# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
**WASHINGTON, DC 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, 2017**

**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: 001-37851**

# AIRGAIN, INC.
**(Exact name of registrant as specified in its charter)**

| | |
|---|---|
| **Delaware**<br>(State or Other Jurisdiction of Incorporation or Organization) | **95-4523882**<br>(I.R.S. Employer Identification No.) |
| **3611 Valley Centre Drive, Suite 150**<br>**San Diego, CA**<br>(Address of Principal Executive Offices) | **92130**<br>(Zip Code) |

**(760) 579-0200**
**(Registrant's Telephone Number, Including Area Code)**

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post 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 | ☐ | | Accelerated filer | ☐ |
| Non-accelerated filer | ☒ | (Do not check if a smaller reporting company) | 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 registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

As of August 7, 2017, the registrant had 9,544,260 shares of Common Stock (par value $0.0001) outstanding.

**AIRGAIN, INC.**
**TABLE OF CONTENTS**

## PART I. FINANCIAL INFORMATION

### ITEM 1. FINANCIAL STATEMENTS

**Airgain, Inc.**
**Unaudited Condensed Balance Sheets**

| | June 30, 2017 | December 31, 2016 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 36,582,992 | $ 45,161,403 |
| Trade accounts receivable, net | 8,097,808 | 5,154,996 |
| Inventory | 609,240 | 146,815 |
| Prepaid expenses and other current assets | 401,774 | 349,550 |
| Total current assets | 45,691,814 | 50,812,764 |
| Property and equipment, net | 1,157,517 | 807,086 |
| Goodwill | 2,740,447 | 1,249,956 |
| Customer relationships, net | 3,941,418 | 2,822,918 |
| Intangible assets, net | 2,406,415 | 286,719 |
| Other assets | 195,264 | 84,060 |
| Total assets | $ 56,132,875 | $ 56,063,503 |
| **Liabilities and stockholders' equity** | | |
| Current liabilities: | | |
| Accounts payable | $ 4,153,498 | $ 3,949,005 |
| Accrued bonus | 1,198,950 | 1,748,551 |
| Accrued liabilities | 1,246,430 | 1,072,242 |
| Deferred purchase price | 1,000,000 | 1,000,000 |
| Current portion of long-term notes payable | 1,333,333 | 1,388,563 |
| Current portion of deferred rent obligation under operating lease | 81,332 | 81,332 |
| Total current liabilities | 9,013,543 | 9,239,693 |
| Long-term notes payable | 666,667 | 1,333,333 |
| Deferred tax liability | 27,497 | 6,166 |
| Deferred rent obligation under operating lease | 390,432 | 451,909 |
| Total liabilities | 10,098,139 | 11,031,101 |
| Stockholders' equity: | | |
| Common shares, par value $0.0001, 200,000,000 shares authorized at June 30, 2017 and December 31, 2016; 9,544,250 and 9,275,062 shares issued and outstanding at June 30, 2017 and December 31, 2016, respectively | 954 | 928 |
| Additional paid in capital | 89,269,808 | 88,582,470 |
| Accumulated deficit | (43,236,026) | (43,550,996) |
| Total stockholders' equity | 46,034,736 | 45,032,402 |
| Commitments and contingencies (note 12) | | |
| Total liabilities and stockholders' equity | $ 56,132,875 | $ 56,063,503 |

See accompanying notes to unaudited condensed financial statements.

**Airgain, Inc.**
**Unaudited Condensed Statements of Operations**

| | Three Months Ended June 30, 2017 | Three Months Ended June 30, 2016 | Six Months Ended June 30, 2017 | Six Months Ended June 30, 2016 |
|---|---|---|---|---|
| Sales | $ 13,013,143 | $ 9,856,317 | $ 24,265,560 | $ 18,368,623 |
| Cost of goods sold | 6,891,619 | 5,309,556 | 12,855,577 | 10,144,237 |
| Gross profit | 6,121,524 | 4,546,761 | 11,409,983 | 8,224,386 |
| Operating expenses: | | | | |
| Research and development | 1,819,288 | 1,342,403 | 3,416,087 | 2,664,090 |
| Sales and marketing | 1,792,010 | 1,383,755 | 3,420,151 | 2,624,859 |
| General and administrative | 2,637,380 | 846,555 | 4,275,419 | 1,844,795 |
| Total operating expenses | 6,248,678 | 3,572,713 | 11,111,657 | 7,133,744 |
| Income (loss) from operations | (127,154) | 974,048 | 298,326 | 1,090,642 |
| Other expense (income): | | | | |
| Interest income | (53,965) | — | (91,166) | — |
| Interest expense | 26,713 | 47,294 | 57,477 | 99,770 |
| Fair market value adjustment - warrants | — | (381,455) | — | (460,289) |
| Total other income | (27,252) | (334,161) | (33,689) | (360,519) |
| Income (loss) before income taxes | (99,902) | 1,308,209 | 332,015 | 1,451,161 |
| Provision (benefit) for income taxes | (29,781) | (3,000) | 17,045 | 800 |
| Net income (loss) | (70,121) | 1,311,209 | 314,970 | 1,450,361 |
| Accretion of dividends on preferred convertible stock | — | (610,781) | — | (1,214,850) |
| Net income (loss) attributable to common stockholders | $ (70,121) | $ 700,428 | $ 314,970 | $ 235,511 |
| Net income (loss) per share: | | | | |
| Basic | $ (0.01) | $ 0.97 | $ 0.03 | $ 0.34 |
| Diluted | $ (0.01) | $ 0.15 | $ 0.03 | $ (0.32) |
| Weighted average shares used in calculating income (loss) per share: | | | | |
| Basic | 9,520,285 | 724,979 | 9,440,368 | 695,415 |
| Diluted | 9,520,285 | 4,479,505 | 10,120,998 | 695,415 |

See accompanying notes to unaudited condensed financial statements.

**Airgain, Inc.**
**Unaudited Condensed Statement of Stockholders' Equity**

| | Common Stock | | Additional Paid-in Capital | Accumulated Deficit | Total Stockholders' Equity |
|---|---|---|---|---|---|
| | Shares | Amount | | | |
| Balance at December 31, 2016 | 9,275,062 | $ 928 | $ 88,582,470 | $ (43,550,996) | $ 45,032,402 |
| Stock-based compensation | — | — | 249,888 | — | 249,888 |
| Exercise of stock options | 211,713 | 21 | 436,674 | — | 436,695 |
| Shares issued pursuant to stock awards | 57,475 | 5 | (5) | — | — |
| Reversal of costs related to secondary offering | — | — | 781 | — | 781 |
| Net income | — | — | — | 314,970 | 314,970 |
| Balance at June 30, 2017 | 9,544,250 | $ 954 | $ 89,269,808 | $ (43,236,026) | $ 46,034,736 |

See accompanying notes to unaudited condensed financial statements.

**Airgain, Inc.**
**Unaudited Condensed Statements of Cash Flows**

| | Six Months Ended June 30, 2017 | 2016 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Net income | $ 314,970 | $ 1,450,361 |
| Adjustments to reconcile net income to net cash used in operating activities: | | |
| Depreciation | 222,459 | 236,357 |
| Amortization | 321,804 | 182,666 |
| Fair market value adjustment - warrants | — | (460,289) |
| Stock-based compensation | 249,888 | 112,168 |
| Deferred tax liability | 21,331 | — |
| Changes in operating assets and liabilities: | | |
| Trade accounts receivable | (2,358,425) | (888,337) |
| Inventory | (29,655) | 42,509 |
| Prepaid expenses and other assets | (163,428) | (93,246) |
| Accounts payable | 82,616 | 827,453 |
| Accrued bonus | (549,601) | (539,000) |
| Accrued liabilities | 174,188 | 139,204 |
| Deferred obligation under operating lease | (61,477) | (53,366) |
| Net cash provided by (used in) operating activities | (1,775,330) | 956,480 |
| **Cash flows from investing activities:** | | |
| Cash paid for acquisition | (6,348,730) | — |
| Purchases of property and equipment | (169,931) | (47,030) |
| Net cash used in investing activities | (6,518,661) | (47,030) |
| **Cash flows from financing activities:** | | |
| Repayment of notes payable | (721,896) | (810,090) |
| Deferred costs related to initial public offering | — | (247,475) |
| Reversal of costs related to initial public offering | 781 | — |
| Proceeds from exercise of stock options | 436,695 | 72,300 |
| Net cash used in financing activities | (284,420) | (985,265) |
| Net decrease in cash and cash equivalents | (8,578,411) | (75,815) |
| Cash and cash equivalents, beginning of period | 45,161,403 | 5,335,913 |
| Cash and cash equivalents, end of period | $ 36,582,992 | $ 5,260,098 |
| **Supplemental disclosure of cash flow information** | | |
| Interest paid | $ 60,934 | $ 99,769 |
| **Supplemental disclosure of non-cash investing and financing activities:** | | |
| Accretion of Series E, F, and G preferred redeemable convertible stock to redemption amount | $ — | $ 1,072,332 |
| Conversion of warrants | $ — | $ 249,215 |

See accompanying notes to unaudited condensed financial statements.

