

**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 SEPTEMBER 30, 2018**

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
(State or Other Jurisdiction of
Incorporation or Organization)

3611 Valley Centre Drive, Suite 150
San Diego, CA
(Address of Principal Executive Offices)

95-4523882
(I.R.S. Employer
Identification No.)

92130
(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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
Emerging growth company	<input checked="" type="checkbox"/>		

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 November 7, 2018, the registrant had 9,914,711 shares of Common Stock (par value \$0.0001) outstanding.

AIRGAIN, INC.
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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Airgain, Inc.
Unaudited Condensed Balance Sheets

	September 30, 2018	December 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 13,064,656	\$ 15,026,068
Short term investments	18,765,236	21,287,064
Trade accounts receivable	7,388,688	8,418,132
Inventory	1,217,831	741,557
Prepaid expenses and other current assets	876,183	609,786
Total current assets	41,312,594	46,082,607
Property and equipment, net	1,366,309	1,036,860
Goodwill	3,700,447	3,700,447
Customer relationships, net	3,713,668	4,075,918
Intangible assets, net	906,545	1,052,333
Other assets	339,000	349,743
Total assets	<u>\$ 51,338,563</u>	<u>\$ 56,297,908</u>
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 3,879,235	\$ 3,969,083
Accrued bonus	2,378,805	2,224,517
Accrued liabilities	696,482	1,121,833
Deferred purchase price	—	1,000,000
Long-term notes payable	333,333	1,333,333
Current portion of deferred rent obligation under operating lease	81,332	81,332
Total current liabilities	7,369,187	9,730,098
Deferred tax liability	29,887	7,971
Deferred rent obligation under operating lease	247,157	334,860
Total liabilities	7,646,231	10,072,929
Stockholders' equity:		
Common shares, par value \$0.0001, 200,000,000 shares authorized at September 30, 2018 and December 31, 2017; 9,914,711 and 9,616,992 shares issued at September 30, 2018 and December 31, 2017, respectively, and 9,586,188 and 9,481,992 shares outstanding at September 30, 2018 and December 31, 2017, respectively	991	961
Additional paid in capital	93,060,369	89,907,766
Treasury stock, at cost: 328,523 shares and 135,000 shares at September 30, 2018 and December 31, 2017, respectively	(3,093,974)	(1,257,100)
Accumulated other comprehensive loss	(6,434)	(16,907)
Accumulated deficit	(46,268,620)	(42,409,741)
Total stockholders' equity	43,692,332	46,224,979
Commitments and contingencies (note 13)		
Total liabilities and stockholders' equity	<u>\$ 51,338,563</u>	<u>\$ 56,297,908</u>

See accompanying notes to unaudited condensed financial statements.

Airgain, Inc.
Unaudited Condensed Statements of Operations

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended</u>	<u>September 30,</u>
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Sales	\$ 15,786,913	\$ 12,448,436	\$ 44,063,692	\$ 36,713,996
Cost of goods sold	8,921,571	6,444,544	24,402,658	19,300,120
Gross profit	<u>6,865,342</u>	<u>6,003,892</u>	<u>19,661,034</u>	<u>17,413,876</u>
Operating expenses:				
Research and development	2,474,653	2,094,774	7,162,092	5,510,861
Sales and marketing	2,161,143	1,809,037	9,140,356	5,229,188
General and administrative	1,922,326	1,899,449	7,864,320	6,174,869
Total operating expenses	<u>6,558,122</u>	<u>5,803,260</u>	<u>24,166,768</u>	<u>16,914,918</u>
Income (loss) from operations	307,220	200,632	(4,505,734)	498,958
Other expense (income):				
Interest income	(158,790)	(98,689)	(398,003)	(189,855)
Gain on deferred purchase price liability	—	—	(388,733)	—
Interest expense	5,756	22,762	29,506	80,239
Total other income	<u>(153,034)</u>	<u>(75,927)</u>	<u>(757,230)</u>	<u>(109,616)</u>
Income (loss) before income taxes	460,254	276,559	(3,748,504)	608,574
Provision for income taxes	22,995	42,206	110,375	59,251
Net income (loss)	<u>\$ 437,259</u>	<u>\$ 234,353</u>	<u>\$ (3,858,879)</u>	<u>\$ 549,323</u>
Net income (loss) per share:				
Basic	<u>\$ 0.05</u>	<u>\$ 0.02</u>	<u>\$ (0.41)</u>	<u>\$ 0.06</u>
Diluted	<u>\$ 0.04</u>	<u>\$ 0.02</u>	<u>\$ (0.41)</u>	<u>\$ 0.05</u>
Weighted average shares used in calculating income (loss) per share:				
Basic	<u>9,566,118</u>	<u>9,545,235</u>	<u>9,495,278</u>	<u>9,475,708</u>
Diluted	<u>10,092,501</u>	<u>10,169,559</u>	<u>9,495,278</u>	<u>10,238,987</u>

See accompanying notes to unaudited condensed financial statements.

Airgain, Inc.
Unaudited Condensed Statements of Comprehensive Income (Loss)

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended</u>	<u>September 30,</u>
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Net income (loss)	\$ 437,259	\$ 234,353	\$ (3,858,879)	\$ 549,323
Unrealized gain (loss) on available-for-sale securities, net of deferred taxes	3,486	(1,696)	10,473	(1,696)
Total comprehensive income (loss)	<u>\$ 440,745</u>	<u>\$ 232,657</u>	<u>\$ (3,848,406)</u>	<u>\$ 547,627</u>

See accompanying notes to unaudited condensed financial statements.

Airgain, Inc.
Unaudited Condensed Statement of Stockholders' Equity

	Common Stock		Additional Paid-in Capital	Treasury Stock	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount					
Balance at December 31, 2017	9,481,992	\$ 961	\$ 89,907,766	\$ (1,257,100)	\$ (16,907)	\$ (42,409,741)	\$ 46,224,979
Stock-based compensation	—	—	2,536,132	—	—	—	2,536,132
Exercise of stock options	297,719	30	616,471	—	—	—	616,501
Common stock repurchases	(193,523)	—	—	(1,836,874)	—	—	(1,836,874)
Unrealized gain on available-for-sale securities, net of tax	—	—	—	—	10,473	—	10,473
Net loss	—	—	—	—	—	(3,858,879)	(3,858,879)
Balance at September 30, 2018	9,586,188	\$ 991	\$ 93,060,369	\$ (3,093,974)	\$ (6,434)	\$ (46,268,620)	\$ 43,692,332

See accompanying notes to unaudited condensed financial statements.

