
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 June 30, 2021

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

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

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

The number of shares of the registrant's common stock outstanding as of August 9, 2021 is 15,281,797.

SUMMIT WIRELESS TECHNOLOGIES, INC.
QUARTERLY REPORT ON FORM 10-Q
For the quarter ended June 30, 2021

	Page Number
<u>PART I: FINANCIAL INFORMATION</u>	
Item 1. Financial Statements (unaudited)	
<u>Condensed Consolidated Balance Sheets</u>	3
<u>Condensed Consolidated Statements of Operations</u>	4
<u>Condensed Consolidated Statements of Convertible Preferred Stock and Stockholders' Equity (Deficit)</u>	5
<u>Condensed Consolidated Statements of Cash Flows</u>	6
<u>Notes to Condensed Consolidated Financial Statements</u>	7
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	31
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	36
Item 4. <u>Controls and Procedures</u>	37
<u>PART II. OTHER INFORMATION</u>	
Item 1. <u>Legal Proceedings</u>	38
Item 1A. <u>Risk Factors</u>	38
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	38
Item 3. <u>Defaults Upon Senior Securities</u>	38
Item 4. <u>Mine Safety Disclosures</u>	38
Item 5. <u>Other Information</u>	38
Item 6. <u>Exhibits</u>	39
<u>SIGNATURES</u>	40

PART I: FINANCIAL INFORMATION

Item 1. Financial Statements

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

Assets	June 30, 2021 (unaudited)	December 31, 2020 (1)
Current Assets:		
Cash and cash equivalents	\$ 10,293	\$ 7,415
Accounts receivable	416	85
Inventories	3,563	2,708
Prepaid expenses and other current assets	1,425	908
Total current assets	15,697	11,116
Property and equipment, net	139	142
Other assets	41	41
Total assets	\$ 15,877	\$ 11,299
Liabilities, Convertible Preferred Stock and Stockholders' Equity		
Current Liabilities:		
Accounts payable	\$ 671	\$ 672
Accrued liabilities	2,660	1,433
Borrowings, current portion	847	179
Total current liabilities	4,178	2,284
Other liabilities	58	39
Borrowings, net of current portion	-	668
Derivative liability	-	387
Warrant liability	8	8
Total liabilities	4,244	3,386
Commitments and contingencies (Note 8)		
Series A 8% Senior Convertible Preferred stock, par value \$0.0001; 1,250,000 shares authorized; 0 and 250,000 shares issued and outstanding as of June 30, 2021 and December 31, 2020, (liquidation preference of \$0 and \$1,136,000)	-	597
Stockholders' Equity:		
Common stock, par value \$0.0001; 200,000,000 shares authorized; 12,762,797 and 8,402,250 shares issued and outstanding as of June 30, 2021 and December 31, 2020, respectively	1	1
Additional paid-in capital	218,705	207,698
Accumulated deficit	(207,073)	(200,383)
Total stockholders' equity	11,633	7,316
Total liabilities, convertible preferred stock and stockholders' equity	\$ 15,877	\$ 11,299

(1) The condensed consolidated balance sheet as of December 31, 2020 was derived from the audited consolidated balance sheet as of that date.

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

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 and six months ended June 30, 2021 and 2020
(in thousands, except share and per share data)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Revenue, net	\$ 1,581	\$ 348	\$ 2,734	\$ 759
Cost of revenue	1,122	336	1,980	684
Gross profit	<u>459</u>	<u>12</u>	<u>754</u>	<u>75</u>
Operating Expenses:				
Research and development	1,305	904	2,478	2,038
Sales and marketing	975	510	1,849	1,208
General and administrative	988	607	1,956	1,498
Total operating expenses	<u>3,268</u>	<u>2,021</u>	<u>6,283</u>	<u>4,744</u>
Loss from operations	(2,809)	(2,009)	(5,529)	(4,669)
Interest expense	(3)	(1,352)	(6)	(1,389)
Change in fair value of warrant liability	-	5	-	24
Other expense	(5)	(39)	(7)	(41)
Warrant inducement expense	(579)	-	(1,146)	-
Loss before provision for income taxes	(3,396)	(3,395)	(6,688)	(6,075)
Provision for income taxes	2	3	2	3
Net loss	(3,398)	(3,398)	(6,690)	(6,078)
Convertible preferred stock dividend	(14)	(20)	(34)	(40)
Deemed dividend on exchange of convertible preferred stock for common stock	(1,192)	-	(1,192)	-
Deemed dividend from warrant repricing	-	(134)	-	(134)
Net loss attributable to common stockholders	<u>\$ (4,604)</u>	<u>\$ (3,552)</u>	<u>\$ (7,916)</u>	<u>\$ (6,252)</u>
Net loss per common share - basic and diluted	<u>\$ (0.42)</u>	<u>\$ (0.90)</u>	<u>\$ (0.76)</u>	<u>\$ (2.42)</u>
Weighted average number of common shares used in computing net loss per common share	<u>10,862,074</u>	<u>3,936,457</u>	<u>10,423,469</u>	<u>2,583,528</u>

Note: Share and per 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 1.

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 and six months ended June 30, 2021 and 2020
(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
	Shares	Amount	Shares	Amount				
Balance as of December 31, 2020	250,000	\$ 597	8,402,250	\$ 1	\$ 207,698	\$ -	\$ (200,383)	\$ 7,316
Issuance of common stock upon warrant exercise	-	-	2,086,251	-	5,095	-	-	5,095
Warrants issued in connection with warrant exercise	-	-	-	-	567	-	-	567
Convertible preferred stock dividend	-	20	-	-	(20)	-	-	(20)
Stock-based compensation	-	-	643,700	-	254	-	-	254
Release of vested restricted common stock	-	-	352	-	-	-	-	-
Net loss	-	-	-	-	-	-	(3,292)	(3,292)
Balance as of March 31, 2021	250,000	617	11,132,553	1	213,594	-	(203,675)	9,920
Issuance of common stock upon warrant exercise	-	-	1,360,244	-	3,159	-	-	3,159
Warrants issued in connection with warrant exercise	-	-	-	-	579	-	-	579
Convertible preferred stock dividend	-	14	-	-	(14)	-	-	(14)
Exchange of convertible preferred stock for common stock	(250,000)	(631)	250,000	-	1,640	-	-	1,640
Warrants issued upon exchange of convertible preferred stock for common stock	-	-	-	-	570	-	-	570
Deemed dividend on exchange of convertible preferred stock	-	-	-	-	(1,192)	-	-	(1,192)
Stock-based compensation	-	-	10,000	-	335	-	-	335
Issuance of common stock to vendor	-	-	10,000	-	34	-	-	34
Net loss	-	-	-	-	-	-	(3,398)	(3,398)
Balance as of June 30, 2021	-	\$ -	12,762,797	\$ 1	\$ 218,705	\$ -	\$ (207,073)	\$ 11,633

	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 stock awards cancelled	-	-	(550)	-	-	-	-	-
Release of vested restricted common stock	-	-	353	-	-	-	-	-
Net loss	-	-	-	-	-	-	(2,680)	(2,680)
Balance as of March 31, 2020	250,000	537	1,338,603	-	189,734	(48)	(190,358)	(672)
Issuance of common stock, prefunded warrants and warrants, net of public offering costs	-	-	1,525,000	-	5,515	-	-	5,515
Proceeds from the exercise of prefunded warrants and common stock warrants	-	-	485,000	-	37	-	-	37
Issuance of common stock, net of shelf offering costs	-	-	4,315,000	1	9,957	-	-	9,958
Issuance of common stock in connection with settlements	-	-	60,250	-	135	-	-	135
Deemed dividend from warrant down-round provision	-	-	-	-	(134)	-	-	(134)
Warrant repricing	-	-	-	-	134	-	-	134
Convertible preferred stock dividend	-	20	-	-	(20)	-	-	(20)
Stock-based compensation	-	-	2,000	-	72	-	-	72
Restricted stock awards cancelled	-	-	(2,500)	-	-	-	-	-
Gain on foreign currency translation from closure of subsidiary	-	-	-	-	-	48	-	48
Net loss	-	-	-	-	-	-	(3,398)	(3,398)
Balance as of June 30, 2020	250,000	\$ 557	7,723,353	\$ 1	\$ 205,430	\$ -	\$ (193,756)	\$ 11,675

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 1.