**Note 1. Basis of Presentation**

***Business Description***

Airgain, Inc. (the Company) was incorporated in the State of California on March 20, 1995, and reincorporated in the State of Delaware on August 15, 2016. The Company is a leading provider of advanced antenna technologies used to enable high performance wireless networking across a broad range of home, enterprise, and industrial devices. The Company designs, develops, and engineers its antenna products for original equipment and design manufacturers worldwide. Additionally, the Company designs and manufactures antennas for cellular, Long-Term Evolution (LTE), Multiple Input Multiple Output (MIMO), Global Positioning System (GPS), Wi-Fi and most radio frequencies. The Company's main office is in San Diego, California with office space and research facilities in San Diego, California, Rancho Santa Fe, California, Poway, California, Melbourne, Florida, Taipei, Taiwan, Shenzhen and Jiangsu, China and Cambridgeshire, United Kingdom and manufacturing plants/facilities in Scottsdale, Arizona and Shullsburg, Wisconsin.

***Basis of Presentation***

The accompanying unaudited condensed financial statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) and applicable rules and regulations of the Securities and Exchange Commission (SEC) regarding interim financial reporting. Certain information and note disclosures normally included in the financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. Interim financial results are not necessarily indicative of results anticipated for the full year. As such, the information included in this quarterly report on Form 10-Q should be read in conjunction with the financial statements and accompanying notes included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2016, from which the balance sheet information herein was derived.

The condensed balance sheet as of December 31, 2016 included herein was derived from the audited financial statements as of that date, but does not include all disclosures including notes required by GAAP.

The condensed statements of operations for the three and six months ended June 30, 2017 and June 30, 2016, and the balance sheet data as of June 30, 2017 have been prepared on the same basis as the audited financial statements.

In the opinion of management, the accompanying unaudited condensed financial statements reflect all adjustments, consisting of normal and recurring adjustments, necessary for a fair presentation of results of the Company's operations and financial position for the interim periods, but are not necessarily indicative of the results of operations to be anticipated for the full year ending December 31, 2017 or for any future period.

***Inventory***

The vast majority of the Company's products are manufactured by third parties that retain ownership of the inventory until title is transferred to the customer at the shipping point. In certain instances, shipping terms are delivery at place and the Company is responsible for arranging transportation and delivery of goods ready for unloading at the named place. The Company bears all risk involved in bringing the goods to the named place and records the related inventory in transit to the customer as inventory on the accompanying balance sheet. With the acquisition of substantially all of the assets of Antenna Plus, LLC ("Antenna Plus"), in April 2017, the Company began manufacting products at its Scottsdale, Arizona and Shullsburg, Wisconsin locations. See Note 5 for additional information relating to the Companys acquisition of the Antenna Plus assets.

Inventory is stated at the lower of cost or market. For items manufactured by the Company, cost is determined using the weighted average cost method. For items manufactured by third parties, cost is determined using the first-in, first-out method (FIFO). Any adjustments to reduce the cost of inventories to their net realizable value are recognized in earnings in the current period. As of June 30, 2017, the Company's inventories consist primarily of raw materials.

***Segment Information***

The Company's operations are located primarily in the United States, and most of its assets are located in San Diego, California and Scottsdale, Arizona. The Company operates in one segment related to the sale of antenna products. The Company's chief operating decision-maker is its chief executive officer, who reviews operating results on an aggregate basis and manages the Company's opertions as a single operating segment.

***Initial Public Offering***

On August 17, 2016, the Company completed its initial public offering (IPO) in which it issued and sold 1.5 million shares of common stock at a public offering price of $8.00 per share. The Company received net proceeds of approximately $9.5 million after deducting underwriting discounts and commissions of $0.8 million and offering-related transaction costs of approximately $1.7 million. Upon the closing of the IPO, all shares of the Company's then-outstanding preferred redeemable convertible stock and preferred convertible stock automatically converted into an aggregate of 3,080,733 shares of common stock and the Company issued 1,957,207 shares of common stock in satisfaction of accumulated dividends.  Additionally, the Company reduced the number of preferred shares authorized to a total of 10,000,000 shares.

On August 29, 2016, the underwriters exercised their over-allotment option to purchase an additional 200,100 shares of common stock at the public offering price of $8.00 per share, which resulted in net proceeds to the Company of approximately $1.5 million, after deducting underwriting discounts, commissions and estimated offering-related transaction costs of approximately $0.1 million.

On December 8, 2016, the Company completed a public offering of common stock in which it issued and sold 1,352,941 shares of common stock at a public offering price of $17.00 per share and received gross proceeds of $23.0 million, which resulted in net proceeds to the Company of approximately $20.7 million, after deducting underwriting discounts and commissions of approximately $1.5 million and offering-related transaction costs of approximately $0.8 million.

On December 14, 2016, the underwriters exercised their over-allotment option to purchase an additional 332,941 shares of common stock at the public offering price of $17.00 per share and the Company received gross proceeds of approximately $5.6 million, which resulted in net proceeds to the Company of approximately $5.3 million, after deducting underwriting discounts and commissions of approximately $0.3 million and offering-related transaction costs.

***Fair Value Measurements***

The carrying values of the Company's financial instruments, including cash, trade accounts receivable, accounts payable, accrued liabilities and debt approximate their fair values due to the short maturity of these instruments.

Fair value measurements are market-based measurements, not entity-specific measurements. Therefore, fair value measurements are determined based on the assumptions that market participants would use in pricing the asset or liability. The Company follows a three-level hierarchy to prioritize the inputs used in the valuation techniques to derive fair values. The basis for fair value measurements for each level within the hierarchy is described below:

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable in active markets.
- Level 3: Valuations derived from valuation techniques in which one or more significant inputs are unobservable in active markets.

The Company's accounting policy is to recognize transfers between levels of the fair value hierarchy on the date of the event or change in circumstances that caused the transfer. There were no transfers into or out of Level 1, Level 2, or Level 3 for the six months ended June 30, 2017 and for the year ended December 31, 2016.

The following table provides a rollforward of the Company's Level 3 fair value measurements during the six months ended June 30, 2017 and 2016:

| | Six Months Ended June 30, | |
|---|---|---|
| | 2017 | 2016 |
| Beginning balance | $ — | $ 709,504 |
| Change in fair value of warrant liability | — | (460,289) |
| Conversion of warrants | — | (249,215) |
| Ending balance | $ — | $ — |

***Use of Estimates***

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

Significant items subject to such estimates and assumptions include valuation of the stock-based compensation expense, intangible assets and goodwill.

**Note 2. Summary of Significant Accounting Policies**

During the three and six months ended June 30, 2017, there have been no material changes to the Company's significant accounting policies as described in the Annual Report on Form 10-K for the fiscal year ended December 31, 2016.

***Recent Accounting Pronouncements***

In January 2017, the Financial Accounting Standards Board (FASB) issued Accounting Standards Updated (ASU) No. 2017-04, *Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*, which simplifies the subsequent measurement of goodwill. For public entities, ASU 2017-04 is effective for fiscal years beginning after December 15, 2019. For nonpublic entities, ASU 2017-04 is effective for fiscal years beginning after December 15, 2021. Early adoption is permitted. The Company does not expect the adoption of this guidance to have a material impact on its financial statements.

In August 2016, the FASB, issued ASU, No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*, which simplifies the way cash receipts and cash payments are presented on the statement of cash flows. For public entities, ASU 2016-15 is effective for fiscal years beginning after December 15, 2017, and interim periods within those annual periods. For nonpublic entities, ASU 2016-15 is effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted. The Company is currently evaluating the impact the guidance will have on its financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires lessees to recognize most leases on their balance sheets as lease liabilities with corresponding right-of-use assets. For public entities, ASU 2016-02 is effective for annual periods beginning after December 15, 2018, including interim periods within those fiscal years. For nonpublic entities, ASU 2016-02 is effective for fiscal year beginning after December 15, 2019 and interim periods within fiscal years beginning after December 15, 2020. The Company is evaluating the effect that ASU 2016-02 will have on its financial statements and related disclosures. The Company has not yet selected a transition method nor has it determined the effect of the standard on its ongoing financial reporting.

In July 2015, the FASB issued ASU 2015-11, *Simplifying the Measurement of Inventory*. ASU 2015-11 requires companies to measure certain inventory at the lower of cost and net realizable value. For public entities, ASU 2015-11 is effective for fiscal years beginning after December 15, 2016, and interim periods within those years on a prospective basis. For nonpublic entities, ASU 2015-11 is effective for fiscal years beginning after December 15, 2016, and interim periods within fiscal years beginning after December 15, 2017. Early adoption is permitted. The Company is evaluating the effect that ASU 2015-11 will have on its financial statements and related disclosure. The Company does not expect the adoption of this guidance to have a material impact on its financial statements.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The standard will replace most existing revenue recognition guidance in GAAP when it becomes effective. For public entities, ASU 2014-09 is effective for reporting periods beginning after December 15, 2017, including interim periods within that reporting period. For nonpublic entities, ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2018 and interim periods within those periods. The standard permits the use of either the retrospective or cumulative effect transition method. The Company is evaluating the effect that ASU 2014-09 will have on its financial statements and related disclosures. The Company has not yet selected a transition method nor has it determined the effect of the standard on the Company's ongoing financial reporting.

**Note 3. Net Income (Loss) Per Share**

Basic net income or loss per share is calculated by dividing net income or loss available to common stockholders by the weighted average shares of common stock outstanding for the period. The per share computations reflect the one-for-ten reverse stock split that was effected in July 2016. Diluted net income or loss per share is calculated by dividing net income or loss by the weighted average shares of common stock outstanding for the period plus amounts representing the dilutive effect of securities that are convertible into common stock. Preferred dividends are deducted from net income or loss in arriving at net income or loss attributable to common stockholders. The Company calculates diluted earnings or loss per common share using the treasury stock method and the as-if-converted method, as applicable.