Airgain, Inc.
Unaudited Condensed Statements of Cash Flows

	Nine Months Ended September 30,	
	2018	2017
Cash flows from operating activities:		
Net income (loss)	\$ (3,858,879)	\$ 549,323
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation	422,549	336,817
Amortization	508,038	396,206
Amortization of discounts on investments, net	(94,317)	(23,683)
Stock-based compensation	2,536,132	463,856
Deferred tax liability	21,916	67,709
Gain on deferred purchase price liability	(388,733)	—
Changes in operating assets and liabilities:		
Trade accounts receivable	667,375	(1,969,507)
Inventory	(476,274)	(30,265)
Prepaid expenses and other assets	(255,654)	(501,506)
Accounts payable	35,954	(123,112)
Accrued bonus	154,288	(83,140)
Accrued liabilities	(425,351)	16,143
Deferred obligation under operating lease	(87,703)	(92,216)
Net cash used in operating activities	(1,240,659)	(993,375)
Cash flows from investing activities:		
Cash paid for acquisition	—	(6,348,730)
Purchases of available-for-sale securities	(24,328,831)	(18,441,161)
Maturities of available-for-sale securities	26,955,449	—
Purchases of property and equipment	(751,998)	(195,922)
Net cash provided by (used in) investing activities	1,874,620	(24,985,813)
Cash flows from financing activities:		
Repayment of notes payable	(1,000,000)	(1,055,230)
Payment on deferred purchase price liability	(375,000)	—
Reversal of costs related to initial public offering	—	781
Common stock repurchases	(1,836,874)	(468,823)
Proceeds from exercise of stock options	616,501	506,704
Net cash used in financing activities	(2,595,373)	(1,016,568)
Net decrease in cash and cash equivalents	(1,961,412)	(26,995,756)
Cash and cash equivalents, beginning of period	15,026,068	45,161,403
Cash and cash equivalents, end of period	\$ 13,064,656	\$ 18,165,647
Supplemental disclosure of cash flow information		
Interest paid	33,812	85,085
Taxes paid	26,026	114,639

See accompanying notes to unaudited condensed financial statements.

Airgain, Inc.
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 devices and markets, including connected home, enterprise, automotive and Internet of Things (IoT). The Company designs, develops, and engineers its antenna products for original equipment and design manufacturers worldwide. The Company is headquartered in San Diego, California with office space and research facilities in the United States, United Kingdom and China.

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, 2017, from which the balance sheet information herein was derived.

The condensed balance sheet as of December 31, 2017 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 nine months ended September 30, 2018 and September 30, 2017, and the balance sheet data as of September 30, 2018 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, 2018 or for any future period.

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 interim chief executive officer, who reviews operating results on an aggregate basis and manages the Company's operations as a single operating segment.

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 intangible assets and goodwill.

Fair Value Measurements

The carrying values of the Company's financial instruments, including cash and cash equivalents, 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.

Cash Equivalents and Short-Term Investments

Cash equivalents are comprised of short-term, highly liquid investments with maturities of 90 days or less at the date of purchase.

Short-term investments consist predominantly of commercial paper, corporate debt securities, U.S. Treasury securities and asset backed securities. The Company classifies short-term investments based on the facts and circumstances surrounding the investments at the time of purchase and evaluates such classification as of each balance sheet date. All short-term investments are classified as available-for-sale securities as of September 30, 2018 and are recorded at estimated fair value. Unrealized gains and losses for available-for-sale securities are included in accumulated other comprehensive income (loss), a component of stockholders' equity. Realized gains and losses are included in other income, in the unaudited condensed statements of operations. The Company evaluates its investments to determine whether those with unrealized loss positions are other than temporarily impaired. Impairments are considered to be other than temporary if they are related to deterioration in credit risk or if it is likely that the Company will sell the securities before recovery of their cost basis.

Inventory

The 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 manufacturing products at its Scottsdale, Arizona and Shullsburg, Wisconsin locations. In July 2017, the Company relocated all of its product manufacturing produced in Shullsburg, Wisconsin to the Scottsdale, Arizona facility. See Note 6 for additional information relating to the Company's acquisition of the Antenna Plus assets.

Inventory is stated at the lower of cost or net realizable value. 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 (FIFO) method. Any adjustments to reduce the cost of inventories to their net realizable value are recognized in earnings in the current period. As of September 30, 2018, the Company's inventories consist primarily of raw materials. Provisions for excess and obsolete inventories are estimated based on product life cycles, quality issues, and historical experience. As of September 30, 2018, there is no provision for excess and obsolete inventories.

Accumulated Other Comprehensive Income (Loss)

Accumulated other comprehensive income (loss) is comprised of net income (loss) and other comprehensive income (loss). Accumulated other comprehensive loss on the unaudited condensed balance sheet at September 30, 2018 includes unrealized gains and losses on the Company's available-for-sale securities.

Note 2. Summary of Significant Accounting Policies

During the three and nine months ended September 30, 2018, 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, 2017.

Recent Accounting Pronouncements

In August 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2018-15, *Intangibles – Goodwill and Other – Internal-Use Software*, which aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. ASU 2018-15 is effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. Early adoption is permitted. The Company has adopted this pronouncement on a prospective basis. The impact on the financial statements are immaterial.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement: Disclosure Framework – Changes to Disclosure for Fair Value Measurement*, which modifies the disclosure requirements on fair value measurements. ASU 2018-13 is effective for fiscal years beginning after December 15, 2019 and interim periods within those fiscal years. Early adoption is permitted. The Company has adopted this pronouncement on a prospective basis. The impact on the financial statements are immaterial.

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. ASU 2016-02 is effective for fiscal years 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 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. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2018 and interim periods in fiscal years beginning after December 15, 2019. The standard permits the use of either the retrospective or cumulative effect transition method. The Company is in the process of selecting a transition method and determining the effect of the standard on the Company's ongoing financial reporting, including whether the adoption of ASU 2014-09 will result in a change to the timing of revenue recognition for a portion of the Company's revenue transactions from a "point in time" upon physical delivery to an "over time" model.