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 six months ended June 30, 2021 and 2020
(in thousands, except share and per share data)
(unaudited)

	Six Months Ended June 30,	
	2021	2020
Cash flows from operating activities:		
Net loss	\$ (6,690)	\$ (6,078)
Adjustments to reconcile net loss to net cash used in operating activities:		
Warrant inducement expense	1,146	-
Stock-based compensation	589	147
Depreciation and amortization	39	29
Expense for issuance of common stock for services	34	-
Amortization of intangible asset	-	17
Amortization of debt discounts	-	1,389
Expense related to common stock issued in settlements	-	135
Change in fair value of warrant liability	-	(24)
Gain on foreign currency translation from closure of subsidiary	-	48
Changes in operating assets and liabilities:		
Accounts receivable	(331)	39
Inventories	(855)	(49)
Prepaid expenses and other assets	(517)	359
Accounts payable	(1)	(353)
Accrued liabilities	1,258	(491)
Accrued interest	-	-
Net cash used in operating activities	<u>(5,328)</u>	<u>(4,832)</u>
Cash flows from investing activities:		
Proceeds from sale of property and equipment	-	-
Purchases of property and equipment	(36)	(10)
Net cash used in investing activities	<u>(36)</u>	<u>(10)</u>
Cash flows from financing activities:		
Proceeds from issuance of common stock upon warrant exercises, net of issuance costs	8,254	-
Repayment of capital lease	(12)	-
Proceeds from issuance of common stock, prefunded warrants and warrants, net of issuance costs	-	6,367
Proceeds from issuance of common stock, net of shelf offering costs	-	10,136
Proceeds from the exercise of prefunded warrants and common stock warrants	-	37
Proceeds from issuance of promissory notes	-	847
Proceeds from issuance of convertible notes payable, net of issuance costs	-	1,396
Repayment of convertible notes payable	-	(2,151)
Net cash provided by financing activities	<u>8,242</u>	<u>16,632</u>
Net increase in cash and cash equivalents	2,878	11,790
Cash and cash equivalents as of beginning of period	7,415	298
Cash and cash equivalents as of end of period	<u>\$ 10,293</u>	<u>\$ 12,088</u>
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	\$ 2	\$ 351
Cash paid for interest	\$ 2	\$ 3
Noncash Investing and Financing Activities:		
Exchange of convertible preferred stock for common stock	\$ 1,640	\$ -
Deemed dividend on exchange of convertible preferred stock for common stock	\$ (1,192)	\$ -
Issuance of warrants in connection with exchange of preferred stock	\$ 570	\$ -
Convertible preferred stock dividend	\$ 34	\$ 40
Issuance of warrants in connection with convertible notes payable	\$ -	\$ 630
Issuance of common stock in connection with convertible notes payable	\$ -	\$ 4
Issuance of warrants in connection with common stock offerings	\$ -	\$ 8,354
Deemed dividend from warrant repricing	\$ -	\$ (134)
Issuance costs for shelf offering of common stock in accounts payable	\$ -	\$ 178
Warrant repricing	\$ -	\$ 134
Issuance costs for public offering of common stock in accounts payable	\$ -	\$ 127

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 Six Months Ended June 30, 2021 and 2020
(unaudited)

1. Business and Viability of Operations

Summit Wireless Technologies, Inc. (together with its subsidiaries also referred to herein as “we”, “us”, “our”, or the “Company”) was originally formed as a limited liability company in Delaware on July 23, 2010. The Company develops wireless audio semiconductors and modules for consumer electronics companies to enable mainstream consumers and audio enthusiasts to experience high quality audio.

Nasdaq Notifications

On March 24, 2020, the Company received written notification from Nasdaq that the Company did not comply with Nasdaq Listing Rule 5605 (the “Audit Committee Rule”), which requires that the audit committee of the Company’s board of directors include at least three independent directors. On June 24, 2020, as a result of the Company’s appointment of Sri Peruvemba to such audit committee effective as of June 22, 2020, Nasdaq notified the Company that it determined that the Company regained compliance with the Audit Committee Rule and the matter was closed.

On January 6, 2021, the Company notified Nasdaq that effective January 1, 2021, Helge Kristensen, a current director of the Company and a member of the audit committee of the Company’s board of directors, may no longer be considered an independent director, as such term is defined in Nasdaq Listing Rule 5605(a)(2). On January 14, 2021, the Company received a letter from Nasdaq confirming that the Company is not in compliance with Nasdaq’s independent director and audit committee requirements as set forth in Nasdaq Listing Rule 5605 and that consistent with Nasdaq Listing Rules 5605(b)(1)(A) and 5605(c)(4), Nasdaq provided the Company a “cure period” in order to regain compliance until the earlier of (i) the Company’s next annual stockholders’ meeting or (ii) January 1, 2022; or if the next annual stockholders’ meeting is held before June 30, 2021, then the Company must evidence compliance with such rule no later than June 30, 2021. Nasdaq also informed the Company that if it does not regain compliance with both of the Nasdaq Independence Requirements, within the applicable “cure period,” Nasdaq will provide written notification to the Company that its securities will be delisted from Nasdaq.

On April 19, 2021, as a result of the Company’s appointment of Robert Tobias to the audit committee effective as of March 14, 2021, Nasdaq notified the Company that it determined that the Company regained compliance with Nasdaq’s audit committee requirements and the matter was closed. On May 12, 2021, as a result of the Company’s appointment of Wendy Wilson to the Company’s board of directors effective as of May 6, 2021, Nasdaq notified the Company that it determined that the Company regained compliance with Nasdaq’s independent director requirements and the matter was closed.

Reverse Stock Split

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. On April 9, 2020, a 1-for-20 reverse stock split was effected and the condensed consolidated financial statements have been retroactively adjusted. All common stock share numbers, warrants to purchase common stock, prices and exercise prices have been retroactively adjusted to reflect the reverse stock split. The par value of the common stock and the Series A 8% Senior Convertible Preferred Stock, par value \$0.0001 per share (the “Series A Preferred Stock”) outstanding and its par value were not adjusted for the reverse stock split. The common stock began trading on a split-adjusted basis on that day under the new CUSIP number 86633R 203.

SUMMIT WIRELESS TECHNOLOGIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Six Months Ended June 30, 2021 and 2020
(unaudited)

1. Business and Viability of Operations, continued

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. 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 customers and suppliers, are reporting or predicting negative impacts from COVID-19 on future operating results. Although, we did observe fluctuating demand for our products between April and September 2020, and delays in certain product shipments from our suppliers after the COVID-19 pandemic was declared, including most recently, we have not experienced a material adverse impact on our operating results. We have reduced access to our facilities to personnel and third parties who perform critical activities that must be performed on-site and as a result, many of our personnel currently work remotely. Such remote working policies may negatively impact productivity and disrupt our business operations. 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. We also cannot be certain how demand may shift over time or be certain supply delays or interruptions will not occur in the future, as the impacts of the COVID-19 pandemic may go through several phases of varying severity and duration. However, we are monitoring the progression of the pandemic and its potential effect on our financial position, results of operations, and cash flows.

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 June 30, 2021, the Company had cash and cash equivalents of \$ 10.3 million and reported net cash used in operations of \$5.3 million during the six months ended June 30, 2021. 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 the exercise of warrants to purchase common stock and the sale of convertible notes. The Company also obtained a loan of \$847,000, pursuant to the Paycheck Protection Program under Division A, Title I of the Coronavirus Aid, Relief, and Economic Security Act, but the use of funds from such loan, by its terms, has been limited to making payroll payments to our employees and other permitted purposes relating to the operation of our business. (See Note 4 – Borrowings – Payroll Protection Program Note Agreement.) 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 Six Months Ended June 30, 2021 and 2020
(unaudited)

1. Business and Viability of Operations, continued

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, 2020 has been derived from audited consolidated financial statements at that date, but does not include all disclosures required by U.S. GAAP for complete financial statements.