The following table presents the computation of net income or loss per share:

| | Three Months Ended June 30, 2017 | Three Months Ended June 30, 2016 | Six Months Ended June 30, 2017 | Six Months Ended June 30, 2016 |
|---|---|---|---|---|
| **Numerator:** | | | | |
| Net income (loss) | $ (70,121) | $ 1,311,209 | $ 314,970 | $ 1,450,361 |
| Accretion of dividends on preferred stock | — | (610,781) | — | (1,214,850) |
| Net income (loss) attributable to common stockholders - basic | $ (70,121) | $ 700,428 | $ 314,970 | $ 235,511 |
| Accretion of dividends on preferred stock | — | 354,270 | — | — |
| Adjustment for change in fair value of warrant liability | — | (381,455) | — | (460,289) |
| Net income (loss) attributable to common stockholders - diluted | $ (70,121) | $ 673,243 | $ 314,970 | $ (224,778) |
| **Denominator:** | | | | |
| Weighted average common shares outstanding | | | | |
| Basic | 9,520,285 | 724,979 | 9,440,368 | 695,415 |
| Diluted | 9,520,285 | 4,479,505 | 10,120,998 | 695,415 |
| **Net income (loss) per share:** | | | | |
| Basic | $ (0.01) | $ 0.97 | $ 0.03 | $ 0.34 |
| Diluted | $ (0.01) | $ 0.15 | $ 0.03 | $ (0.32) |

Diluted weighted average common shares outstanding for the six months ended June 30, 2017 includes 9,681 warrants and 670,949 options outstanding.

Potentially dilutive securities not included in the calculation of diluted net income (loss) per share because to do so would be anti-dilutive are as follows (in common stock equivalent shares):

| | Three Months Ended June 30, 2017 | Three Months Ended June 30, 2016 | Six Months Ended June 30, 2017 | Six Months Ended June 30, 2016 |
|---|---|---|---|---|
| Preferred redeemable convertible stock, including accumulated dividends | — | 3,858,113 | — | 4,998,688 |
| Employee stock options | 384,538 | 952,940 | 366,732 | 1,371,666 |
| Total | 384,538 | 4,811,053 | 366,732 | 6,370,354 |

**Note 4. Property and Equipment**

Depreciation and amortization of property and equipment is calculated on the straight-line method based on estimated useful lives of six to ten years for tenant improvements and three years for all other property and equipment. Property and equipment consist of the following:

| | June 30, 2017 | December 31, 2016 |
|---|---|---|
| Lab equipment | $ 1,826,233 | $ 1,314,060 |
| Computer equipment | 165,415 | 165,415 |
| Computer software | 299,227 | 299,227 |
| Furniture and fixtures | 201,717 | 184,233 |
| Tenant improvements | 763,898 | 763,898 |
| Other office equipment | 63,824 | 20,591 |
| | 3,320,314 | 2,747,424 |
| Less accumulated depreciation | (2,162,797) | (1,940,338) |
| | $ 1,157,517 | $ 807,086 |

Depreciation expense was $107,012 and $118,911 for the three months ended June 30, 2017 and 2016, respectively, and $222,459 and $236,357 for the six months ended June 30, 2017 and 2016, respectively.

**Note 5. Acquisitions**

*Antenna Plus*

On April 27, 2017, the Company completed the acquisition of substantially all of the assets of Antenna Plus. Antenna Plus is a supplier of antenna-based solutions for mobile and automotive fleet applications for government, public safety, and Industrial Internet of Things (IOT) markets. The acquisition provides leverage for the Company's existing products into several new markets, including the fast-growing automotive fleet and industrial IOT space.

The transaction was completed pursuant to an Asset Purchase Agreement with MCA Financial Group, Ltd., acting as the court-appointed receiver for Antenna Plus. Upon the closing of the transaction, the Company paid to Antenna Plus total consideration of approximately $6.3 million in cash, net of post-closing working capital adjustments. In addition, the Company assumed certain contracts and other liabilities of Antenna Plus, as expressly set forth in the Asset Purchase Agreement.

Given the timing of the acquisition in relation to this filing, the Company has not yet finalized the acquisition-date fair value of the total consideration transferred, the acquisition-date fair value of each major class of consideration, useful lives of each major class of consideration or the identification and valuation of indemnification assets. The following table shows the preliminary allocation of the purchase price for Antenna Plus to the acquired identifiable assets, liabilities assumed and goodwill:

| | | |
|---|---|---|
| Consideration: | | |
| Cash | $ | 6,383,500 |
| Working capital adjustments | | (34,770) |
| Fair value of total consideration transferred | $ | 6,348,730 |
| Recognized amounts of identifiable assets acquired and liabilities assumed: | | |
| Accounts receivable | $ | 584,390 |
| Inventory | | 432,770 |
| Fixed assets | | 402,958 |
| Intangible assets | | 3,560,000 |
| Current liabilities | | (121,879) |
| Total identifiable net assets acquired | | 4,858,239 |
| Goodwill | | 1,490,491 |
| Total | $ | 6,348,730 |

Goodwill was primarily attributable to the anticipated synergies and economies of scale expected from the operations of the combined business. The synergies include certain cost savings, operating efficiencies, and other strategic benefits projected to be achieved as a result of the acquisition. Goodwill is expected to be deductible for tax purposes.

Revenue associated with the acquired Antenna Plus assets since the date of acquisition was $1.4 million for the three and six months ended June 30, 2017. Cost of goods sold associated with the acquired Antenna Plus assets since the date of acquisition was $0.7 million for the three and six months ended June 30, 2017. Net income associated with the acquired Antenna Plus assets since the date of acquisition was net loss of $0.3 million for the three and six months ended June 30, 2017.

*Unaudited Pro Forma Information*

The following unaudited pro forma financial information presents combined results of operations for each of the periods presented, as if Antenna Plus had been acquired as of the beginning of the fiscal year 2016. The pro forma information includes adjustments to amortization and depreciation for intangible assets and property, plant and equipment acquired. The pro forma data are for informational purposes only and are not necessarily indicative of the consolidated results of operations of the combined business had the acquisition actually occurred at the beginning of fiscal year 2016 or of the results of future operations of the combined business. Consequently, actual results will differ from the unaudited pro forma information presented below:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| Pro forma sales | $ 13,506,610 | $ 12,030,154 | $ 26,533,604 | $ 22,263,313 |
| Pro forma income (loss) from operations | $ (130,412) | $ 1,386,825 | $ 680,581 | $ 1,746,412 |
| Pro forma net income (loss) | $ (73,379) | $ 1,723,995 | $ 697,231 | $ 2,106,169 |

*Skycross*

On December 17, 2015, the Company executed and entered into an asset purchase agreement for certain North American assets of Skycross, Inc. (Skycross), a manufacturer of advanced antenna and radio-frequency solutions.  In addition to the $4.0 million paid up front, the purchase price also included a contingent consideration arrangement.  The $1.0 million of deferred consideration is payable upon the later of (i) the expiration of the Transition Services Agreement between the Company and Skycross which defines transition services to be provided by Skycross to the Company and (ii) the date on which the Company has received copies of third party approvals with respect to each customer and program that was purchased. The potential undiscounted amount of all future payments that could be required to be paid under the contingent consideration arrangement is between $0.0 and $1.0 million. The fair value of the contingent consideration was estimated by applying the income approach. The income approach is based on estimating the value of the present worth of future net cash flows.  As of June 30 2017, the contingent consideration was still outstanding.

**Note 6. Goodwill**

Changes to the Company's goodwill balance during the six months ended June 30, 2017 and the year ended December 31, 2016 are as follows:

| | | |
|---|---|---|
| Balance at December 31, 2015 | $ | 1,249,956 |
| Current period adjustments | | — |
| Balance at December 31, 2016 | $ | 1,249,956 |
| Acquisition of Antenna Plus Assets | | 1,490,491 |
| Balance at June 30, 2017 | $ | 2,740,447 |

**Note 7. Intangible Assets**

The following is a summary of the Company's acquired intangible assets:

| | June 30, 2017 | | | |
|---|---|---|---|---|
| | Weighted Average Amortization Period (years) | Gross Carrying Amount | Accumulated Amortization | Intangibles, Net |
| Customer relationships | 10 | $ 4,450,000 | $ 508,582 | $ 3,941,418 |
| Assembled workforce | 3 | 1,340,000 | 74,444 | 1,265,556 |
| Developed technologies | 5 | 1,080,000 | 89,784 | 990,216 |
| Tradename | 10 | 120,000 | 2,000 | 118,000 |
| Non-compete agreement | 3 | 67,000 | 34,357 | 32,643 |
| Total intangible assets, net | 8 | $ 7,057,000 | $ 709,167 | $ 6,347,833 |

| | December 31, 2016 | | | |
|---|---|---|---|---|
| | Weighted Average Amortization Period (years) | Gross Carrying Amount | Accumulated Amortization | Intangibles, Net |
| Developed technologies | 5 | $ 280,000 | $ 37,091 | $ 242,909 |
| Customer relationships | 10 | 3,150,000 | 327,082 | 2,822,918 |
| Non-compete agreement | 3 | 67,000 | 23,190 | 43,810 |
| Total intangible assets, net | 10 | $ 3,497,000 | $ 387,363 | $ 3,109,637 |

The estimated annual amortization of intangible assets for the next five years and thereafter is shown in the following table. Actual amortization expense to be reported in future periods could differ from these estimates as a results of acquisitions, divestitures, asset impairments, among other factors. Amortization expense was $224,458 and $91,333 for the three months ended June 30, 2017 and 2016, respectively, and $321,804 and $182,666 for the six months ended June 30, 2017 and 2016, respectively.

| | Estimated Future Amortization |
|---|---|
| 2017 (remaining six months) | $ 566,693 |
| 2018 | 1,137,195 |
| 2019 | 1,115,718 |
| 2020 | 817,222 |
| 2021 | 652,420 |
| Thereafter | 2,058,585 |
| Total | $ 6,347,833 |

**Note 8. Long-term Notes Payable (including current portion) and Line of Credit**

In June 2012, the Company amended its line of credit with Silicon Valley Bank. The amended revolving line of credit facility allows for an advance up to $3.0 million. The facility bears interest at the U.S. prime rate (4.25% as of June 30, 2017) plus 1.25%. The revolving facility is available as long as the Company maintains a liquidity ratio of cash and cash equivalents plus accounts receivable to outstanding debt under the facility of 1.25 to 1.00; otherwise, the facility reverts to its previous eligible receivables financing arrangement. The amended facility matures in April 2018. The bank has a first security interest in all the Company's assets excluding intellectual property, for which the bank has received a negative pledge. There was no balance owed on the line of credit as of June 30, 2017 and December 31, 2016.

