accordance with the terms of the Settlement Agreement.

This Leak-Out Agreement and the Settlement Agreement, together, constitutes the entire agreement among the parties hereto with respect to the subject matter hereof and supersedes all prior negotiations, letters and understandings relating to the subject matter hereof and are fully binding on the parties hereto.

This Leak-Out Agreement may be executed simultaneously in any number of counterparts. Each counterpart shall be deemed to be an original, and all such counterparts shall constitute one and the same instrument. This Leak-Out Agreement may be executed and accepted by facsimile or PDF signature and any such signature shall be of the same force and effect as an original signature.

The terms of this Leak-Out Agreement shall be binding upon and shall inure to the benefit of each of the parties hereto and their respective successors and assigns.

This Leak-Out Agreement may not be amended or modified except in writing signed by each of the parties hereto.

All questions concerning the construction, validity, enforcement and interpretation of this Leak-Out Agreement shall be governed by the applicable provisions of the Settlement Agreement.

Signature Page Follows

Each party hereto acknowledges that, in view of the uniqueness of the transactions contemplated by this Leak-Out Agreement, the other party or parties hereto will not have an adequate remedy at law for money damages in the event that this Leak-Out Agreement has not been performed in accordance with its terms, and therefore agrees that such other party or parties shall be entitled to seek specific enforcement of the terms hereof in addition to any other remedy it may seek, at law or in equity.

Sincerely,

SUMMIT WIRELESS TECHNOLOGIES, INC.

By: _____
Name:
Title:

Agreed to and Acknowledged:

“HOLDER”

ALEXANDER CAPITAL, L.P.

By: _____
Name:
Title:

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

I, Brett Moyer, certify that:

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

Date: May 27, 2020

/s/ Brett Moyer

Name: Brett Moyer

Title: Chief Executive Officer

(Principal Executive Officer)

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

I, George Oliva, certify that:

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

Date: May 27, 2020

/s/ George Oliva

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

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

In connection with the Quarterly Report on Form 10-Q of Summit Wireless Technologies, Inc. (the "Company") for the period ended March 31, 2020 (the "Report"), I, Brett Moyer, Chief Executive Officer of the Company, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: May 27, 2020

/s/ Brett Moyer

Name: Brett Moyer

Title: Chief Executive Officer

(Principal Executive Officer)

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

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

In connection with the Quarterly Report on Form 10-Q of Summit Wireless Technologies, Inc. (the "Company") for the period ended March 31, 2020 (the "Report"), I, George Oliva, Chief Financial Officer of the Company, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: May 27, 2020

/s/ George Oliva

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

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