Note 3. Net Income (Loss) Per Share

Basic net income (loss) per share is calculated by dividing net income (loss) by the weighted average shares of common stock outstanding for the period. Diluted net income (loss) per share is calculated by dividing net income (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. The Company calculates diluted earnings 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 (loss) per share:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Numerator:				
Net income (loss)	\$ 437,259	\$ 234,353	\$ (3,858,879)	\$ 549,323
Denominator:				
Weighted average common shares outstanding - basic	9,566,118	9,545,235	9,495,278	9,475,708
Plus dilutive effect of potential common shares	526,383	624,324	—	763,279
Weighted average common shares outstanding - diluted	10,092,501	10,169,559	9,495,278	10,238,987
Net income (loss) per share:				
Basic	\$ 0.05	\$ 0.02	\$ (0.41)	\$ 0.06
Diluted	\$ 0.04	\$ 0.02	\$ (0.41)	\$ 0.05

Diluted weighted average common shares outstanding for the three months ended September 30, 2018 and 2017, includes 526,383 and 624,324 options outstanding, respectively. Diluted weighted average common shares outstanding for the nine months ended September 30, 2017, includes 6,281 warrants and 756,998 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:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Employee stock options	244,543	375,277	887,287	427,645
Warrants outstanding	51,003	51,003	51,003	—
Total	<u>295,546</u>	<u>426,280</u>	<u>938,290</u>	<u>427,645</u>

Note 4. Cash, Cash Equivalents and Short-Term Investments

The following tables show the Company's cash and cash equivalents and short-term investments by significant investment category as of September 30, 2018 and December 31, 2017:

	September 30, 2018				
	Amortized Cost	Gross Unrealized Gain (Loss)	Estimated Fair Value	Cash and Cash Equivalents	Short-Term Investments
Cash	\$ 2,215,116	\$ —	\$ 2,215,116	\$ 2,215,116	\$ —
Level 1 (1):					
Money market funds	7,848,998	—	7,848,998	7,848,998	—
U.S. treasury securities	989,051	89	989,140	—	989,140
Subtotal	<u>8,838,049</u>	<u>89</u>	<u>8,838,138</u>	<u>7,848,998</u>	<u>989,140</u>
Level 2 (2):					
Commercial paper	8,531,479	—	8,531,479	—	8,531,479
Corporate debt obligations	5,936,106	(2,008)	5,934,098	—	5,934,098
Repurchase agreements	3,000,542	—	3,000,542	3,000,542	—
Asset-backed securities	3,312,145	(1,626)	3,310,519	—	3,310,519
Subtotal	<u>20,780,272</u>	<u>(3,634)</u>	<u>20,776,638</u>	<u>3,000,542</u>	<u>17,776,096</u>
Total	<u>\$ 31,833,437</u>	<u>\$ (3,545)</u>	<u>\$ 31,829,892</u>	<u>\$ 13,064,656</u>	<u>\$ 18,765,236</u>

	December 31, 2017				
	Amortized Cost	Gross Unrealized Losses	Estimated Fair Value	Cash and Cash Equivalents	Short-Term Investments
Cash	\$ 3,040,696	\$ —	\$ 3,040,696	\$ 3,040,696	\$ —
Level 1 (1):					
Money market funds	8,234,751	—	8,234,751	8,234,751	—
U.S. treasury securities	2,490,799	(5,540)	2,485,259	—	2,485,259
Subtotal	<u>10,725,550</u>	<u>(5,540)</u>	<u>10,720,010</u>	<u>8,234,751</u>	<u>2,485,259</u>
Level 2 (2):					
Commercial paper	9,716,093	—	9,716,093	—	9,716,093
Corporate debt obligations	6,829,191	(9,414)	6,819,777	—	6,819,777
Repurchase agreements	3,000,233	—	3,000,233	3,000,233	—
Asset-backed securities	3,018,276	(1,953)	3,016,323	750,388	2,265,935
Subtotal	<u>22,563,793</u>	<u>(11,367)</u>	<u>22,552,426</u>	<u>3,750,621</u>	<u>18,801,805</u>
Total	<u>\$ 36,330,039</u>	<u>\$ (16,907)</u>	<u>\$ 36,313,132</u>	<u>\$ 15,026,068</u>	<u>\$ 21,287,064</u>

(1) Level 1 fair value estimates are based on quoted prices in active markets for identical assets or liabilities.

- (2) Level 2 fair value estimates are based on observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

The Company's investments were primarily valued based upon one or more valuations reported by its investment accounting and reporting service provider. The investment service provider values the securities using a hierarchical security pricing model that relies primarily on valuations provided by a third-party pricing vendor. Such valuations may be based on trade prices in active markets for identical assets or liabilities (Level 1 inputs) or valuation models using inputs that are observable either directly or indirectly (Level 2 inputs), such as quoted prices for similar assets or liabilities, yield curve, volatility factors, credit spreads, default rates, loss severity, current market and contractual prices for underlying instruments or debt, broker and dealer quotes, as well as other relevant economic measures. The Company performs certain procedures to corroborate the fair value of its holdings, including comparing valuations obtained from its investment service provider with other pricing sources to validate the reasonableness of the valuations.

The Company typically invests in highly-rated securities, and its investment policy limits the amount of credit exposure to any one issuer. The policy requires investments in fixed income instruments denominated and payable in U.S. dollars only and requires investments to be investment grade, with a primary objective of minimizing the potential risk of principal loss.

The following table presents the Company's short-term investments with unrealized losses by investment category and length of time that individual securities have been in a continuous unrealized loss position as of September 30, 2018:

Description of Securities	Less Than 12 Months	
	Estimated Fair Value	Unrealized Losses
September 30, 2018		
Corporate debt obligations	\$ 4,482,979	\$ (2,091)
Asset-backed securities	3,310,519	(1,626)
Total	<u>\$ 7,793,498</u>	<u>\$ (3,717)</u>

The Company considers the declines in market value of its short-term investments to be temporary in nature. Fair values were determined for each individual security in the investment portfolio. When evaluating an investment for other-than-temporary impairment, the Company reviews factors such as length of time and extent to which fair value has been below its cost basis, the financial condition of the issuer and any changes thereto, changes in market interest rates and the Company's intent to sell, or whether it is more likely than not it will be required to sell the investment before recovery of the investment's cost basis. As of September 30, 2018, the Company does not consider any of its investments to be other-than temporarily impaired.