In December 2013, the Company further amended its revolving line of credit with Silicon Valley Bank to include a growth capital term loan of up to $750,000. The growth capital term loan required interest only payments through June 30, 2014 at which point it was to be repaid in 32 equal monthly installments of interest and principal. The growth capital term loan matured on February 1, 2017, at which time $55,230 in principal and accrued interest was paid. The growth capital term loan interest rate was 6.5%. As of December 31, 2016, $55,230 was outstanding under this loan. As of June 30, 2017, there was no balance owed under this loan.

In December 2015, the Company amended its loan and security agreement with Silicon Valley Bank to include a term loan in the amount of $4.0 million. The loan requires 36 monthly installments of interest and principal. The loan matures on December 1, 2018. The loan agreement requires the Company to maintain a liquidity ratio of 1.25 to 1.00 as of the last day of each month and a minimum EBITDA measured as of the last day of each fiscal quarter for the previous six month period (for June 30, 2017 the minimum EBITDA is $750,000). The interest rate is fixed at 5%. As of June 30, 2017 and December 31, 2016, $2,000,000 and $2,666,666 was outstanding under this loan, respectively.

The remaining principal payments on the $4.0 million loan subsequent to June 30, 2017 are as follows:

| | |
|---|---|
| Year ending: | |
| 2017 | $ 666,667 |
| 2018 | 1,333,333 |
| | $ 2,000,000 |

The Company was in compliance with all financial term loan and line of credit financial covenants as of June 30, 2017.

**Note 9. Income Taxes**

The Company's effective income tax rate was 29.81% and 5.13% for the three and six months ended June 30, 2017, respectively. The variance from the U.S. federal statutory tax rate of 34% was primarily attributable to the valuation allowance offsetting the Company's deferred tax assets.

Management assesses its deferred tax assets quarterly to determine whether all or any portion of the asset is more likely than not unrealizable under Accounting Standards Codification (ASC) 740. The Company is required to establish a valuation allowance for any portion of the asset that management concludes is more likely than not to be unrealizable. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. The Company's assessment considers all evidence, both positive and negative, including the nature, frequency and severity of any current and cumulative losses, taxable income in carryback years, the scheduled reversal of deferred tax liabilities, tax planning strategies, and projected future taxable income in making this assessment. At June 30, 2017 and December 31, 2016, the Company has a full valuation allowance against net deferred tax assets, excluding naked credits. Should the Company continue to achieve substantial pre-tax income during 2017 or be better able to forecast taxable income into the future, the Company may need to release a substantial portion of its federal valuation allowance during 2017.

FASB ASC Topic 740, *Income Taxes*, prescribes a recognition threshold and a measurement criterion for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be considered more likely than not to be sustained upon examination by taxing authorities. The Company records interest and penalties related to uncertain tax positions as a component of the provision for income taxes.

**Note 10. Stockholders' Equity**

***Shares Reserved for Future Issuance***

The following common stock is reserved for future issuance at June 30, 2017 and December 31, 2016:

| | June 30, 2017 | December 31, 2016 |
|---|---|---|
| Warrants issued and outstanding | 51,003 | 51,003 |
| Stock option awards issued and outstanding | 1,234,099 | 1,040,387 |
| Authorized for grants under the 2016 Equity Incentive Plan | 289,601 | 709,750 |
| Authorized for grants under the 2016 Employee Stock Purchase Plan | 100,000 | 100,000 |
| | 1,674,703 | 1,901,140 |

**Note 11. Stock Options**

The following table summarizes the outstanding stock option activity during the periods indicated:

| | Number of shares | Weighted average exercise price | Weighted average remaining contractual term |
|---|---|---|---|
| Balance at December 31, 2015 | 756,692 | 2.10 | 7.60 |
| Granted | 359,319 | 2.60 | 9.40 |
| Exercised | (58,155) | 2.36 | 3.50 |
| Expired/Forfeited | (17,469) | 2.13 | 2.60 |
| Balance at December 31, 2016 | 1,040,387 | 2.25 | 7.80 |
| Granted | 420,144 | 15.11 | 9.73 |
| Exercised | (211,713) | 2.06 | 6.14 |
| Expired/Forfeited | (14,719) | 5.80 | 0.14 |
| Balance at June 30, 2017 | 1,234,099 | 6.62 | 8.31 |
| Vested and exercisable at June 30, 2017 | 524,065 | 2.07 | 6.95 |
| Vested and expected to vest at June 30, 2017 | 1,234,099 | 6.62 | 8.31 |

The weighted average grant-date fair value of options granted during the six months ended June 30, 2017 and for the year ended December 31, 2016 was $6.19 and $1.23, respectively. For fully vested stock options, the aggregate intrinsic value as of June 30, 2017 and December 31, 2016 was $9,747,000 and $7,770,086, respectively. For stock options expected to vest, the aggregate intrinsic value as of June 30, 2017 and December 31, 2016 was $6,350,728 and $4,569,243, respectively.

During the year ended December 31, 2016, a total of 57,475 shares of restricted common stock with a fair value of $2.00 per share were issued to the Company's Chief Financial Officer and Chief Operating Officer of which 100% of the shares vested six months after the completion of an initial public offering, or February 2017. The Company recorded $53,056 and $61,894 in expense associated with these shares during the six months ended June 30, 2017 and the year ended December 31, 2016, respectively.

At June 30, 2017 and December 31, 2016 there was $2,821,359 and $522,818, respectively, of total unrecognized compensation cost related to unvested stock options and restricted stock granted under the plans. These costs are expected to be recognized over the next three years and is based on the date the options were granted.

The Company currently uses authorized and unissued shares to satisfy share award exercises.

**Note 12. Commitments and Contingencies**

***Operating Leases***

The Company has entered into lease agreements for office space and research facilities in San Diego, California, Rancho Santa Fe, California, Poway, California, Melbourne, Florida, Taipei, Taiwan, Shenzhen and Jiangsu, China,; and Cambridgeshire, United Kingdom and for a manufacturing plant/facility in Scottsdale, Arizona. Rent expense was $207,696 and $369,150, respectively, for the three months ended June 30, 2017 and 2016 and $391,310 and $179,288, respectively, for the six months ended June 30, 2017 and 2016. The longest lease expires in June 2020. The Company moved into its facility in San Diego, California during the year ended December 31, 2014. The San Diego facility lease agreement included a tenant improvement allowance which provided for the landlord to pay for tenant improvements on behalf of the Company up to $515,000. Based on the terms of this landlord incentive and involvement of the Company in the construction process, the leasehold improvements purchased under the landlord incentive were determined to be property of the Company.

The future minimum lease payments required under operating leases in effect at June 30, 2017 were as follows:

| | | |
|---|---|---|
| Year ending: | | |
| 2017 (remaining six months) | $ | 446,655 |
| 2018 | | 705,606 |
| 2019 | | 555,660 |
| 2020 | | 265,940 |
| | $ | 1,973,861 |

**Note 13. Concentration of Credit Risk**

***(a) Concentration of Sales and Accounts Receivable***

The following represents customers that accounted for 10% or more of total revenue during the three and six months ended June 30, 2017 and 2016 and customers that accounted for 10% or more of total trade accounts receivable at June 30, 2017 and 2016.

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| Percentage of net revenue | | | | |
| Customer A | 20% | 20% | 21% | 18% |
| Customer B | 14 | 31 | 14 | 32 |
| Customer C | 9 | 8 | 11 | 7 |

| | As of June 30, | |
|---|---|---|
| | 2017 | 2016 |
| Percentage of gross trade accounts receivable | | |
| Customer A | 17% | 1% |
| Customer B | 14 | 12 |
| Customer C | 13 | 12 |
| Customer D | 8 | 25 |

*(b)* ***Revenue by Geography***

Net revenue by geographic area are as follows. Revenue is attributed by geographic location based on the bill-to location of the Company's customers.

| | Three Months Ended June 30, 2017 | Three Months Ended June 30, 2016 | Six Months Ended June 30, 2017 | Six Months Ended June 30, 2016 |
|---|---|---|---|---|
| Percentage of net revenue | | | | |
| China | 65% | 75% | 68% | 74% |
| Other Asia | 13 | 10 | 13 | 11 |
| North America | 18 | 9 | 14 | 10 |
| Europe | 4 | 6 | 5 | 5 |

Although the Company ships the majority of antennas to its customers in China (primarily Original Design Manufacturers and distributors), the end-users of the Company's products are much more geographically diverse.

*(c)* ***Concentration of Purchases***

During the three and six months ended June 30, 2017 and 2016, all the Company's products were manufactured by two vendors in China and by the Company's facilities in Wisconsin and Arizona.