Use of Estimates

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

Reclassification

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

Concentration of Credit Risk and Other Risks and Uncertainties

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

SUMMIT WIRELESS TECHNOLOGIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Six Months Ended June 30, 2021 and 2020
(unaudited)

2. Summary of Significant Accounting Policies, continued

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 June 30, 2021 and December 31, 2020, there was no allowance for doubtful accounts. As of June 30, 2021, the Company had two customers accounting for 48% and 18% of accounts receivable. As of December 31, 2020, the Company had three customers accounting for 36%, 31% and 15% of accounts receivable. The Company had two customers accounting for 44% and 10% of its net revenue for the three months ended June 30, 2021. The Company had four customers accounting for 28%, 18%, 10% and 10% of its net revenue for the six months ended June 30, 2021. The Company had two customers accounting for 43% and 20% of its net revenue for the three months ended June 30, 2020. The Company had two customers accounting for 55% and 11% of its net revenue for the six months ended June 30, 2020.

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.

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.

SUMMIT WIRELESS TECHNOLOGIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Six Months Ended June 30, 2021 and 2020
(unaudited)

2. Summary of Significant Accounting Policies, continued

Warrants for Shares of Common Stock and Derivative Financial Instruments

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

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 shares of common stock, 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.

SUMMIT WIRELESS TECHNOLOGIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Six Months Ended June 30, 2021 and 2020
(unaudited)

2. Summary of Significant Accounting Policies, continued

Contract Balances

We receive payments from customers based on a billing schedule as established in our contracts. Amounts collected prior to the fulfillment of the performance obligation are considered contract liabilities and classified as customer advances within accrued liabilities on the condensed consolidated balance sheets. Contract assets are recorded when we have a conditional right to consideration for our completed performance under the contracts. Accounts receivables are recorded when the right to this consideration becomes unconditional. We do not have any material contract assets as of June 30, 2021 and December 31, 2020.

(in thousands)

	June 30, 2021	December 31, 2020
Contract liabilities	\$ 1,486	\$ 373

During the six months ended June 30, 2021, the Company recognized \$373,000 of revenue that was included in the contract balances as of December 31, 2020.

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.

Advertising Costs

Advertising costs are charged to sales and marketing expenses as incurred. Advertising costs for the three and six months ended June 30, 2021 were \$167,000 and \$299,000, respectively. Advertising costs for the three and six months ended June 30, 2020 were \$3,000 and \$16,000, respectively.

Comprehensive Loss

Comprehensive loss represents the changes in equity of an enterprise, other than those resulting from stockholder transactions. Accordingly, comprehensive loss may include certain changes in equity that are excluded from net loss. For the three and six months ended June 30, 2021 and 2020, the Company's comprehensive loss is the same as its net loss.

Foreign Currency

The financial position and results of operations of the Company's foreign operations are measured using currencies other than the U.S. dollar as their functional currencies. Accordingly, for these operations all assets and liabilities are translated into U.S. dollars at the current exchange rates as of the respective balance sheet date. Expense items are translated using the weighted average exchange rates prevailing during the period. Cumulative gains and losses from the translation of these operations' financial statements are reported as a separate component of stockholders' equity, while foreign currency transaction gains or losses, resulting from re-measuring local currency to the U.S. dollar are recorded in the condensed consolidated statement of operations in other income (expense), net and were not material for the three and six months ended June 30, 2021 and 2020.

SUMMIT WIRELESS TECHNOLOGIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Six Months Ended June 30, 2021 and 2020
(unaudited)

2. Summary of Significant Accounting Policies, continued

Net Loss per Common Share

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

For the three and six months ended June 30, 2021, warrants to purchase 4,496,924 shares of common stock, 740,869 shares of restricted stock and 647,474 shares underlying restricted stock units have been excluded from the calculation of net loss per common share because the inclusion would be antidilutive. For the three and six months ended June 30, 2020, warrants to purchase 7,337,199 shares of common stock, 250,000 shares of Series A Preferred Stock and 46,929 shares of restricted stock have been excluded from the calculation of net loss per common share because the inclusion would be antidilutive.

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 October 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. In June 2020, in response to adverse effect caused by Coronavirus Disease pandemic on private businesses, the FASB issued ASU 2020-05 which deferred the effective date for ASU 2016-02 for private businesses to annual reporting periods beginning after December 15, 2021. 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, 2021. The Company does not expect the adoption of this standard to significantly impact the condensed consolidated financial statements.

3. Balance Sheet Components

Inventories (in thousands):

	<u>June 30,</u> <u>2021</u>	<u>June 30,</u> <u>2020</u>
Raw materials	\$ 1,684	\$ 1,872
Work in progress	422	283
Finished goods	1,457	553
Total inventories	<u>\$ 3,563</u>	<u>\$ 2,708</u>

SUMMIT WIRELESS TECHNOLOGIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Six Months Ended June 30, 2021 and 2020
(unaudited)

3. Balance Sheet Components, continued

Property and equipment, net (in thousands):

	<u>June 30, 2021</u>	<u>December 31, 2020</u>
Machinery and equipment	\$ 902	\$ 866
Tooling	11	11
Computer software	89	89
Furniture and fixtures	15	15
Leasehold improvements	40	40
	<u>1,057</u>	<u>1,021</u>
Less: Accumulated depreciation and amortization	(918)	(879)
Property and equipment, net	<u>\$ 139</u>	<u>\$ 142</u>

Depreciation and amortization expense for the three months ended June 30, 2021 and 2020 was \$20,000 and \$15,000, respectively. Depreciation and amortization expense for the six months ended June 30, 2021 and 2020 was \$39,000 and \$29,000, respectively.

The cost and accumulated depreciation of assets acquired under capital lease included in machinery and equipment in the above table as of June 30, 2021 were \$72,000 and \$20,000, respectively.

Accrued liabilities (in thousands):

	<u>June 30, 2021</u>	<u>December 31, 2020</u>
Accrued vacation	\$ 361	\$ 328
Accrued compensation	149	84
Customer advances	1,486	373
Accrued audit fees	139	161
Accrued rebate	277	326
Accrued other	248	161
Total accrued liabilities	<u>\$ 2,660</u>	<u>\$ 1,433</u>

4. BorrowingsFunding 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. Repayment of the convertible promissory note 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 and six months ended June 30, 2020, the Company recognized \$0 and \$20,000, respectively, of interest expense from amortization of debt discounts related to the Funding Agreement.

SUMMIT WIRELESS TECHNOLOGIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Six Months Ended June 30, 2021 and 2020
(unaudited)

4. Borrowings, continued

Convertible Promissory Note

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 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 \$5,000 commitment fee payable to such investor. The net proceeds received by us in connection with the March 2020 Private Placement were used primarily for working capital, debt repayment and general corporate purposes. Additionally, the Company issued a warrant to Maxim 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 Maxim Warrant”).

The March 2020 Note ranked senior to the Company’s existing and future indebtedness and was 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 was convertible in whole or in part at the option of the investor into shares of common stock at a conversion price 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 such investor’s applicable notice of conversion and (b) \$6.40, subject to certain adjustments, at any time following the earlier of (i) 60 days from execution of the March 2020 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 SEC; however, if the Company entered 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, such investor may not convert the March 2020 Note prior to the 61st day after the date on which such underwriting agreement was executed.

The March 2020 Note contained full ratchet anti-dilution protection, subject to certain price limitations required by the rules and regulations of Nasdaq and certain exceptions, upon any subsequent transaction at a price lower than the 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 notice of conversion, in lieu of delivering shares of common stock upon a conversion, the Company had the right to pay the investor, in cash, an amount equal to 103% of the portion of the outstanding principal amount stated in such notice of conversion. Further, at the investor’s option, the March 2020 Note was 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 (as such term is defined in the March 2020 Note) and for a nine-month period after such date, the investor could 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 could 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. If the Company exercised its right to prepay the March 2020 Note, the investor had the right, upon five days written notice to the Company after receipt of the notice of prepayment, to convert up to 33% of the principal amount of the March 2020 Note at the applicable conversion price. The investor also had the right to require the Company to repay 105% of the outstanding principal amount of the March 2020 Note in the event of a Change of Control (as defined in the March 2020 Purchase Agreement).