Contractual maturities of short-term investments as of September 30, 2018 are as follows:

	Estimated Fair Value
Due within one year	\$ 18,765,236
Total	<u>\$ 18,765,236</u>

Note 5. 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 to five years for all other property and equipment. Property and equipment consist of the following:

	September 30, 2018	December 31, 2017
Lab equipment	\$ 2,399,956	\$ 1,914,911
Computer equipment	169,366	169,366
Computer software	317,747	299,227
Furniture and fixtures	250,801	202,218
Tenant improvements	894,756	763,898
Other office equipment	132,817	63,825
	<u>4,165,443</u>	<u>3,413,445</u>
Less accumulated depreciation	<u>(2,799,134)</u>	<u>(2,376,585)</u>
	<u>\$ 1,366,309</u>	<u>\$ 1,036,860</u>

Depreciation expense was \$156,093 and \$114,358 for the three months ended September 30, 2018 and 2017, respectively, and \$422,549 and \$336,817 for the nine months ended September 30, 2018 and 2017, respectively.

Note 6. 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 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.

The following table shows the 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	2,600,000
Current liabilities	(121,879)
Total identifiable net assets acquired	3,898,239
Goodwill	2,450,491
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.

Sales associated with the acquired Antenna Plus assets was \$1.8 million and \$3.3 million for the three and nine months ended September 30, 2017, respectively. Cost of goods sold associated with the acquired Antenna Plus assets was \$0.8 million and \$1.4 million for the three and nine months ended September 30, 2017, respectively. Net income associated with the acquired Antenna Plus assets was \$308,750 and \$11,176 for the three and nine months ended September 30, 2017, respectively.

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 2017. 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 2017 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 September 30, 2017	Nine Months Ended September 30, 2017
Pro forma sales	\$ 12,448,436	\$ 38,982,040
Pro forma income from operations	\$ 200,632	\$ 1,047,435
Pro forma net income	\$ 234,353	\$ 1,097,806

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 contingent consideration is payable upon the later of (i) the expiration of the Transition Services Agreement between the Company and Skycross which defined transition services to be provided by Skycross to the Company and (ii) the date on which the Company 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 was between zero 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. During the nine months ended September 30, 2018, the Company and Skycross came to an agreement that the Company would pay Skycross \$375,000 to settle all outstanding balances between the parties, which included \$1.0 million of deferred purchase price and \$125,802 due to Skycross and \$362,069 of accounts receivable from Skycross. The settlement with Skycross resulted in the recognition of a gain on deferred purchase price liability of \$388,733 during the nine months ended September 30, 2018 in the unaudited condensed statements of operations.

Note 7. Intangible Assets

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

	September 30, 2018			
	Weighted Average Amortization Period (years)	Gross Carrying Amount	Accumulated Amortization	Intangibles, Net
Customer relationships	10	\$ 4,830,000	\$ 1,116,332	\$ 3,713,668
Developed technologies	9	1,080,000	241,515	838,485
Tradename	3	120,000	56,667	63,333
Non-compete agreement	3	67,000	62,273	4,727
Total intangible assets, net	<u>10</u>	<u>\$ 6,097,000</u>	<u>\$ 1,476,787</u>	<u>\$ 4,620,213</u>

	December 31, 2017			
	Weighted Average Amortization Period (years)	Gross Carrying Amount	Accumulated Amortization	Intangibles, Net
Customer relationships	10	\$ 4,830,000	\$ 754,082	\$ 4,075,918
Developed technologies	9	1,080,000	142,477	937,523
Tradename	3	120,000	26,667	93,333
Non-compete agreement	3	67,000	45,523	21,477
Total intangible assets, net	<u>10</u>	<u>\$ 6,097,000</u>	<u>\$ 968,749</u>	<u>\$ 5,128,251</u>

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 result of acquisitions, divestitures, asset impairments, among other factors. Amortization expense was \$169,346 and \$74,402 for the three months ended September 30, 2018 and 2017, respectively, and \$508,038 and \$396,206 for the nine months ended September 30, 2018 and 2017, respectively.

	Estimated Future Amortization
2018 (remaining three months)	\$ 168,490
2019	655,052
2020	627,667
2021	598,420
2022	563,000
Thereafter	2,007,584
Total	<u>\$ 4,620,213</u>

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

In December 2013, the Company amended its revolving line of credit under the amended and restated loan and security agreement 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 September 30, 2018 and December 31, 2017, there was no balance owed under this loan.

In December 2015, the Company further amended its amended and restated 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. Effective September 2017, the Company further amended its amended and restated loan and security agreement with Silicon Valley Bank to update the financial covenants. The amended and restated loan and security agreement required the Company to maintain, at all times, measured as of the last day of each month (unless otherwise specified) either (i) a minimum cash balance of unrestricted cash at Silicon Valley Bank or its affiliate of not less than \$25.0 million dollars or (ii) a liquidity ratio of 1.25 to 1.00 and a minimum EBITDA measured as of the last day of each fiscal quarter for the previous six month period. The interest rate was fixed at 5.0%.

In January 2018, the Company entered into a second amended and restated loan and security agreement (the Amended Loan Agreement) with Silicon Valley Bank. The Amended Loan Agreement modified the amended and restated loan and security agreement to, among other things, increase the aggregate principal amount available under the revolving line of credit from \$3.0 million to \$10.0 million and modify certain existing financial covenants. There was no balance owed on the line of credit as of September 30, 2018.

Under the Amended Loan Agreement, the Company may borrow up to \$10.0 million under the line of credit, subject to a borrowing base limit of 80% of the aggregate face amount of all eligible receivables. The Amended Loan Agreement removed the minimum EBITDA requirement previously applicable to the line of credit and term loan and maintained the liquidity ratio financial covenant such that the Company must maintain a ratio of cash and cash equivalents plus accounts receivable outstanding debt under the Amended Loan Agreement minus deferred revenue of 1.25 to 1.00.

The Company will be required to pay interest on borrowings outstanding, if any, under the revolving line of credit at a floating rate per annum equal to 1% above the Wall Street Journal prime rate (5.00% as of September 30, 2018) (or, if unavailable, the Silicon Valley Bank prime rate) on a monthly basis, so long as the Company maintains a liquidity ratio of cash and cash equivalents plus accounts receivable to outstanding debt under the Amended Loan Agreement minus deferred revenue of 1.50 to 1.00. If this liquidity ratio is not met, the Company will be subject to a minimum interest charge of \$3,000 per month and borrowings outstanding, if any, under the revolving line of credit will accrue interest at a floating rate per annum equal to 2% above the Wall Street Journal prime rate (5.00% as of September 30, 2018) (or, if unavailable the Silicon Valley Bank prime rate) on a monthly basis. Prior to the amendment in January 2018, the revolving line of credit bore interest rate at the U.S. prime rate plus 1.25%. The revolving line of credit matures on January 31, 2020.