**Note 14. Subsequent Events**

In July 2017, the Company began to transition all of its Shullsburg, Wisconsin operations to its facility in Scottsdale, Arizona. As of the date of this filing, the Wisconsin operations have fully transitioned operations to the facility in Arizona. The consolidation is expected to create cost savings, operating efficiencies, and other strategic benefits. The carrying amount of the Company's long-lived assets at its Shullsburg facility was $0.3 million as of June 30, 2017, primarily consisting of machinery and equipment. These assets have been relocated to the Scottsdale facility.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following discussion and analysis and the interim unaudited condensed financial statements included in this quarterly report on Form 10-Q should be read in conjunction with the financial statements and notes thereto for the year ended December 31, 2016 and the related Management's Discussion and Analysis of Financial Condition and Results of Operations, both of which are contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016.*

### Forward-Looking Statements

This quarterly report on Form 10-Q contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. All statements other than statements of historical fact contained in this quarterly report, including statements regarding our future operating results, financial position and cash flows, our business strategy and plans and our objectives for future operations, are forward-looking statements. These statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. In some cases, you can identify forward-looking statements by terms such as "may," "will," "would," "could," "should," "expect," "plan," "anticipate," "could," "intend," "target," "project," "contemplate," "believe," "estimate," "predict," "potential" or "continue" or the negative of these terms or other similar expressions. The forward-looking statements in this quarterly report are only predictions. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, operating results, business strategy, short-term and long-term business operations and objectives. These forward-looking statements speak only as of the date of this quarterly report and are subject to a number of risks, uncertainties and assumptions, including those described in Part II, Item 1A, "Risk Factors." The events and circumstances reflected in our forward-looking statements may not be achieved or occur and actual results could differ materially from those projected in the forward-looking statements. Moreover, we operate in a very competitive and rapidly changing environment. New risk factors and uncertainties may emerge from time to time, and it is not possible for management to predict all risk factors and uncertainties. Except as required by applicable law, we do not plan to publicly update or revise any forward-looking statements contained herein, whether as a result of any new information, future events, changed circumstances or otherwise.

### Overview

We are a leading provider of advanced antenna technologies used to enable high performance wireless networking across a broad range of home, enterprise, and industrial devices. Our innovative antenna systems open up exciting new possibilities in wireless services requiring high speed throughput, broad coverage footprint, and carrier grade quality. Our antennas are found in devices deployed in carrier, enterprise, and residential wireless networks and systems, including set top boxes, access points, routers, gateways, media adapters, and digital televisions. Through our pedigree in the design, integration, and testing of high performance advanced antenna technology, we have become a leading provider to the residential wireless local area networking, also known as WLAN or Wi-Fi, antenna market, supplying to leading carriers, Original Equipment Manufacturers, or OEMs, Original Design Manufacturers, or ODMs, and system designers who depend on us to achieve their wireless performance goals. We also develop advanced antenna technology for adjacent markets, including enterprise Wi-Fi systems for on premises and cloud-based services, small cellular applications using Long-Term Evolution, or LTE, and Digital Enhanced Cordless Telecommunications, or DECT, and Internet of Things, or IOT, devices and automotive connectivity applications.

We shipped approximately 159 million antenna products worldwide in 2016 used in approximately 54 million devices. For the six months ended June 30, 2017, we shipped approximately 81 million antenna products worldwide used in approximately 25 million devices. Our products are found in a broad range of devices that generally enable Wi-Fi connectivity for data and video coverage. We sell our products to OEMs and ODMs. These companies compete based on product performance, product features, price, and other factors. While our products are found in devices manufactured by global OEMs and ODMs, the products end up primarily in the end-user devices that are deployed in carrier, enterprise, and residential wireless networks including WLAN, access points, routers, residential gateways, set-top boxes, media adapters, and digital televisions. Our global sales force works with telecommunications and broadband carriers and retail-focused customers who seek high performance, reliable wireless solutions. By working with these end-user carriers and retail-focused customers, we seek to have service providers influence OEMs and ODMs to specify our antennas for the products they provide to their end-user customers. Our direct sales team works directly with customers, and also works with indirect channel partners who pursue sales opportunities that are based in the United States, Europe, and Asia.

Our sales cycle can be short or lengthy depending upon the specific situation; however, the majority of our revenues are derived from device designs with life-cycles of over 12 months. For some recurring customers, we are able to design and produce antenna systems for volume production in less than one calendar quarter. In situations where we are selling to a new customer, it may take 12 to 18 months from initial meeting to achieve a design win. Competition generally lengthens the sales process, but our past performance and ability to provide high throughput, highly reliable antenna solutions can shorten the process. We intend to continue investing for long-term growth. We have invested and expect to continue to invest heavily in our product development efforts to address customer needs, and enable solutions that can address new end markets, such as alternative wireless connectivity technologies. In addition, we expect to continue to expand our sales force and engineering organizations and to make additional capital expenditures to further penetrate markets both in the United States and internationally, and to continue to expand our research and development for new product offerings and technology solutions.

Although our sales cycle can be lengthy depending on the specific situation, the majority of our revenues are derived from device designs with life-cycles of over a year. In 2016, 43% of our product revenues were from devices in the marketplace for over two years, 37% for devices in the marketplace for one to two years and 20% for devices in the marketplace for less than one year. For the six months ended June 30, 2017, 35% of our product revenues, excluding the revenues attributable to the Antenna Plus acquisition, were from devices in the marketplace for over two years, 28% from devices in the marketplace for one to two years and 37% from devices in the marketplace for less than one year.

We believe demand is growing rapidly for our advanced antenna solutions and there is a significant market opportunity. As the ability to provide mobile internet access has grown, our solutions and expertise have become more important to prospects and customers. As a passive component, embedded antennas can be viewed as a commodity. However, our design, engineering, and research show that antenna selection, placement, and testing can have significant improvements in device performance. We believe that we are chosen when performance is a more significant factor than price, and our distinctive focus on superior designs that provide increased range and throughput has allowed us to build a leadership position in the in-home WLAN antenna market.

**Recent Developments**

On April 17, 2017, we completed the acquisition of substantially all of the assets of Antenna Plus, LLC, or Antenna Plus. Antenna Plus is a privately-held supplier of antenna-based solutions for mobile and automotive fleet applications for government, public safety, and Industrial IOT markets. We believe the acquisition provides leverage for our existing products into several new markets, including the fast-growing automotive fleet and industrial IOT space.

The transaction was completed pursuant to an Asset Purchase Agreement with MCA Financial Group, Ltd., acting as the court-appointed receiver for Antenna Plus. Upon the closing of the transaction, we paid to Antenna Plus total consideration of approximately $6.3 million in cash, net of post-closing working capital adjustments. In addition, we assumed certain contracts and other liabilities of Antenna Plus, as expressly set forth in the Asset Purchase Agreement.

**Factors Affecting Our Operating Results**

We believe that our performance and future success depend upon several factors including manufacturing costs, investments in our growth, our ability to expand into growing addressable markets, including the automotive, fleet and industrial IOT space, the average selling price of our products per device, the number of antennas per device, and our ability to diversify the number of devices that incorporate our antenna products. Our customers are extremely price conscious, and our operating results are affected by pricing pressure which may force us to lower prices below our established list prices. In addition, a few end customer devices which incorporate our antenna products comprise a significant amount of our sales, and the discontinuation or modification of such devices may materially and adversely affect our sales and results of operations. Excluding the Antenna Plus acquisition, we have seen the number of devices increase 9% and number of antennas per device increase 11% for the six months ended June 30, 2017 when compared to the six months ended June 30, 2016. Our ability to maintain or increase our sales depends on new and existing end customers selecting our antenna solutions for their heterogeneous next-generation wireless devices and networks depends on the proliferation of Wi-Fi connected devices and data intensive applications, investments in our growth to address customer needs, target new end markets, our ability to develop our product offerings and technology solutions and expand internationally, as well as successfully integrating acquisitions such as Antenna Plus. While each of these areas presents significant opportunities for us, they also pose significant risks and challenges we must successfully address. See the section entitled "Risk Factors."

**Seasonality**

Our operating results historically have not been subject to significant seasonal variations. However, our operating results are affected by how customers make purchasing decisions around local holidays in China. For example, a national holiday the first week of October in China may cause customers to purchase product in the third quarter ahead of their holiday season to account for higher volume requirements in the fourth quarter. In addition, although it is difficult to make broad generalizations, our sales tend to be lower in the first quarter of each year compared to other quarters due to the Chinese New Year. Results for any quarter may not be indicative of the results that may be achieved for the full fiscal year and these patterns may change as a result of general customer demand or product cycles.

### Key Components of Our Results of Operations and Financial Condition

***Sales***

We primarily generate revenue from the sales of our products. We recognize revenue when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable, and collectability is reasonably assured. We generally recognize sales at the time of shipment to our customers, provided that all other revenue recognition criteria have been met. Although currently insignificant, we may also generate service revenue derived from agreements to provide design, engineering, and testing for a customer.

***Cost of Goods Sold***

The cost of goods sold reflects the cost of producing antenna products that are shipped for our customers' devices. This primarily includes manufacturing costs of our products payable to our third-party contract manufacturers, as well as manufacturing costs incurred at our manufacturing facilities in Arizona and Wisconsin. The cost of goods sold that we generate from services provided to customers primarily includes personnel costs.