SUMMIT WIRELESS TECHNOLOGIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Six Months Ended June 30, 2021 and 2020
(unaudited)

4. Borrowings, continued

At any time after the closing date of the March 2020 Private Placement, in the event that the Company issued or sold 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 conversion price then in effect or without consideration, then the conversion price would 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 the March 2020 Warrant to the investor and the March 2020 Maxim Warrant to Maxim, respectively (see Note 6 – Convertible Preferred Stock and Stockholders' Equity for fair value computation). The sum of the fair value of the March 2020 Warrant and the March 2020 Maxim Warrant, and the original issue discount for interest and issuance costs for the March 2020 Note were recorded as debt discounts to be amortized to interest expense over the respective term using the effective interest method.

The March 2020 Note contained several embedded conversion features. The Company determined that there was no significant value to 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.

On April 29, 2020, the outstanding debt of \$2,040,000, owed to the investor pursuant to the March 2020 Note, was fully repaid. During the three months ended June 30, 2021 and 2020, the Company recognized \$0 and \$1,352,000 of interest expense from the amortization of debt discounts. During the six months ended June 30, 2021 and 2020, the Company recognized \$0 and \$1,389,000 of interest expense from the amortization of debt discounts.

Payroll Protection Program Note Agreement

On May 3, 2020, we received a loan (the "PPP Loan") from Wells Fargo Bank, National Association in the aggregate amount of \$847,000, pursuant to the Paycheck Protection Program (the "PPP") under Division A, Title I of the Coronavirus Aid, Relief, and Economic Security Act, which was enacted on March 27, 2020. The PPP Loan was funded on May 7, 2020. The PPP Loan, which is in the form of a PPP promissory note and agreement, dated May 3, 2020 (the "PPP Note Agreement"), matures on May 3, 2022 and bears interest at a rate of 1.00% per annum. Pursuant to a change in guidance by the U.S. Small Business Administration, the initial monthly payment date of the PPP Note Agreement was deferred from November 1, 2020 to August 18, 2021. The PPP Loan may be prepaid by us at any time prior to maturity with no prepayment penalties. We have used the PPP Loan amount for payroll costs, costs used to continue group health care benefits, rent, and utilities. Under the terms of the PPP Note Agreement, certain amounts of the PPP Loan may be forgiven.

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.

SUMMIT WIRELESS TECHNOLOGIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Six Months Ended June 30, 2021 and 2020
(unaudited)

5. Fair Value Measurements, continued

- 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 June 30, 2021 and December 31, 2020 by level within the fair value hierarchy, are as follows:

(in thousands)	June 30, 2021		
	Quoted prices in active markets	Significant other observable inputs	Significant unobservable inputs
	(Level 1)	(Level 2)	(Level 3)
Liabilities:			
Warrant liability	\$ -	\$ -	\$ 8

(in thousands)	December 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	\$ -	\$ -	\$ 8

There were no transfers between Level 1, 2 or 3 during the three and six months ended June 30, 2021 or June 30, 2020.

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 and six months ended June 30, 2021 and 2020:

(in thousands)	For the three months ended		For the six months ended	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Beginning balance	\$ 8	\$ 5	\$ 8	\$ 24
Additions	-	-	-	-
Change in fair value	-	(5)	-	(24)
Ending balance	\$ 8	\$ -	\$ 8	\$ -

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.

The warrant liability is not significant at June 30, 2021 and there are no material changes to the significant unobservable inputs from December 31, 2020.

SUMMIT WIRELESS TECHNOLOGIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Six Months Ended June 30, 2021 and 2020
(unaudited)

5. Fair Value Measurements, continued

Derivative Liability

As of June 30, 2021, the Company no longer has a derivative liability as the Series A Preferred Stock was exchanged for common stock and warrants during the three months ended June 30, 2021. Prior to the exchange the Company had measured the fair value of the derivative by estimating the fair value of the Series A Preferred Stock as if conversion occurred at the end of the reporting period. The Company calculated the 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 constrained by the specified floor price of \$30.00. The fair value of the derivative liability as of June 30, 2021 and December 31, 2020 was \$0 and \$387,000, respectively.

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 did have a stated value of \$4.00, grant holders the same voting rights as holders of our shares of common stock, and are convertible into shares of our common stock at price of \$80.00 per share, subject to a floor price of \$30.00 and to adjustment under our Certificate of Designations of the Preferences, Rights and Limitations of the Series A Preferred Stock, in consideration for \$1,000,000 (the "Initial Tranche"). The Series A Preferred Stock may be issued in tranches of at least \$500,000 and in an aggregate of up to \$5 million. In connection with the Initial Tranche, the Company also issued to Ms. Walsh a warrant to purchase 12,756 shares of our common stock.

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

As of June 30, 2021, the Company no longer has a derivative liability or any preferred stock outstanding, as all outstanding shares of Series A Preferred Stock were exchanged for 250,000 shares of common stock and warrants to purchase up to 187,500 shares of Common Stock during the three months ending June 30, 2021. On June 4, 2021, the Company and Lisa Walsh (the "Investor") entered into an exchange agreement pursuant to which the Company effected such exchange of securities with the Investor.

As of June 30, 2021, there are 20,000,000 shares of preferred stock authorized, but there are no shares issued or outstanding.

SUMMIT WIRELESS TECHNOLOGIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Six Months Ended June 30, 2021 and 2020
(unaudited)

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

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 2021, up to 672,180 shares of common stock are available for participants under the LTIP.

For the three and six months ended June 30, 2021, 0 and 352 shares of restricted stock, respectively, were released with an intrinsic value of approximately \$0 and \$2,000, respectively. For the three and six months ended June 30, 2020, 0 and 353 shares of restricted stock were released with an intrinsic value of approximately \$0 and \$2,000, respectively.

A summary of activity related to restricted stock awards (excluding the deferred shares) for the six months ended June 30, 2021 is presented below:

Stock Awards	Shares	Weighted-Average Grant Date Fair Value
Non-vested as of January 1, 2021	87,169	\$ 2.26
Granted	653,700	\$ 3.58
Vested	-	\$ -
Forfeited	-	\$ -
Non-vested as of June 30, 2021	740,869	\$ 3.42

As of June 30, 2021, the unamortized compensation costs related to the unvested restricted stock awards was approximately \$2,208,000 which is to be amortized on a straight-line basis over a weighted-average period of approximately 2.6 years.

SUMMIT WIRELESS TECHNOLOGIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Six Months Ended June 30, 2021 and 2020
(unaudited)

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

2020 Stock Incentive Plan

On July 27, 2020, the board of directors adopted the Company's 2020 Stock Incentive Plan (the "2020 Stock Plan") and the reservation of an aggregate of 650,000 shares of the Company's common stock authorized for issuance under the 2020 Stock Plan, subject to stockholder approval. The 2020 Stock Plan authorizes the grant of equity-based compensation to the Company's senior managers, employees, directors, consultants, professionals and service providers in the form of stock options, restricted stock and restricted stock units. On July 27, 2020, the Company also granted, subject to stockholder approval, an aggregate of 614,824 restricted stock units to senior managers, employees, directors, consultants. Each of the awards are scheduled to vest on the first, second, and third anniversaries of August 15, 2020, so long as such award recipient remains in service of the Company on each such anniversary. Each restricted stock unit represents the right to receive one share of the Company's common stock under the 2020 Stock Plan. On October 20, 2020, the Company held the 2020 Annual Meeting of Stockholders and approved the adoption of the 2020 Stock Plan and the reservation of an aggregate of 650,000 shares of the Company's common stock. In connection with the approval, the Company issued 614,824 restricted stock units to employees, directors and consultants.