Borrowings outstanding under the term loan under the amended and restated loan and security agreement will continue to be repaid in equal monthly installments of interest and principal and matures on December 1, 2018.

Silicon Valley Bank maintains a first security interest over the Company's assets, excluding intellectual property, for which Silicon Valley Bank has received a negative pledge. The Amended Loan Agreement contains customary affirmative and negative covenants and events of default applicable to the Company and any of its subsidiaries.

The remaining principal payments on the \$4.0 million term loan subsequent to September 30, 2018 are as follows:

Year ending:		
2018 (remaining three months)	\$	333,333
	\$	<u>333,333</u>

The Company was in compliance with its financial covenants in the Amended Loan Agreement as of September 30, 2018.

Note 9. Treasury Stock

In August 2017, the Company's Board of Directors (the Board) approved a share repurchase program pursuant to which the Company may purchase up to \$7.0 million of shares of its common stock over the twelve month period following the establishment of the program. The repurchases under the share repurchase program are made from time to time in the open market or in privately negotiated transactions and are funded from the Company's working capital. Repurchases will be made in compliance with Rule 10b-18 of the Securities Exchange Act of 1934, as amended, subject to market conditions, available liquidity, cash flow, applicable legal requirements and other factors. All shares of common stock repurchased under the Company's share repurchase program will be returned to the status of authorized but unissued shares of common stock. On August 7, 2018, the Board approved an extension to the existing share repurchase program for an additional twelve month period ending August 14, 2019.

During the three and nine months ended September 30, 2018, the Company repurchased 42,995 and 193,523 shares of common stock, respectively, under the share repurchase program. For the three months ended September 30, 2018, the shares were repurchased at an average price per share of \$11.95 per share, for a total cost of \$0.5 million. For the nine months ended September 30, 2018, the shares were repurchased at an average price of \$9.49 per share, for a total cost of \$1.8 million. As of September 30, 2018, the Company has repurchased a total of \$3.1 million in common stock under the share repurchase program.

Note 10. Income Taxes

The Company's effective income tax rate was -2.94% and 9.74% for the nine months ended September 30, 2018 and 2017, respectively. The variance from the U.S. federal statutory tax rate of 21% and 34% for the nine months ended September 30, 2018 and 2017, respectively, was primarily attributable to the utilization of deferred tax attributes that had a full valuation allowance.

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) Topic 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 September 30, 2018 and December 31, 2017, the Company has a valuation allowance against net deferred tax assets but for the exclusion of a deferred tax liability generated by goodwill (an indefinite lived intangible) that may not be considered a future source of taxable income in evaluating the need for a valuation allowance.

Note 11. Stockholders' Equity

Shares Reserved for Future Issuance

The following common stock is reserved for future issuance at September 30, 2018 and December 31, 2017:

	September 30, 2018 (1)	December 31, 2017 (1)
Warrants issued and outstanding	51,003	51,003
Stock option awards issued and outstanding	1,479,654	1,203,627
Authorized for grants under the 2016 Equity Incentive Plan	438,584	633,052
Authorized for grants under the 2016 Employee Stock Purchase Plan	100,000	100,000
	<u>2,069,241</u>	<u>1,987,682</u>

(1) Treasury stock in the amount of 328,523 and 135,000 as of September 30, 2018 and December 31, 2017, respectively, are excluded from the table above.

Note 12. 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, 2017	1,203,627	\$ 7.06	8.10
Granted	998,800	9.90	7.33
Exercised	(297,719)	2.07	0.91
Expired/Forfeited	(425,054)	11.87	0.04
Balance at September 30, 2018	<u>1,479,654</u>	<u>\$ 8.60</u>	<u>8.26</u>
Vested and exercisable at September 30, 2018	488,427	\$ 5.83	6.91
Vested and expected to vest at September 30, 2018	1,479,654	\$ 8.60	8.26

The weighted average grant date fair value of options granted during the nine months ended September 30, 2018 and for the year ended December 31, 2017 was \$3.98 and \$6.02, respectively. For fully vested stock options, the aggregate intrinsic value as of September 30, 2018 and December 31, 2017 was \$3,778,754 and \$3,596,624, respectively. For stock options expected to vest, the aggregate intrinsic value as of September 30, 2018 and December 31, 2017 was \$3,449,919 and \$1,469,154, respectively.

At September 30, 2018 and December 31, 2017, there was \$3,244,431 and \$2,453,342, respectively, of total unrecognized compensation cost related to unvested stock options granted under the Company's equity plans. That cost is 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 13. 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, Scottsdale, Arizona, Taipei, Taiwan, Shenzhen and Jiangsu, China, and Cambridgeshire, United Kingdom. Rent expense was \$220,081 and \$223,866 for the three months ended September 30, 2018 and 2017, respectively, and \$687,113 and \$615,176 for the nine months ended September 30, 2018 and 2017, respectively. The longest lease expires in February 2022. 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 September 30, 2018 were as follows:

Year ending:	
2018 (remaining three months)	\$ 247,687
2019	832,039
2020	502,461
2021	134,529
2022	22,527
	<u>\$ 1,739,243</u>

Note 14. 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 nine months ended September 30, 2018 and 2017 and customers that accounted for 10% or more of total trade accounts receivable at September 30, 2018 and 2017.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Percentage of net revenue				
Customer A	38%	24%	35%	22%
Customer B	9	14	8	14
Customer C	7	11	7	11

	As of September 30,	
	2018	2017
Percentage of gross trade accounts receivable		
Customer A	24%	22%
Customer B	16	2
Customer C	13	5
Customer D	10	16

(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 September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Percentage of net revenue				
China	79%	71%	73%	68%
Other Asia	5	4	6	13
North America	13	19	16	14
Europe	3	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 nine months ended September 30, 2018, primarily all of the Company's products were manufactured by two vendors in China and by the Company's facilities in Arizona. During the three and nine months ended September 30, 2017, all of the Company's products were manufactured by two vendors in China and by the Company's facilities in Wisconsin and Arizona.

Note 15. Termination Costs

On June 30, 2018, the Company terminated a marketing-related agreement to better align its sales and marketing efforts with its longer-term growth objectives and near-to-intermediate term profitability goals. In consideration of terminating the agreement, the Company paid \$1.3 million in termination costs. The termination costs were included in sales and marketing expense on the unaudited condensed statements of operations for the nine months ended September 30, 2018.