***Operating Expenses***

Our operating expenses are classified into three categories: research and development, sales and marketing, and general and administrative. For each category, the largest component is personnel costs, which includes salaries, employee benefit costs, bonuses, and stock-based compensation. Operating expenses also include allocated overhead costs for depreciation of equipment, facilities and information technology. Allocated costs for facilities consist of leasehold improvements and rent. Operating expenses are generally recognized as incurred.

*Research and development*. Research and development expenses primarily consist of personnel and facility-related costs attributable to our engineering research and development personnel. These expenses include work related to the design, engineering and testing of antenna designs, and antenna integration, validation and testing of customer devices. These expenses include salaries, including stock-based compensation, benefits, bonuses, travel, communications, and similar costs, and depreciation and allocated operating expenses such as office supplies, premises expenses, and insurance. We may also incur expenses from consultants and for prototyping new antenna solutions. We expect research and development expense to increase in absolute dollars as we increase our research and development headcount to further strengthen and enhance our antenna design and integration capabilities and invest in the development of new solutions and markets, although our research and development expense may fluctuate as a percentage of total sales.

*Sales and marketing*. Sales and marketing expenses primarily consist of personnel and facility-related costs for our sales, marketing, and business development personnel, stock-based compensation and bonuses earned by our sales personnel, and commissions earned by our third-party sales representative firms. Sales and marketing expense also includes the costs of trade shows, marketing programs, promotional materials, demonstration equipment, travel, recruiting, and allocated costs for certain facilities. We expect sales and marketing expense to continue to increase in absolute dollars as we increase the size of our sales and marketing organizations in support of our investment in our growth opportunities, although our sales and marketing expense may fluctuate as a percentage of total sales.

*General and administrative*. General and administrative expenses primarily consist of personnel and facility-related costs for our executive, finance, and administrative personnel, including stock-based compensation, as well as legal, accounting, and other professional services fees, depreciation, and other corporate expenses. Although our general and administrative expense may fluctuate as a percentage of total sales, we expect general and administrative expense to increase in absolute dollars due to additional legal fees and accounting, insurance, investor relations, and other costs associated with being a public company, as well as, due to costs associated with growing our business.

***Interest and Other Expense (Income)***

*Interest Income*. Interest income consists of interest from our cash and cash equivalents.

*Interest Expense*. Interest expense consists of interest on our outstanding debt.

*Fair Market Value Adjustments - Warrants*. This consists of the change in fair value of our convertible preferred stock warrant liability. The preferred stock warrants are classified as liabilities on our balance sheets and their estimated fair value is re-measured at each balance sheet date using a combination of an option-pricing model and current value model under the probability-weighted return method, with the corresponding change recorded within other expense (income). In May 2016, the warrants were amended such that they became immediately exercisable into shares of our common stock. Concurrent with such amendment, the holders of the outstanding warrants elected to net exercise the warrants, and were granted an aggregate of 127,143 shares of our common stock. Following such net exercise, there will be no future re-measurement of the warrant liability.

***Provision for Income Taxes***

Provision for income taxes consists of federal and state income taxes. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities (including the impact of available carryback and carryforward periods), projected future taxable income, and tax-planning strategies in making this assessment. It is difficult for us to project future taxable income as the timing and size of sales of our products are variable and difficult to predict. We concluded that it is not more likely than not that we will utilize our deferred tax assets other than those that are offset by reversing temporary differences.

***Results of Operations***

The following tables set forth our operating results for the periods presented as a percentage of our total sales for those periods. The period-to-period comparison of financial results is not necessarily indicative of financial results to be achieved in future periods.

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | (calculated as a percentage of associated sales) | | (calculated as a percentage of associated sales) | |
| **Statement of Operations Data:** | | | | |
| Sales | 100.0% | 100.0% | 100.0% | 100.0% |
| Cost of goods sold | 53.0% | 53.9% | 53.0% | 55.2% |
| Gross profit | 47.0% | 46.1% | 47.0% | 44.8% |
| Operating expenses: | | | | |
| Research and development | 14.0% | 13.6% | 14.1% | 14.5% |
| Sales and marketing | 13.8% | 14.0% | 14.1% | 14.3% |
| General and administrative | 20.3% | 8.6% | 17.6% | 10.0% |
| Total operating expenses | 48.0% | 36.2% | 45.8% | 38.8% |
| Income (loss) from operations | (1.0)% | 9.9% | 1.2% | 5.9% |
| Other income | (0.2)% | (3.4)% | (0.1)% | (2.0)% |
| Income (loss) before income taxes | (0.8)% | 13.3% | 1.4% | 7.9% |
| Provision (benefit) for income taxes | (0.2)% | (0.0)% | 0.1% | 0.0% |
| Net income (loss) | (0.5)% | 13.3% | 1.3% | 7.9% |

**Comparison of the three and six months ended June 30, 2017 and 2016**

***Sales***

| | Three Months Ended June 30, | | | |
|---|---|---|---|---|
| | 2017 | 2016 | Increase/(Decrease) | % Change |
| Sales | $ 13,013,143 | $ 9,856,317 | $ 3,156,826 | 32.0% |

| | Six Months Ended June 30, | | | |
|---|---|---|---|---|
| | 2017 | 2016 | Increase/(Decrease) | % Change |
| Sales | $ 24,265,560 | $ 18,368,623 | $ 5,896,937 | 32.1% |

The increase in sales of $3.2 million for the three months ended June 30, 2017, is primarily driven by an increase in product sales including $1.4 million of sales associated with the Antenna Plus asset acquisition.  In addition, in our organic business, total devices decreased by 2.5% or 0.3 million devices to 11.7 million devices for the three months ended June 30, 2017 when compared to the three months ended June 30, 2016; the average number of antennas per device increased 14.3% from 3.07 antennas per device for the three months ended June 30, 2016 to 3.51 antennas per device for the three months ended June 30, 2017; and the average selling price per device for the three months ended June 30, 2017 increased 25.3% to $0.99 as compared to $0.79 for the three months ended June 30, 2016. Additionally, overall demand in the set-top-box and carrier gateway/router markets and the incorporation of our antennas in new devices outpaced products reaching the end of their lifecycle, which contributed to the increase in sales for the three months ended June 30, 2017 when compared to the three months ended June 30, 2016.

The increase in sales of $5.9 million for the six months ended June 30, 2017, is primarily driven by an increase in product sales including $1.4 million of sales associated with the Antenna Plus asset acquisition. In addition, in our organic business total devices increased 8.9% or 2.0 million devices to 24.5 million devices for the six months ended June 30, 2017 when compared to the six months ended June 30, 2016; the average number of antennas per device increased 14.3% from 3.02 antennas per device for the six months ended June 30, 2016 to 3.31 antennas per device for the six months ended June 30, 2017; and the average selling price per device for the six months ended June 30, 2017 increased 17.7% to $0.93 as compared to $0.79 for the six months ended June 30, 2016. Additionally, overall demand in the set-top-box and carrier gateway/router markets and the incorporation of our antennas in new devices outpaced products reaching the end of their lifecycle, which contributed to the increase in sales for the six months ended June 30, 2017 when compared to the six months ended June 30, 2016.

***Cost of Goods Sold***

| | Three Months Ended June 30, | | | |
|---|---|---|---|---|
| | 2017 | 2016 | Increase/(Decrease) | % Change |
| Cost of goods sold | $ 6,891,619 | $ 5,309,556 | $ 1,582,063 | 29.8% |

| | Six Months Ended June 30, | | | |
|---|---|---|---|---|
| | 2017 | 2016 | Increase/(Decrease) | % Change |
| Cost of goods sold | $ 12,855,577 | $ 10,144,237 | $ 2,711,340 | 26.7% |

The increase in cost of goods sold for the three and six months ended June 30, 2017 is primarily due to an increase in product sales and the acquisition of the Antenna Plus assets.

***Gross Profit***

| | Three Months Ended June 30, | | | |
|---|---|---|---|---|
| | 2017 | 2016 | Increase/(Decrease) | % Change |
| Gross profit | $ 6,121,524 | $ 4,546,761 | $ 1,574,763 | 34.6% |
| Gross profit (percentage of sales) | 47.0% | 46.1% | | 0.9% |

| | Six Months Ended June 30, | | | |
|---|---|---|---|---|
| | 2017 | 2016 | Increase/(Decrease) | % Change |
| Gross profit | $ 11,409,983 | $ 8,224,386 | $ 3,185,597 | 38.7% |
| Gross profit (percentage of sales) | 47.0% | 44.8% | | 2.2% |

Gross profit as a percentage of sales increased 0.9% and 2.2% for the three and six months ended June 30, 2017, respectively, as compared to the three and six months ended June 30, 2016. The increase in gross profit percentage is primarily driven by a shift in the sales mix to higher margin set-top boxes and carrier gateways routers in the three and six months ended June 30, 2017 as compared to the three and six months ended June 30, 2016.

***Operating Expenses***

| | Three Months Ended June 30, 2017 | 2016 | Increase/(Decrease) | % Change |
|---|---|---|---|---|
| Operating Expenses | | | | |
| Research and development | $ 1,819,288 | $ 1,342,403 | $ 476,885 | 35.5% |
| Sales and marketing | 1,792,010 | 1,383,755 | 408,255 | 29.5% |
| General and administrative | 2,637,380 | 846,555 | 1,790,825 | 211.5% |
| Total | $ 6,248,678 | $ 3,572,713 | $ 2,675,965 | 74.9% |

| | Six Months Ended June 30, 2017 | 2016 | Increase/(Decrease) | % Change |
|---|---|---|---|---|
| Operating Expenses | | | | |
| Research and development | $ 3,416,087 | $ 2,664,090 | $ 751,997 | 28.2% |
| Sales and marketing | 3,420,151 | 2,624,859 | 795,292 | 30.3% |
| General and administrative | 4,275,419 | 1,844,795 | 2,430,624 | 131.8% |
| Total | $ 11,111,657 | $ 7,133,744 | $ 3,977,913 | 55.8% |

*Research and Development*

Research and development expense increased for the three months ended June 30, 2017 compared to the three months ended June 30, 2016, primarily due to a $0.2 million increase in personnel expenses associated with headcount increases, $0.2 million increase in expenses associated with Antenna Plus, which consisted primarily of personnel expenses, and a $0.1 million increase in product development expenses due to increases in revenue.