A summary of activity related to restricted stock units under the Company's 2020 Stock Plan for the six months ended June 30, 2021 is presented below:

Stock Units	Shares	Weighted-Average Grant Date Fair Value
Non-vested as of January 1, 2021	626,974	\$ 2.29
Granted	20,500	\$ 3.81
Vested	—	\$ —
Forfeited	—	\$ —
Non-vested as of June 30, 2021	647,474	\$ 2.33

As of June 30, 2021, the unamortized compensation costs related to the unvested restricted stock units was approximately \$1,168,000 which is to be amortized on a straight-line basis over a weighted-average period of approximately 2.2 years.

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. 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 (the "February 2020 Alexander Warrant"). 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.

SUMMIT WIRELESS TECHNOLOGIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Six Months Ended June 30, 2021 and 2020
(unaudited)

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

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.

The grant date fair value of February 2020 Warrants was \$103,000, which was recorded within stockholders' equity as a cost of issuance and an increase to additional paid-in capital on the accompanying condensed consolidated balance sheet. The fair value of such warrants was determined using the Black-Scholes Model based on the following weighted average assumptions: common stock price on date of grant of \$6.00; expected dividend yield of 0.0%; expected volatility of 59.0%; risk-free interest rate of 0.89% and expected life of 5 years.

The fair value of the February 2020 Alexander Warrant at issuance was \$11,000. The fair value of such warrant was estimated using the Black-Scholes Model based on the following weighted average assumptions: common share price on date of grant \$6.00, expected dividend yield 0%, expected volatility 59%, risk-free interest rate 0.89% and expected life of 5 years. The fair value was recorded within stockholders' equity as a cost of issuance and an increase to additional paid-in capital on the accompanying condensed consolidated balance sheet.

April 2020 Public Offering

On April 23, 2020, the Company 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 (the "April 2020 Public Offering"). 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 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 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. The Company also issued a warrant to Maxim to purchase up to 100,000 shares of common stock in connection with the April 2020 Public Offering (the "April 2020 Maxim Warrant"). Such warrant has an exercise price of \$3.90 per share and is fully vested.

May 2020 Shelf Registration

On May 18, 2020, we registered for resale, pursuant to a prospectus supplement to our shelf registration statement, an aggregate of 60,250 shares of common stock, 50,000 of which shares were the Alexander Settlement Shares, and the remaining 10,250 of such shares which were issued to one of the Company's vendors pursuant to the Settlement Letter, dated May 12, 2020, by and between us and such vendor.

SUMMIT WIRELESS TECHNOLOGIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Six Months Ended June 30, 2021 and 2020
(unaudited)

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

Purchase Agreements

On June 4, 2020, we entered into a securities purchase agreement (the "June 4, 2020 Purchase Agreement") with several accredited investors providing for the issuance of (i) 2,275,000 shares of the Company's common stock and (ii) warrants, with a term of 5.5 years, to purchase an aggregate of up to 2,275,000 shares of common stock at an exercise price of \$2.55 per share, subject to customary adjustments thereunder, which warrants were immediately exercisable upon issuance and on a cashless basis if such warrants have not been registered on or before six months after the date of issuance. Pursuant to the June 4, 2020 Purchase Agreement, the investors purchased all of the securities sold thereby for an aggregate purchase price of \$5,801,000. Pursuant to the June 4, 2020 Purchase Agreement, an aggregate of 2,275,000 shares of common stock were issued to the investors in a registered direct offering pursuant to a prospectus supplement to the Company's currently effective registration statement on Form S-3, which was declared effective on September 6, 2019. The Company filed the prospectus supplement on June 5, 2020. Maxim acted as the placement agent. The warrants were issued to the investors in a concurrent private placement transaction pursuant to an exemption from the registration requirements of the Securities Act provided in Section 4(a)(2) of the Securities Act and/or Regulation D promulgated thereunder. The Company paid Maxim a fee of approximately \$464,000, which was equal to 8% of the aggregate purchase price paid by investors placed by Maxim and certain expenses. The June 4, 2020 Purchase Agreement contains customary representations, warranties and agreements of the Company and the investors and customary indemnification rights and obligations of the parties thereto. The offering of the securities pursuant to the June 4, 2020 Purchase Agreement was closed on June 8, 2020.

On June 9, 2020, we entered into a securities purchase agreement (the "June 9, 2020 Purchase Agreement") with several accredited investors providing for the issuance of (i) 2,040,000 shares of the Company's common stock and (ii) warrants, with a term of 5.5 years, to purchase an aggregate of up to 2,040,000 shares of common stock at an exercise price of \$2.61 per share, subject to customary adjustments thereunder, which warrants were immediately exercisable upon issuance and on a cashless basis if the Warrants have not been registered on or before six months after the date of issuance. Pursuant to the June 9, 2020 Purchase Agreement, the investors purchased all of the securities sold thereby for an aggregate purchase price of \$5,324,000. Pursuant to the June 9, 2020 Purchase Agreement, an aggregate of 2,040,000 shares of common stock were issued to the investors in a registered direct offering, pursuant to a prospectus supplement to the Company's currently effective registration statement on Form S-3, which was declared effective on September 6, 2019. The Company filed the prospectus supplement on June 10, 2020. Maxim acted as the placement agent. The warrants were issued to the investors in a concurrent private placement transaction pursuant to an exemption from the registration requirements of the Securities Act provided in Section 4(a)(2) of the Securities Act and/or Regulation D promulgated thereunder. The Company paid Maxim a fee of approximately \$426,000, which was equal to 8% of the aggregate purchase price paid by investors placed by Maxim and certain expenses. The June 9, 2020 Purchase Agreement contains customary representations, warranties and agreements of the Company and the investors and customary indemnification rights and obligations of the parties thereto. The offering of the securities pursuant to the June 9, 2020 Purchase Agreement was closed on June 11, 2020.

SUMMIT WIRELESS TECHNOLOGIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Six Months Ended June 30, 2021 and 2020
(unaudited)

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

Settlement Agreements

On May 14, 2020, we entered into a settlement agreement with Alexander (the "Alexander Settlement Agreement"), pursuant to which, in consideration for Alexander releasing us from all claims against us arising out of that certain engagement agreement, dated February 6, 2020, that we entered into with Alexander (the "Alexander 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") which had a value of approximately \$111,000. 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 "Alexander 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.

On November 9, 2020, in order to resolve a dispute between certain investors (the "February 2020 Holders") and the Company regarding certain registration rights in connection with the February 2020 Private Placement, the Company entered into a settlement and release agreement with each of the February 2020 Holders (the "Settlement Agreement"), pursuant to which (i) the Company and the February 2020 Holders agreed to amend the original warrants issued in February 2020 (the "Original Warrants") to provide for the purchase of one additional share of common stock for each share of common stock available under the Original Warrants, totaling 45,534 additional common stock purchase warrants, (ii) the Company and the February 2020 Holders agreed to amend the Original Warrants to reduce the exercise price to \$2.55, and (iii) the Company agreed to issue an additional 236,375 shares of common stock and 236,369 common stock purchase warrants to purchase up to 236,369 shares of common stock. As consideration for the foregoing, the February 2020 Holders agreed to release any and all claims they may have against the Company, including, but not limited to, claims arising in connection with any securities held by the February 2020 Holders.

Warrants for Shares of Common Stock

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

In connection with the March 2020 Note, the Company issued the March 2020 Note to the investor and the March 2020 Maxim Warrant to Maxim to purchase shares of common stock of 227,679 and 20,400, respectively (see Note 4 – Borrowings) at an exercise price of \$6.40 per share. The grant date fair value of such warrants was \$625,000, which was recorded as debt discount with the offset recorded to additional paid-in capital on the condensed consolidated balance sheets. The fair value of such warrants was determined using the Black-Scholes Model based on the following weighted average assumptions: common stock price on date of grant of \$5.40; expected dividend yield of 0.0%; expected volatility of 61.0%; risk-free interest rate of 0.38% and expected life of 5 years.