On May 2, 2018, Charles Myers, the Company's Chief Executive Officer, President and member of the Board resigned from all positions with the Company, effective immediately, to pursue other opportunities. The Board accepted Mr. Myers resignation on May

2, 2018. Mr. Myer's decision to resign was not related to a disagreement with the Company over any of its operations, policies, or practices.

In connection with his resignation, Mr. Myers, upon a general release of claims as set forth in his employment agreement, received a lump sum cash payment in the amount of \$484,000; a lump sum cash payment in the amount of \$3,200 covering twelve months of monthly premiums for disability insurance under the Company's disability insurance plan; a lump sum cash payment in the amount of \$20,000 covering certain other employment benefits; the acceleration of all his unvested options for a total of 282,994 shares and the continuation of his health coverage pursuant to COBRA at the Company's expense for a period of twelve months following his last day of employment. In connection with Mr. Myers' resignation, the Company recognized stock compensation expense of \$1.2 million for the nine months ended September 30, 2018. Mr. Myer's costs were included in general and administrative expense on the unaudited condensed statements of operations for the nine months ended September 30, 2018. As of September 30, 2018, the remaining amount payable to Mr. Myers is \$20,389.

On April 2, 2018, Glenn Selbo, the Company's Chief Operating Officer, resigned from his position with the Company. Following his resignation, Mr. Selbo will be providing consulting services to the Company. Mr. Selbo's outstanding stock options continue to vest during the term of his consulting services.

In connection with his resignation, Mr. Selbo, upon a general release of claims as set forth in his employment agreement, received a lump sum cash payment in the amount of \$150,000 and the continuation of his health coverage pursuant to COBRA at the Company's expense for a period of six months following his last day of employment. In connection with Mr. Selbo's resignation, the Company recognized stock compensation expense of \$44,267. Mr. Selbo's costs were included in sales and marketing expense on the unaudited condensed statements of operations for the nine months ended September 30, 2018. As of September 30, 2018, there are no further amounts owed to Mr. Selbo.

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, 2017 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, 2017.

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 devices and markets, including connected home, enterprise, automotive, and Internet of Things, or IoT. Our innovative antenna systems are designed to address key challenges with wireless system performance faced by our customers. We provide solutions to complex Radio Frequency, or RF, engineering challenges and help improve wireless services that require higher throughput, broad coverage footprint, and carrier grade quality. Our antennas are deployed in carrier, fleet, enterprise, residential, private, government, and public safety wireless networks and systems, including set-top boxes, access points, routers, modems, gateways, media adapters, portables, digital televisions, sensors, fleet and asset tracking devices. 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, 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 embedded and external antenna technology for emerging technologies, such as Long-Term Evolution, or LTE, 5G, and low power wide area networking, or LPWAN.

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 and systems. 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, Canada, Europe, and Asia Pacific.

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 twelve 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, while remaining focused on achieving our goal of sustainable profitability. We have invested and expect to continue to invest 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 2017, excluding the revenues attributable to the acquisition of substantially all of the assets of Antenna Plus, LLC, or Antenna Plus, 45% of our product revenues were from devices in the marketplace for over two years, 30% for devices in the marketplace for one to two years and 25% for devices in the marketplace for less than one year. For the nine months ended September 30, 2018, 51% of our product revenues, excluding the revenues attributable to the acquisition of substantially all of the assets of Antenna Plus, were from devices in the marketplace for over two years, 37% from devices in the marketplace for one to two years and 12% 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 device market.

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 decrease 3% and number of antennas per device increase by 21% for the nine months ended September 30, 2018 as compared to the nine months ended September 30, 2017. 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 home devices and data intensive applications, investments in our growth to address customer needs, target new end markets, develop our product offerings and technology solutions and expand internationally, as well as successfully integrating past and any future acquisitions. 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" included in Item 1A of our Annual Report on Form 10-K and our subsequent quarterly reports on Form 10-Q.

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 facility in Arizona. 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 continue to invest in the development of new solutions and markets and as we invest in improving efficiencies within our supply chain, 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 decrease in absolute dollars as we realign our sales and marketing efforts, 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. We have recently incurred, and expect to continue to incur, additional expenses as we grow our operations and operate as a public company, including higher legal, corporate insurance and accounting expenses, and the additional costs of achieving and maintaining regulatory compliance.

Other Income

Interest Income. Interest income consists of interest from our cash and cash equivalents and short-term investments.

Gain on Deferred Purchase Price Liability. During the nine months ended September 30, 2018, Skycross, Inc. and us came to an agreement that we would pay Skycross \$375,000 for deferred consideration under our asset purchase agreement entered into in December 2015. Gain on deferred consideration consists of the variance between the amount paid to Skycross for the deferred purchase price and the elimination of the accounts receivable due from Skycross and the accounts payable due to Skycross.

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

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.

On December 22, 2017, the Tax Cuts and Jobs Act, or the 2017 Tax Act, was enacted. The 2017 Tax Act includes a number of changes to existing U.S. tax laws that impact our Company, most notably a reduction of the U.S. corporate income tax rate from 35% to 21% for tax years beginning December 31, 2018. The 2017 Tax Act changes primarily affected our tax rate on certain deferred tax assets and deferred tax liabilities.

The 2017 Tax Act also establishes new tax laws that affect 2018 and beyond, including, but not limited to, (1) reduction of the U.S. federal corporate tax rate discussed above; (2) limitations on various entertainment and meals deductions; (2) limitations on the deductibility of interest.

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 September 30,		Nine Months Ended	
	2018	2017	2018	September 30, 2017
	(calculated as a percentage of associated sales)			
Statements of Operations Data:				
Sales	100.0%	100.0%	100.0%	100.0%
Cost of goods sold	56.5	51.8	55.4	52.6
Gross profit	43.5	48.2	44.6	47.4
Operating expenses:				
Research and development	15.7	16.8	16.3	15.0
Sales and marketing	13.7	14.5	20.7	14.2
General and administrative	12.2	15.3	17.8	16.8
Total operating expenses	41.6	46.6	54.8	46.0
Income (loss) from operations	1.9	1.6	(10.2)	1.4
Other income	(1.0)	(0.6)	(1.7)	(0.3)
Income (loss) before income taxes	2.9	2.2	(8.5)	1.7
Provision for income taxes	0.1	0.3	0.3	0.2
Net income (loss)	2.8%	1.9%	(8.8)%	1.5%

Comparison of the three and nine months ended September 30, 2018 and 2017

Sales

	Three Months Ended September 30,			
	2018	2017	Increase	% Change
Sales	\$ 15,786,913	\$ 12,448,436	\$ 3,338,477	26.8%