Research and development expense increased for the six months ended June 30, 2017 compared to the six months ended June 30, 2016, primarily due to a $0.4 million increase in personnel expenses associated with headcount increases, a $0.2 million increase in product development expenses due to increases in revenue and a $0.2 million increase in expenses associated with Antenna Plus, which consisted primarily of personnel expenses.

*Sales and Marketing*

Sales and marketing expense increased for the three months ended June 30, 2017 compared to the three months ended June 30, 2016, primarily due to a $0.1 million increase in personnel expenses associated with headcount increases, $0.1 million increase in marketing efforts and $0.2 million increase in expenses association with Antenna Plus, which consisted primarily of personnel expenses.

Sales and marketing expense increased for the six months ended June 30, 2017 compared to the six months ended June 30, 2016, primarily due to a $0.4 million increase in personnel expenses associated with headcount increases, $0.2 million increase in marketing efforts and $0.2 million increase in expenses association with Antenna Plus, which consisted primarily of personnel expenses.

*General and Administrative*

General and administrative expense increased for the three months ended June 30, 2017 compared to the three months ended June 30, 2016 primarily due to a $0.4 million increase in certain general and administrative expenses related to the cost of being a publicly traded company, $0.2 million increase in personnel expenses associated with increased headcount, $0.8 million in acquisition expenses, $0.2 million for the completion of an R&D tax credit study, $0.1 million of amortization related to the intangible assets acquired with the Antenna Plus acquisition and $0.1 million of Antenna Plus general and administrative costs, which consisted primarily of personnel expenses.

General and administrative expense increased for the six months ended June 30, 2017 compared to the six months ended June 30, 2016 primarily due to a $0.8 million increase in certain general and administrative expenses related to the cost of being a publicly traded company, $0.4 million increase in personnel expenses associated with increased headcount, $0.8 million in acquisition expenses, $0.2 million for the completion of an R&D tax credit study, $0.1 million of amortization related to the intangible assets acquired with the Antenna Plus acquisition and $0.1 million of Antenna Plus general and administrative costs, which consisted primarily of personnel expenses.

***Other Expense (Income)***

| | Three Months Ended June 30, | | | |
|---|---|---|---|---|
| | 2017 | 2016 | Increase/(Decrease) | % Change |
| Other expense (income): | | | | |
| Interest income | $ (53,965) | $ — | $ (53,965) | 0.0% |
| Interest expense | 26,713 | 47,294 | (20,581) | -43.5% |
| Fair market value adjustment, warrants | — | (381,455) | 381,455 | -100.0% |
| Total | $ (27,252) | $ (334,161) | $ 306,909 | -91.8% |

| | For the Six Months Ended June 30, | | | |
|---|---|---|---|---|
| | 2017 | 2016 | Increase/(Decrease) | % Change |
| Other expense (income): | | | | |
| Interest income | $ (91,166) | $ — | $ (91,166) | 0.0% |
| Interest expense | 57,477 | 99,770 | $ (42,293) | -42.4% |
| Fair market value adjustment, warrants | — | (460,289) | $ 460,289 | -100.0% |
| Total | $ (33,689) | $ (360,519) | $ 326,830 | -90.7% |

Other income decreased for the three and six months ended June 30, 2017 as compared to the three and six months ended June 30, 2016 primarily due to the decrease in the fair market value adjustment of the warrants due to the conversion of the warrants in May 2016, offset by an increase in interest income and a decrease in interest expense on our outstanding loans.

**Liquidity and Capital Resources**

We had cash and cash equivalents of $36.6 million at June 30, 2017. In April 2017, we paid approximately $6.3 million in cash, net of post-closing working capital adjustment, in connection with the acquisition of the Antenna Plus assets. Cash and cash equivalents consist of cash. We did not have any short-term or long-term investments. In August 2016, we completed our IPO and received net proceeds of approximately $11.0 million, including the sale of shares pursuant to the exercise of the underwriters' overallotment option and after deducting underwriting discounts and commissions and estimated offering-related transaction costs. In December 2016, we completed our public offering of common stock and received net proceeds of approximately $26.0 million, including the sale of shares pursuant to the exercise of the underwriters' over-allotment option and after deducting underwriting discounts and commissions and estimated offering-related transaction costs.

Before 2013, we had incurred net losses in each year since our inception. As a result, we had an accumulated deficit of $43.2 million at June 30, 2017.

Since inception, we have primarily financed our operations and capital expenditures through private sales of preferred stock, convertible promissory notes, public offerings and cash flows from our operations. We have raised an aggregate of $29.5 million in net proceeds from the issuance of our preferred stock and convertible promissory notes and $37.0 million from the sale of common stock in our public offerings.

As of June 30, 2017, we had approximately $2.0 million outstanding under a term loan pursuant to our amended and restated loan and security agreement with Silicon Valley Bank. In addition, under our amended and restated loan and security agreement with Silicon Valley Bank, we have a revolving line of credit for $3.0 million. As of June 30, 2017, there was no balance owed on the line of credit.

In December 2013, we amended our amended and restated loan and security agreement with Silicon Valley Bank to provide for growth capital term loans of $750,000. The growth capital term loan required interest only payments through June 30, 2014 at which time it was to be repaid in 32 equal monthly installments of interest and principal. The growth capital term loan matured on February 1, 2017, at which time all unpaid principal and accrued and unpaid interest was paid. The growth capital term loan interest rate was 6.5%. We must maintain a liquidity ratio of cash and cash equivalents plus accounts receivable to outstanding debt under the loan and security agreement of 1.00 to 1.00 or greater. The line of credit is available as long as we maintain a liquidity ratio of cash and cash equivalents plus accounts receivable to outstanding debt under the loan and security agreement of 1.25 to 1.00. If this liquidity ratio is not met, the line of credit will only allow for maximum advances of 80% of the aggregate face amount of all eligible receivables. The line of credit bears interest at the U.S. prime rate (4.25% as of June 30, 2017) plus 1.25%, and matures in April 2018, subject to certain minimum EBITDA requirements in every quarter. The lender has a first security interest in all our assets, excluding intellectual property, for which the lender has received a negative pledge. The amended and restated loan and security agreement contains customary affirmative and negative covenants and events of default applicable to us and any subsidiaries.

In December 2015, we further amended our amended and restated loan and security agreement with Silicon Valley Bank to include an additional term loan up to $4.0 million. The additional term loan requires 36 monthly installments of interest and principal and matures on December 1, 2018. The amended and restated loan and security agreement requires that we maintain a liquidity ratio of 1.25 to 1.00 as of the last day of each month and a minimum EBITDA, measured as the last day of each fiscal quarter for the previous six-month period (for June 30, 2017 the minimum EBITDA is $750,000). The interest rate of the additional term loan is 5.0%. As of June 30, 2017, $2.0 million was outstanding on this additional term loan. We are in compliance with all of the financial covenants in the amended and restated loan and security agreement pertaining to the revolving credit line, growth capital term loan and the additional term loan as of June 30, 2017.

We plan to continue to invest for long-term growth, including expanding our sales force and engineering organizations and making additional capital expenditures to further penetrate markets both in the United States and internationally, as well as expanding our research and development for new product offerings and technology solutions. We anticipate that these investments will continue to increase in absolute dollars. We believe that our existing cash and cash equivalents balance together with cash proceeds from operations will be sufficient to meet our working capital requirements for at least the next 12 months.

The following table presents a summary of our cash flow activity for the periods set forth below:

| | Six Months Ended June 30, 2017 | Six Months Ended June 30, 2016 |
|---|---|---|
| Net cash provided by (used in) operating activities | $ (1,775,330) | $ 956,480 |
| Net cash used in investing activities | (6,518,661) | (47,030) |
| Net cash used in financing activities | (284,420) | (985,265) |
| Net decrease in cash and cash equivalents | $ (8,578,411) | $ (75,815) |

***Net cash provided by (used in) operating activities.*** Net cash used in operating activities was $1.8 million for the six months ended June 30, 2017. This was primarily driven by our net income of $0.3 million, net non-cash operating expenses of $0.8 million offset by $2.9 million change in operating assets and liabilities

***Net cash used in investing activities.*** Net cash used in investing activities was $6.5 million for the six months ended June 30, 2017 and consisted primarily of the acquisition of the Antenna Plus assets and the purchase of property and equipment.

***Net cash used in financing activities.*** Net cash used in financing activities was $0.3 million for the six months ended June 30, 2017 and consisted of the repayment of notes payable in the amount of $0.7 million offset by proceeds from the exercise of stock options in the amount of $0.4 million.