SUMMIT WIRELESS TECHNOLOGIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Six Months Ended June 30, 2021 and 2020
(unaudited)

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

Such warrant issued to the investor contained an adjustment provision such that if 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 conversion price, then in effect, the conversion price shall be reduced to the price per share paid for such shares of common stock or common stock equivalents. The common stock and common stock equivalents issued by the Company in the April 2020 Public Offering were issued at price per share of \$3.25, which was lower than the conversion price then in effect. Additionally, the Alexander Settlement Shares, issued to Alexander under the Alexander Settlement Agreement, on May 14, 2020, were issued at a price per share which was lower than the conversion price then in effect. The Company modified the exercise price of the March 2020 Warrant as a result of each of these transactions and calculated the incremental fair value related to these modifications. The resulting deemed dividend from these down round adjustments was \$134,000, and this is included as an offset to additional paid-in capital in the accompanying condensed consolidated balance sheets.

Concurrent with the April 2020 Public Offering, the Company issued prefunded warrants for \$475,000 at an exercise price of \$0.01 per share. These warrants were exercised immediately upon the closing of the transactions for proceeds of \$4,750 and the investors received 475,000 shares of common stock.

Additionally, as a result of the April 2020 Public Offering, the Company issued warrants to purchase shares of common stock to the common stock investors, prefunded warrants investors, and Maxim of 1,525,000, 475,000 and 291,000, respectively. The warrants have an exercise price of \$3.25 per share and are fully vested. The grant date fair value of those warrants was \$2,606,000, which was recorded within stockholders' equity as a cost of issuance and an increase to additional paid-in capital on the accompanying condensed consolidated balance sheet. The fair value of the warrants was determined using the Black-Scholes Model based on the following weighted average assumptions: common stock price on date of grant of \$2.50; expected dividend yield of 0.0%; expected volatility of 64.0%; risk-free interest rate of 0.37% and expected life of 5 years.

The Company also issued the April 2020 Maxim Warrant to purchase up to 100,000 shares of common stock to Maxim in connection with the April 2020 Public Offering. Such warrant has an exercise price of \$3.90 per share and is fully vested. The fair value of such warrant at issuance was \$106,000. The fair value of the warrant was estimated using the Black-Scholes Model based on the following weighted average assumptions: common share price on date of grant \$2.50, expected dividend yield 0%, expected volatility 64%, risk-free interest rate 0.37% and expected life of 5 years. The fair value was recorded within stockholders' equity as a cost of issuance and an increase to additional paid-in capital on the accompanying condensed consolidated balance sheet.

In connection with the offering pursuant to the June 4, 2020 Purchase Agreement, the Company issued warrants to the investors to purchase up to an aggregate of 2,275,000 shares of common stock. Such warrants have an exercise price of \$2.55 per share and are fully vested. The grant date fair value of those warrants was \$3,153,000, which was recorded within stockholders' equity as a cost of issuance and an increase to additional paid-in capital on the accompanying condensed consolidated balance sheet. The fair value of such warrants was determined using the Black-Scholes Model based on the following weighted average assumptions: common stock price on date of grant of \$2.52; expected dividend yield of 0.0%; expected volatility of 64.0%; risk-free interest rate of 0.45% and expected life of 5.5 years.

SUMMIT WIRELESS TECHNOLOGIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Six Months Ended June 30, 2021 and 2020
(unaudited)

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

In connection with the offering pursuant to the June 9, 2020 Purchase Agreement, the Company issued warrants to the investors to purchase up to an aggregate of 2,040,000 shares of common stock. Such warrants have an exercise price of \$2.61 per share and are fully vested. The grant date fair value of those warrants was \$2,375,000, which was recorded within stockholders' equity as a cost of issuance and an increase to additional paid-in capital on the accompanying condensed consolidated balance sheet. The fair value of such warrants was determined using the Black-Scholes Model based on the following weighted average assumptions: common stock price on date of grant of \$2.25; expected dividend yield of 0.0%; expected volatility of 64.0%; risk-free interest rate of 0.32% and expected life of 5.5 years.

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

On April 18, 2019, the Company entered into a Securities Purchase Agreement with an existing shareholder, Lisa Walsh (the "Investor"), pursuant to which the Company issued 250,000 shares of our Series A 8% Convertible Preferred Stock (the "Original Securities"). On June 4, 2021, the Company and the Investor entered into that an exchange agreement pursuant to which the Company exchanged with the Investor the Original Securities held by the investor for: (i) 250,000 shares of common stock and (ii) warrants to purchase up to 187,500 shares of Common Stock. The warrants will be exercisable for a period of five (5) years and four (4) months. The exercise price with respect to the warrants is \$3.00 per share. The exercise price and the number of shares of common stock issuable upon exercise of the warrants are subject to adjustment upon certain events, such as stock splits, combinations, dividends, distributions, reclassifications, mergers or other corporate change and dilutive issuances. The grant date fair value of those warrants was \$570,000, which was recorded as loss on exchange of preferred stock and an increase to additional paid-in capital on the accompanying condensed consolidated balance sheet. The fair value of such warrants was determined using the Black-Scholes Model based on the following weighted average assumptions: common stock price on date of grant of \$4.77; expected dividend yield of 0.0%; expected volatility of 60.7%; risk-free interest rate of 0.78% and expected life of 5.4 years.

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

The Company had an additional 281,000 warrants exercised during the three months ended June 30, 2021, for proceeds of approximately \$889,000.

SUMMIT WIRELESS TECHNOLOGIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Six Months Ended June 30, 2021 and 2020
(unaudited)

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

Information regarding warrants for common stock outstanding and exercisable as of June 30, 2021 is as follows:

Exercise Price	Warrants Outstanding as of June 30, 2021	Weighted Average Remaining Life (years)	Warrants Exercisable as of June 30, 2021
\$2.32 - \$4.46	4,072,384	4.11	4,057,384
\$6.40 - \$9.80	32,889	3.66	32,889
\$15.80 - \$17.50	93,562	1.27	93,562
\$24.80 - \$99.00	225,307	1.60	225,307
\$108.00 - \$125.00	72,782	1.12	72,782
7.90*	<u>4,496,924</u>	3.91	<u>4,481,924</u>

* Weighted average

Warrants exercisable as of June 30, 2021 excludes warrants to purchase 15,000 shares of common stock issued to a marketing firm, which vest upon the achievement of certain milestones. Additionally, warrants to purchase 20,722 shares of common stock which are shown above with a price of \$15.80 are pre-funded warrants under which the holder must only pay \$0.20 per share to complete the exercise.

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

Exercise Price	Warrants Outstanding as of December 31, 2020	Weighted Average Remaining Life (years)	Warrants Exercisable as of December 31, 2020
\$2.32 - \$3.90	6,884,216	4.55	6,869,216
\$6.40 - \$9.80	32,889	4.15	32,889
\$15.80 - \$17.50	93,562	1.76	93,562
\$24.80 - \$99.00	230,571	0.99	230,571
\$108.00 - \$207.00	72,864	1.60	72,864
\$5.81*	<u>7,314,102</u>	4.54	<u>7,299,102</u>

* Weighted average

Warrants exercisable as of December 31, 2020 exclude a warrant to purchase 15,000 shares of common stock issued to a marketing consulting firm. Such warrant will vest in three tranches upon the achievement of certain milestones. Additionally, warrants to purchase 20,722 shares of common stock which are shown above with a price of \$15.80 are pre-funded warrants under which the holder must only pay \$0.20 per share to complete the exercise.

7. Income Taxes

The Company recorded a provision for income taxes of \$2,000 and \$3,000 for the three and six months ended June 30, 2021 and 2020, respectively.

The Company's effective tax rate was (0.03%) and (0.05%) for the six months ended June 30, 2021 and 2020, respectively. The difference between the effective tax rate and the federal statutory tax rate for the six months ended June 30, 2021 and 2020 primarily relates to the valuation allowance on the Company's deferred tax assets.

SUMMIT WIRELESS TECHNOLOGIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Six Months Ended June 30, 2021 and 2020
(unaudited)

7. Income Taxes, continued

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

As of June 30, 2021 and December 31, 2020, 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 six months ended June 30, 2021 and 2020 was calculated on a jurisdiction basis.

On March 27, 2020, the U.S. enacted the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"). The CARES Act includes provisions relating to refundable payroll tax credits, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations and technical corrections to the tax depreciation methods for qualified improvement property. On December 21, 2020, the U.S. Congress passed the Consolidation Appropriations Act, 2021 (the "CAA Act"). The tax provisions under the CARES Act and CAA Act, do not have a material impact on the condensed consolidated financial statements for the six months ended June 30, 2021, given the existence of a full valuation allowance.