	Nine Months Ended September 30,			
	2018	2017	Increase	% Change
Sales	\$ 44,063,692	\$ 36,713,996	\$ 7,349,696	20.0%

Sales increased \$3.3 million for the three months ended September 30, 2018 as compared to the three months ended September 30, 2017. Our sales associated with our organic business increased \$3.8 million for the three months ended September 30, 2018 when compared to the three months ended September 30, 2017, while our sales associated with the acquisition of Antenna Plus decreased \$0.5 million for the three months ended September 30, 2018 when compared to the three months ended September 30, 2017. The total number of devices within our organic business increased by 10%, or 1.1 million devices, to 12.1 million devices for the three months ended September 30, 2018 when compared to the three months ended September 30, 2017. The increase in the total number of devices was due to an increase in carrier gateway and set top box sales. The sales increase was primarily attributable to an increase in carrier gateway and set top box sales. The average number of antennas per device increased 18% from 3.8 antennas per device for the three months ended September 30, 2017 to 4.5 antennas per device for the three months ended September 30, 2018. The average selling price per device for the three months ended September 30, 2018 increased 24% to \$1.2 as compared to \$1.0 for the three months ended September 30, 2017.

Sales increased \$7.3 million for the nine months ended September 30, 2018 as compared to the nine months ended September 30, 2017. Our sales associated with our organic business increased \$5.0 million for the nine months ended September 30, 2018 when compared to the nine months ended September 30, 2017 while our sales associated with the acquisition of Antenna Plus increased \$2.3 million for the nine months ended September 30, 2018 when compared to the nine months ended September 30, 2017. The total number of antennas shipped within our organic business increased 20% for the nine months ended September 30, 2018 when compared to the nine months ended September 30, 2017. The total number of devices within our organic business decreased by 3%, or 1.0 million devices, to 34.5 million devices for the nine months ended September 30, 2018 when compared to the nine months ended September 30, 2017. The decrease in number of devices was primarily attributable to a decrease in settop box and television sales offset by an increase in carrier gateway and retail router sales. The average number of antennas per device increased 21% from 3.5 antennas per device for the nine months ended September 30, 2017 to 4.2 antennas per device for the nine months ended September 30, 2018. The average selling price per device for the nine months ended September 30, 2018 and 2017 increased 20% from \$0.92 to \$1.10, respectively.

Cost of Goods Sold

	Three Months Ended September 30,			
	2018	2017	Increase	% Change
Cost of goods sold	\$ 8,921,571	\$ 6,444,544	\$ 2,477,027	38.4 %

	Nine Months Ended September 30,			
	2018	2017	Increase	% Change
Cost of goods sold	\$ 24,402,658	\$ 19,300,120	\$ 5,102,538	26.4 %

Cost of goods sold increased \$2.5 million for the three months ended September 30, 2018 as compared to the three months ended September 30, 2017. The increase was primarily due to an increase in set top box and carrier gateway sales. For the three months ended September 30, 2018, our cost of goods sold included \$0.7 million of cost of goods sold associated with the acquisition of Antenna Plus assets, as compared to \$0.8 million for the three months ended September 30, 2017.

Cost of goods sold increased \$5.1 million for the nine months ended September 30, 2018 as compared to the nine months ended September 30, 2017. The increase was primarily due to an increase in retail router and carrier gateway sales. For the nine months ended September 30, 2018, our cost of goods sold included \$2.4 million of cost of goods sold associated with the acquisition of Antenna Plus assets, as compared to \$1.4 million for the nine months ended September 30, 2017.

Gross Profit

	Three Months Ended September 30,			
	2018	2017	Increase	% Change
Gross profit	\$ 6,865,342	\$ 6,003,892	\$ 861,450	14.3 %
Gross profit (percentage of sales)	43.5 %	48.2 %		-4.7 %

	Nine Months Ended September 30,			
	2018	2017	Increase	% Change
Gross profit	\$ 19,661,034	\$ 17,413,876	\$ 2,247,158	12.9 %
Gross profit (percentage of sales)	44.6 %	47.4 %		-2.8 %

Gross profit as a percentage of sales decreased 4.7% for the three months ended September 30, 2018 as compared to the three months ended September 30, 2017 and decreased 2.8% for the nine months ended September 30, 2018 as compared to the nine months ended September 30, 2017. For the three months ended September 30, 2018, the decrease in gross profit as a percentage of sales is primarily driven by the increase in carrier gateway sales offset by a decrease in retail router sales. For the nine months ended September 30, 2018, the decrease is due to the decrease in set top box sales.

Operating Expenses

	Three Months Ended September 30,			
	2018	2017	Increase	% Change
Operating Expenses				
Research and development	\$ 2,474,653	\$ 2,094,774	\$ 379,879	18.1 %
Sales and marketing	2,161,143	1,809,037	352,106	19.5 %
General and administrative	1,922,326	1,899,449	22,877	1.2 %
Total	<u>\$ 6,558,122</u>	<u>\$ 5,803,260</u>	<u>\$ 754,862</u>	<u>13.0 %</u>

	Nine Months Ended September 30,			
	2018	2017	Increase	% Change
Operating Expenses				
Research and development	\$ 7,162,092	\$ 5,510,861	\$ 1,651,231	30.0 %
Sales and marketing	9,140,356	5,229,188	3,911,168	74.8 %
General and administrative	7,864,320	6,174,869	1,689,451	27.4 %
Total	<u>\$ 24,166,768</u>	<u>\$ 16,914,918</u>	<u>\$ 7,251,850</u>	<u>42.9 %</u>

Research and Development

Research and development expense increased \$0.4 million for the three months ended September 30, 2018 compared to the three months ended September 30, 2017. The increase was primarily due to \$0.3 million increase in personnel expenses due to additional headcount and \$0.1 million increase in expenses related to additional research and development efforts.

Research and development expense increased \$1.7 million for the nine months ended September 30, 2018 compared to the nine months ended September 30, 2017. The increase was primarily due to \$1.3 million increase in personnel related expenses, \$0.2 million increase in expenses related to premises and repairs and maintenance, \$0.2 million increase related to additional research and development efforts.

Sales and Marketing

Sales and marketing expense increased \$0.4 million for the three months ended September 30, 2018 compared to the three months ended September 30, 2017. The increase was primarily due to \$0.3 million increase in personnel expenses due to additional headcounts and \$0.1 million increase in expenses related to premises expense and outsourced services.