**Contractual Obligations and Commitments**

The following table summarizes our contractual obligations at of June 30, 2017:

| | Total | Payments Due by Period(1) Less than 1 Year | 1-3 Years | 3-5 Years | More than 5 Years |
|---|---|---|---|---|---|
| | | | (in thousands) | | |
| Operating Leases | | | | | |
| Office leases | $ 1,974 | $ 819 | $ 1,155 | $ — | $ — |
| Notes Payable(1) | 2,000 | 1,333 | 667 | — | — |
| Total | $ 3,974 | $ 2,152 | $ 1,822 | $ — | $ — |

We have entered into lease agreements for office space and research facilities in San Diego, California, Rancho Santa Fe, California, Poway, California, Melbourne, Florida, Taipei, Taiwan, Shenzhen and Jiangsu, China and Cambridgeshire, United Kingdom and for manufacturing plants/facilities in Scottsdale, Arizona; under non-cancelable operating leases that expire at various dates through 2020.

We subcontract with other companies to manufacture a portion of our product. During the normal course of business, our contract manufacturers procure components based upon orders placed by us. If we cancel all or part of the orders, we may still be liable to the contract manufacturers for the cost of the components purchased by the subcontractors to manufacture our products. We periodically review the potential liability, and as of June 30, 2017, we have no significant accruals recorded. Our financial position and operating results could be negatively impacted if we were required to compensate the contract manufacturers for any unrecorded liabilities incurred.

**Off-Balance Sheet Arrangements**

We do not have any off-balance sheet arrangements (as defined by applicable regulations of the SEC) that are reasonably likely to have a current or future material effect on our financial condition, results of operations, liquidity, capital expenditures or capital resources.

**Critical Accounting Policies and Significant Judgments and Estimates**

Our management's discussion and analysis of financial condition and operating results is based on our unaudited condensed financial statements, which have been prepared in accordance with GAAP. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported sales and expenses during the reporting periods. These items are monitored and analyzed by us for changes in facts and circumstances, and material changes in these estimates could occur in the future. We base our estimates on historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Changes in estimates are reflected in reported results for the period in which they become known. Actual results may differ materially from these estimates under different assumptions or conditions.

There have been no material changes to our critical accounting policies and estimates as compared to the critical accounting policies and estimates described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016, other than as set forth in Note 2 to the unaudited condensed financial statements included in this quarterly report.

***Recent Accounting Pronouncements***

See Note 2, "Summary of Significant Accounting Policies" within the unaudited condensed financial statements.

## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

***Interest Rate Sensitivity***

Our cash and cash equivalents as of June 30, 2017 consisted of cash and, therefore, we believe we are not exposed to interest rate risk.

Our long-term debt bears interest at a fixed rate and therefore has minimal exposure to changes in interest rates. Our undrawn revolving credit facility under our loan and security agreement with Silicon Valley Bank bears interest at the U.S. prime rate (4.25% as of June 30, 2017) plus 1.25%. If we draw funds from our revolving credit facility, we will be exposed to interest rate sensitivity, which is affected by changes in the U.S. prime rate.

***Foreign Currency Risk***

All of our sales are denominated in U.S. dollars, and therefore, our sales are not currently subject to significant foreign currency risk. To date, foreign currency transaction gains and losses have not been material to our financial statements, and we have not engaged in any foreign currency hedging transactions.

## ITEM 4. CONTROLS AND PROCEDURES

***Disclosure Controls and Procedures***

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our periodic and current reports that we file with the SEC is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable and not absolute assurance of achieving the desired control objectives. In reaching a reasonable level of assurance, management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. In addition, 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; over time, control may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Our management, with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act, as of the end of the period covered by this quarterly report on Form 10-Q. Based on such evaluation, our principal executive officer and principal financial officer have concluded that as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

***Changes in Internal Control Over Financial Reporting***

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the three months ended June 30, 2017 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## PART II. OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

We are not currently party to any material legal proceedings.

### ITEM 1A. RISK FACTORS

A description of the risk factors associated with our business is included in the Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2016. There have been no material changes to such risk factors as previously reported, other than as set forth below. In evaluating our business, you should carefully consider the risk factors discussed in our Annual Report on Form 10-K, as updated by our subsequent filings under the Exchange Act. The occurrence of any of the risks discussed in such filings, or other events that we do not currently anticipate or that we currently deem immaterial, could harm our business, prospects, financial condition and results of operations. In that case, the trading price of our common stock could decline, and you may lose all or part of your investment.

**Risks Related to Our Business and Industry**

***We generally rely on a limited number of contract manufacturers to produce and ship our products, and the failure to manage our relationships with these parties successfully could adversely affect our ability to market and sell our products.***

We have limited manufacturing capability, solely with respect to antennas deployed in the fleet market. For all of our other products, we outsource the manufacturing, assembly and testing of products. We rely on two contract manufacturers, which are both located in China, to manufacture, control quality of, and ship these products. We do not have long-term contracts with these manufacturers that commit them to manufacture products for us. Any significant change in our relationship with these manufacturers could have a material adverse effect on our business, operating results, and financial condition. We make substantially all of our purchases from our contract manufacturers on a purchase order basis. Our contract manufacturers are not required to manufacture our products for any specific period or in any specific quantity. We expect that it would take approximately six to nine months to transition manufacturing, quality assurance, and shipping services to new providers. Relying on contract manufacturers for manufacturing, quality assurance, and shipping also presents significant risks to us, including the inability of our contract manufacturers to:

- qualify appropriate component suppliers;
- manage capacity during periods of high demand;
- meet delivery schedules;
- assure the quality of our products;
- ensure adequate supplies of materials;
- protect our intellectual property; and
- deliver finished products at agreed-upon prices.

We manufacture products for our fleet market in our facilities in Scottsdale, Arizona and Shullsburg, Wisconsin. We may not be able to manufacture our products with consistent and satisfactory quality or in sufficient quantities to meet demand. We also may experience delays or disruptions at our manufacturing facilities, which could result in delays of product shipments to our customers. Any failure by us or our contract manufacturers to timely produce products of satisfactory quality or in sufficient quantities in compliance with applicable laws could hurt our reputation, cause customers to cancel orders or refrain from placing new orders for our products, which could have a material adverse effect on our business, operating results, and financial condition.

### ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

**Unregistered Sales of Equity Securities**

None.

### ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

## ITEM 4. MINE SAFETY DISCLOSURES

None.

## ITEM 5. OTHER INFORMATION

None.

## ITEM 6. EXHIBITS

A list of exhibits is set forth on the Exhibit Index immediately following the signature page of this quarterly report on Form 10-Q, and is incorporated herein by reference.

## 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.

AIRGAIN, INC.

Date: August 14, 2017

/s/ Charles Myers
Charles Myers
President and Chief Executive Officer
(principal executive officer)

Date: August 14, 2017

/s/ Leo Johnson
Leo Johnson
Chief Financial Officer and Secretary
(principal financial and accounting officer)

## INDEX TO EXHIBITS

| Exhibit Number | Description |
|---|---|
| 3.1(1) | Amended and Restated Certificate of Incorporation |
| 3.2(1) | Amended and Restated Bylaws |
| 4.1(2) | Specimen stock certificate evidencing the shares of common stock |
| 4.2(3) | Fourth Amended and Restated Investors' Rights Agreement, dated May 7, 2008 |
| 4.3(2) | Form of Warrant issued to Northland Securities, Inc. in connection with the initial public offering of our common stock. |
| 10.1(4) | Asset Purchase Agreement, dated as of April 7, 2017, by and between the Registrant and MCA Financial Group, Inc. acting as the appointed receiver for Antenna Plus, LLC. |
| 31.1 | Certification of Chief Executive Officer pursuant to Rules 13a-14 and 15d-14 promulgated pursuant to the Securities Exchange Act of 1934, as amended |
| 31.2 | Certification of Chief Financial Officer pursuant to Rules 13a-14 and 15d-14 promulgated pursuant to the Securities Exchange Act of 1934, as amended |
| 32.1* | Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 32.2* | Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 101.INS | XBRL Instance Document |
| 101.SCH | XBRL Taxonomy Extension Schema Document |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document |

(1) Incorporated by reference to the Registrant's Current Report on Form 8-K, filed with the SEC on August 17, 2016.

(2) Incorporated by reference to Amendment No. 2 to the Registrant's Registration Statement on Form S-1 (Registration No. 333- 212542), filed with the SEC on July 29, 2016.

(3) Incorporated by reference to Amendment No. 1 to the Registrant's Registration Statement on Form S-1 (Registration No. 333- 212542), filed with the SEC on July 15, 2016.

(4) Incorporated by reference to the Registrant's Quarterly Report on Form 10-Q, filed with the SEC on May 12, 2017.

* These certifications are being furnished solely to accompany this quarterly report pursuant to 18 U.S.C. Section 1350, and are not being filed for purposes of Section 18 of the Securities Exchange Act of 1934 and are not to be incorporated by reference into any filing of the Registrant, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Charles Myers, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Airgain, Inc.;

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)) 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. [paragraph omitted in accordance with Exchange Act Rule 13a-14(a)];

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 14, 2017

/s/ Charles Myers
Charles Myers
President and Chief Executive Officer
(principal executive officer)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Leo Johnson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Airgain, Inc.;

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)) 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. [paragraph omitted in accordance with Exchange Act Rule 13a-14(a)];

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 14, 2017

/s/ Leo Johnson
Leo Johnson
Chief Financial Officer and Secretary
(principal financial and accounting officer)

Exhibit 32.1

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 of Airgain, Inc. (the “Company”) on Form 10-Q for the quarter ended June 30, 2017, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Charles Myers, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; 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 14, 2017

/s/ Charles Myers
Charles Myers
President and Chief Executive Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.

Exhibit 32.2

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 of Airgain, Inc. (the “Company”) on Form 10-Q for the quarter ended June 30, 2017, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Leo Johnson, Chief Financial Officer and Secretary of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; 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 14, 2017

/s/ Leo Johnson
Leo Johnson
Chief Financial Officer and Secretary

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.