On June 29, 2020, California Assembly Bill 85 ("AB 85") was signed into law, which suspends the use of California net operating losses and limits the use of California research tax credits for tax years beginning in 2020 and before 2023. The Company does not expect the suspension of net operating losses to have a significant impact on the condensed consolidated financial statements.

8. Commitments and Contingencies

Operating Leases

The Company rented its Beaverton, Oregon office under an operating lease, which expired on October 31, 2020. Under the terms of the lease, the Company was responsible for taxes, insurance and maintenance expense. The Company recognized rent expense on a straight-line basis over the lease period. On August 18, 2020, the Company signed a new operating lease that began on November 1, 2020, to rent office space in Beaverton, Oregon, to replace the lease that expired on October 31, 2020. The new lease expires on January 31, 2024. The following are the annual minimum lease payments for the years ending December 31, 2021 through December 31, 2024: \$163,000, \$153,000, \$173,000, and \$15,000.

Rent expense for the three months ended June 30, 2021 and 2020 was \$67,000 and \$86,000, respectively. Rent expense for the six months ended June 30, 2021 and 2020 was \$112,000 and \$201,000, respectively.

SUMMIT WIRELESS TECHNOLOGIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Six Months Ended June 30, 2021 and 2020
(unaudited)

8. Commitments and Contingencies, continued

Capital Leases

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

Future minimum lease commitments for the capital lease as of June 30, 2021 are as follows:

(in thousands)	
Payments due in:	
Year ending December 31, 2021 (remaining 6 months)	\$ 13
Year ending December 31, 2022	26
Year ending December 31, 2023	15
Total minimum lease payments	54
Less: Amounts representing interest	(3)
Present value of capital lease obligations	51
Less: Current portion of capital lease liabilities	24
Other liabilities	\$ 27

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

Contingencies

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

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

9. Related Parties

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 was a member of the board of directors from June 2015 to May 10, 2021, and is no longer considered a related party as of May 10, 2021. Alexander Capital, L.P. 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 June 30, 2021 and December 31, 2020, Mr. Gazdak owned less than 1% of the outstanding shares of the Company's common stock.

SUMMIT WIRELESS TECHNOLOGIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Six Months Ended June 30, 2021 and 2020
(unaudited)

9. Related Parties, continued

On February 6, 2020, the Company entered into a 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.

The Company also entered into the Alexander Settlement Agreement with Alexander Capital, L.P. on May 14, 2020. (See Note 6 – Convertible Preferred Stock and Stockholders' Equity (Deficit)).

Helge Kristensen

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

For the three months ended June 30, 2021 and 2020, Hansong Technology purchased modules from the Company of approximately \$151,000 and \$18,000, respectively, and made payments to the Company of approximately \$0 and \$1,000, respectively. For the three months ended June 30, 2021 and 2020, Hansong Technology sold speaker products to the Company of approximately \$132,000 and \$29,000, respectively, and the Company made payments to Hansong Technology of approximately \$443,000 and \$0, respectively. For the six months ended June 30, 2021 and 2020, Hansong Technology purchased modules from the Company of approximately \$233,000 and \$18,000, respectively, and made payments to the Company of approximately \$48,000 and \$1,000, respectively. For the six months ended June 30, 2021 and 2020, Hansong Technology sold speaker products to the Company of approximately \$757,000 and \$29,000, respectively, and the Company made payments to Hansong Technology of approximately \$653,000 and \$0, respectively. As of June 30, 2021 and December 31, 2020, Mr. Kristensen owned less than 1.0% 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 from customers is designated based on the geographic region to which the product is delivered. Net revenue by geographic region for the three and six months ended June 30, 2021 and 2020 was as follows:

(in thousands)	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2021	2020	2021	2020
United States	\$ 376	\$ 34	\$ 544	\$ 72
Europe	100	45	241	69
Asia Pacific	1,105	269	1,948	618
Other	-	-	1	-
Total	\$ 1,581	\$ 348	\$ 2,734	\$ 759

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

SUMMIT WIRELESS TECHNOLOGIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Six Months Ended June 30, 2021 and 2020
(unaudited)

11. Subsequent Events

Sale of Common Shares

On July 22, 2021, the Company entered into a securities purchase agreement (the “July 22nd Purchase Agreement”) with several accredited investors providing for the issuance of 2,500,000 shares of the Company’s common stock. Pursuant to the July 22nd Purchase Agreement, the investors purchased all of the securities sold thereby for an aggregate purchase price of \$10,000,000. Pursuant to the July 22nd Purchase Agreement, an aggregate of 2,500,000 shares of common stock were issued to the investors in a registered direct offering pursuant to a prospectus supplement to the Company’s currently effective registration statement on Form S-3, which was declared effective on September 6, 2019. The offering of the securities pursuant to the July 22nd Purchase Agreement was closed on July 27, 2021.

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

Cautionary Notice Regarding Forward Looking Statements

The information contained in Item 2 contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Actual results may materially differ from those projected in the forward-looking statements as a result of certain risks and uncertainties set forth in this Quarterly Report on Form 10-Q for the quarter ended June 30, 2021 (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 subsidiary 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 wireless audio. We intend to continue selling our proprietary wireless modules to consumer electronics companies while also expanding our focus to implement a lower cost solution by porting our software onto commercially available internet of things (“IoT”) modules with integrated Wi-Fi technology.

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

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

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

In January 2021, pursuant to the Company’s solicitation of certain warrant holders, such warrant holders agreed to exercise warrants to purchase an aggregate of 1,221,675 shares of common stock for net proceeds of approximately \$2.9 million. In consideration for their exercise of these warrants, for cash, the exercising holders are being issued new warrants to purchase up to an aggregate of 305,419 shares of common stock, at an exercise price of \$4.20 per share, which are exercisable for a period of five years.

On June 4, 2021, the Company entered into an exchange agreement, pursuant to which the Company exchanged with an investor 250,000 Series A 8% Senior Convertible Preferred Stock, par value \$0.0001 per share (the “Series A Preferred Stock”) held by such investor for: (i) 250,000 shares of common stock and (ii) warrants to purchase up to 187,500 shares of common stock. The warrants were exercisable for a period of five (5) years and four (4) months. The exercise price with respect to the warrants was \$3.00 per share. The exercise price and the number of shares of common stock issuable upon exercise of the warrants were subject to adjustment upon certain events, such as stock splits, combinations, dividends, distributions, reclassifications, mergers or other corporate change and dilutive issuances. In June 2021, the investor subsequently fully exercised such warrant on a cashless basis for 79,244 shares of common stock.

On June 7, 2021, pursuant to the Company’s solicitation of certain warrant holders, such warrant holders agreed to exercise warrants to purchase an aggregate of 1,000,000 shares of common stock for net proceeds of approximately \$2.3 million. In consideration for their exercise of such warrants for cash, such holders were issued new warrants to purchase up to an aggregate of 250,000 shares of common stock at an exercise price of \$4.46 per share, which are exercisable for a period of five years.

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 of 2020 was completed. During our second fiscal quarter of 2020, we observed decreased demand from certain of our customers due to the temporary closure by many retailers. Our third and fourth fiscal quarters of 2020 and our first and second fiscal quarters of 2021 saw sustained improved customer demand as retailers partially reopened and demand for an in-home immersive cinema experience increased, while public cinemas remained closed throughout many regions in the country. However, another closure by retailers, as well as a reopening of more public cinemas, could impact customer demand in the future.

Given the fact that our products are sold through a variety of distribution channels, we have experienced and we continue to expect that our sales will experience some volatility as a result of the changing and less predictable operational needs of many customers as a result of the COVID-19 pandemic. We are aware that many companies, including many of our suppliers and customers, are reporting or predicting negative impacts from COVID-19 on future operating results. To date, we have experienced shipment delays from two of our suppliers due to COVID-19, however we do not believe such delays will have a material adverse impact on our operating results and we have not experienced a material supply interruption. There can be no assurance that we will not experience material supply delays or interruptions in the future due to COVID-19, although we do not believe material supply interruptions to be likely at this time.

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 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 Report. As of the date of this Report, 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. 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 and Six Months Ended June 30, 2021 and 2020

Revenue

Revenue for the three months ended June 30, 2021 was \$1,581,000, an increase of \$1,233,000, or 354%, compared to the revenue for three months ended June 30, 2020 of \$348,000. The increase was primarily due to increased volumes of both modules and speaker bundles.

Revenue for the six months ended June 30, 2021 was \$2,734,000, an increase of \$1,975,000, or 260%, compared to the revenue for the six months ended June 30, 2020 of \$759,000. The increase was primarily due to increased volumes of both modules and speaker bundles.

Cost of Revenue and Operating Expenses

Cost of Revenue

Cost of revenue for the three months ended June 30, 2021 was \$1,122,000, an increase of \$786,000, or 234%, compared to the cost of revenue for the three months ended June 30, 2020 of \$336,000. The increase was primarily attributable to the direct material costs associated with higher sales volume.

Cost of revenue for the six months ended June 30, 2021 was \$1,980,000, an increase of \$1,296,000, or 189%, compared to the cost of revenue for the six months ended June 30, 2020 of \$684,000. The increase was primarily attributable to the direct material costs associated with higher sales volume.

Research and Development

Research and development expenses for the three months ended June 30, 2021 were \$1,305,000, an increase of \$401,000, compared to the research and development expenses for the three months ended June 30, 2020 of \$904,000. The increase in research and development expenses is primarily related to increased salary and benefit expense of \$306,000, increased stock-based compensation expenses and consultant expenses of \$73,000 and \$65,000, respectively, partially offset by reduced facility allocation expense of \$45,000.

Research and development expenses for the six months ended June 30, 2021 were \$2,478,000, an increase of \$440,000 compared to the research and development expenses for the six months ended June 30, 2020 of \$2,038,000. The increase in research and development expenses is primarily related to increased salary and benefit expense of \$403,000 and increased stock-based compensation expenses of \$124,000, partially offset by reduced facility allocation expense of \$127,000.

Sales and Marketing

Sales and marketing expenses for the three months ended June 30, 2021 were \$975,000, an increase of \$465,000, compared to the sales and marketing expenses for the three months ended June 30, 2020 of \$510,000. The increase in sales and marketing expenses is primarily related increased salary, incentive compensation and benefit expenses of \$144,000, increased stock-based compensation, website development and advertising expenses of \$32,000, \$89,000 and \$164,000, respectively.

Sales and marketing expenses for the six months ended June 30, 2021 were \$1,849,000, an increase of \$641,000, compared to the sales and marketing expenses for the six months ended June 30, 2020 of \$1,208,000. The increase in sales and marketing expenses is primarily related increased salary, incentive compensation and benefit expenses of \$147,000, increased stock-based compensation, website development and advertising expenses of \$56,000, \$183,000 and \$283,000, respectively.

General and Administrative

General and administrative expenses for the three months ended June 30, 2021 were \$988,000, an increase of \$381,000, compared to the general and administrative expenses for the three months ended June 30, 2020 of \$607,000. The increase in general and administrative expenses is primarily related to increased salary and benefit expenses of \$120,000, and increased stock-based compensation and investor relations expenses of \$146,000 and \$38,000, respectively.

General and administrative expenses for the six months ended June 30, 2021 were \$1,956,000, an increase of \$458,000, compared to the general and administrative expenses for the six months ended June 30, 2020 of \$1,498,000. The increase in general and administrative expenses is primarily related to increased salary and benefit expenses of \$156,000, increased stock-based compensation and investor relations expenses of \$240,000 and \$108,000, respectively, partially offset by a \$236,000 expense booked pursuant to the Alexander Settlement Agreement discussed in Note 6 – Convertible Preferred Stock and Stockholders' Equity (Deficit).

Interest Expense

Interest expense for the three months ended June 30, 2021 was \$3,000, a decrease of \$1,349,000 compared to the interest expense for the three months ended June 30, 2020 of \$1,352,000. Minimal interest expense was booked in the three months ended June 30, 2021, as the Company had no significant outstanding debt. Interest expense for the three months ended June 30, 2020 was due to the full amortization of debt discounts associated with the convertible debt that the Company incurred in March 2020, as such convertible debt was fully repaid in April 2020.

Interest expense for the six months ended June 30, 2021 was \$6,000, a decrease of \$1,383,000, compared to the interest expense for the six months ended June 30, 2020 of \$1,389,000. Minimal interest expense was booked in the six months ended June 30, 2021, as the Company had no significant outstanding debt. Interest expense for the six months ended June 30, 2020 was due to the full amortization of debt discounts associated with the convertible debt that the Company incurred in March 2020, as such convertible debt was fully repaid in April 2020.

Change in Fair Value of Warrant Liability

There was no change in the fair value of the warrant liability for the three months ended June 30, 2021, compared to a gain of \$5,000 due to the change in fair value of the warrant liability for the three months ended June 30, 2020. The gain for the three months ended June 30, 2020 is due to the decrease in our common stock price during the period.

The was no change in the fair value of the warrant liability for the six months ended June 30, 2021, compared to a gain of \$24,000 due to the change in fair value of the warrant liability for the six months ended June 30, 2020. The gain for the six months ended June 30, 2020 is due to the decrease in our common stock price during the period.

Deemed Dividend on Exchange of Convertible Preferred Stock for Common Stock

During the three and six months ended June 30, 2021, the Company recorded a deemed dividend of \$1,192,000 in connection with the exchange of all 250,000 shares of preferred stock for 250,000 shares of common stock and warrants to purchase up to 187,500 shares of common stock, which warrants were subsequently fully exercised on a cashless basis for 79,244 shares of common stock.

Warrant Inducement Expense

During the three and six months ended June 30, 2021, the Company recorded a charge of \$579,000 and \$1,146,000, respectively, in connection with the fair value of warrants issued to warrant holders in connection with a solicitation of such warrant holders to exercise their outstanding warrants during this period. See Note 6 – Convertible Preferred Stock and Stockholders' Equity (Deficit). No such inducement occurred during the three and six months ended June 30, 2020.

Liquidity and Capital Resources

Cash and cash equivalents as of June 30, 2021 were \$10,293,000, compared to \$7,415,000 as of December 31, 2020.

We incurred a net loss of \$6,690,000 for the six months ended June 30, 2021 and used net cash in operating activities of \$5,328,000. We incurred a net loss of \$6,078,000 for the six months ended June 30, 2020 and used net cash in operating activities of \$4,832,000. Excluding non-cash adjustments, the primary reasons for the increase in the use of net cash from operating activities during the six months ended June 30, 2021, was related to the increase in accounts receivable, inventories, prepaid expenses and other assets, partially offset by an increase in accrued liabilities.

We have financed our operations to date primarily through the issuance of equity securities, proceeds from the exercise of warrants to purchase common stock and sale of debt instruments (approximately \$17,028,000 raised from various financings in fiscal 2020). In addition, during the six months ended June 30, 2021, we raised approximately \$8,254,000 from exercises of warrants which were acquired by investors in conjunction with such financings during fiscal 2020. Warrants exercisable for approximately 4,072,000 shares of common stock with exercise prices ranging from \$2.32 to \$4.46 per share, remain outstanding. Additionally, in July 2021, we raised \$10,000,000 in gross proceeds in a registered direct offering for the issuance and sale of 2,500,000 shares of common stock at a price of \$4.00 per share. We believe that our current level of liquid assets will be sufficient to fund our operations at least through the balance of fiscal 2021.

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 June 30, 2021, 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 June 30, 2021 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

None.

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

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

SIGNATURES

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

Summit Wireless Technologies, Inc.

Date: August 10, 2021

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

Date: August 10, 2021

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

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

I, Brett Moyer, certify that:

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

Date: August 10, 2021

/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: August 10, 2021

/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 June 30, 2021 (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: August 10, 2021

/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 June 30, 2021 (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: August 10, 2021

/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.