Sales and marketing expense increased \$3.9 million for the nine months ended September 30, 2018 compared to the nine months ended September 30, 2017. The increase was primarily due to \$1.5 million in non-recurring expenses related to a marketing-related agreement and its termination and executive severance, \$1.2 million increase in marketing expenses, \$0.9 million increase in personnel related expenses and \$0.3 million increase in expenses related to outsourced services.

General and Administrative

General and administrative expense increased \$0.02 million for the three months ended September 30, 2018 compared to the three months ended September 30, 2017. The increase was primarily due to \$0.2 million increase in personnel related expenses, \$0.1 million increase in amortization expense and \$0.02 increase in software licenses offset by a decrease of \$0.2 million in corporate legal expenses and \$0.1 million decrease in expenses related to premises.

General and administrative expense increased \$1.7 million for the nine months ended September 30, 2018 compared to the nine months ended September 30, 2017. The increase was primarily due to \$1.2 million increase in stock compensation expenses related to the acceleration of stock compensation expense for a former executive, \$0.6 million increase in personnel expenses due to additional headcount and \$0.5 million in non-recurring expenses related to executive severance offset by \$0.6 million decrease in outsourced services.

Other Income

	Three Months Ended September 30,			
	2018	2017	Increase	% Change
Other expense (income):				
Interest income	\$ (158,790)	\$ (98,689)	\$ (60,101)	60.9%
Interest expense	5,756	22,762	(17,006)	-74.7%
Total	<u>\$ (153,034)</u>	<u>\$ (75,927)</u>	<u>\$ (77,107)</u>	<u>101.6%</u>

	Nine Months Ended September 30,			
	2018	2017	Increase	% Change
Other expense (income):				
Interest income	\$ (398,003)	\$ (189,855)	\$ (208,148)	109.6%
Gain on deferred purchase price liability	(388,733)	—	(388,733)	0.0%
Interest expense	29,506	80,239	(50,733)	-63.2%
Total	<u>\$ (757,230)</u>	<u>\$ (109,616)</u>	<u>\$ (647,614)</u>	<u>590.8%</u>

Other income increased \$0.1 million for the three months ended September 30, 2018 as compared to the three months ended September 30, 2017. The increase was primarily due to a \$0.1 million increase in interest income from investments offset by a decrease in interest expense.

Other income increased \$0.7 million for the nine months ended September 30, 2018 as compared to the nine months ended September 30, 2017. The increase was primarily due to a \$0.4 million gain on deferred purchase price liability, \$0.2 million increase in interest income from investments and \$0.1 million decrease in interest expense on our outstanding loans.

Liquidity and Capital Resources

We had cash and cash equivalents of \$13.1 million and \$18.8 million in short-term investments at September 30, 2018.

Before 2013, we had incurred net losses in each year since our inception. As a result, we had an accumulated deficit of \$46.3 million at September 30, 2018.

Since inception, we have primarily financed our operations and capital expenditures through private sales of preferred stock, public offerings of our common stock 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 September 30, 2018, we had approximately \$0.3 million outstanding under a term loan pursuant to our second amended and restated loan and security agreement with Silicon Valley Bank. In addition, under our second amended and restated loan and security agreement with Silicon Valley Bank, we have a revolving line of credit with a borrowing capacity up to \$10.0 million. As of September 30, 2018, 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 a growth capital term loan 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%.

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. Effective September 2017, we amended the loan and security agreement with Silicon Valley Bank to update the financial covenants. The amended and restated loan and security agreement requires that we maintain either (1) a minimum cash balance of unrestricted cash at Silicon Valley Bank or one of its affiliates of no less than \$25.0 million; or 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 September 30, 2018 the minimum EBITDA is \$750,000). The interest rate of the additional term loan is fixed at 5.0%. As of September 30, 2018, \$0.3 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 and the additional term loan as of September 30, 2018.

On January 31, 2018, we entered into a second amended and restated loan and security agreement with Silicon Valley Bank. The second amended and restated loan and security agreement amends and restates the terms of our amended and restated loan and security agreement with Silicon Valley Bank. The agreement, among other things, increases the aggregate principal amount available under the revolving line of credit from \$3.0 million to \$10.0 million and modifies certain existing financial covenants. Under the second amended and restated loan and security agreement, we may borrow up to \$10.0 million under the line of credit, subject to a borrowing base limit of 80% of the aggregate face amount of all eligible receivables. The agreement removed the minimum EBITDA requirement previously applicable to the line of credit and term loan and maintained the liquidity ratio financial covenant such we must maintain a ratio of cash and cash equivalents plus accounts receivable to outstanding debt under the second amended and restated loan and security agreement minus deferred revenue of 1.25 to 1.00. We will be required to pay interest on borrowings outstanding, if any, under the revolving line of credit at a floating rate per annum equal to 1% above the Wall Street Journal prime rate (or, if unavailable, the SVB prime rate) on a monthly basis, so long as we maintain a liquidity ratio of cash and cash equivalents plus accounts receivable to outstanding debt under the second amended and restated loan and security agreement minus deferred revenue of 1.50 to 1.00. If this liquidity ratio is not met, we will be subject to a minimum interest charge of \$3,000 per month and borrowings outstanding, if any, under the revolving line of credit will accrue interest at a floating rate per annum equal to 2% above the Wall Street Journal prime rate (or if unavailable, the SVB prime rate) on a monthly basis. The revolving line of credit matures on January 31, 2020.

Silicon Valley Bank maintains a first security interest over our assets, excluding intellectual property, for which Silicon Valley Bank has received a negative pledge. The second amended and restated loan and security agreement contains customary affirmative and negative covenants and events of default applicable to us and any subsidiaries.

In August 2017, our board of directors approved a share repurchase program pursuant to which we may purchase up to \$7.0 million of shares of our common stock over the twelve month period following the establishment of the program. The repurchases under the share repurchase program are made from time to time in the open market or in privately negotiated transactions and are funded from our working capital. Repurchases will be made in compliance with Rule 10b-18 of the Securities Exchange Act of 1934, as amended, subject to market conditions, available liquidity, cash flow, applicable legal requirements and other factors. All shares of common stock repurchased under our share repurchase program will be returned to the status of authorized and issued shares of common stock. During the nine months ended September 30, 2018, we repurchased 328,523 shares of common stock under the repurchase program. These shares were repurchased at an average price per share of \$9.49, for a total cost of \$1.8 million. As of September 30, 2018, we have repurchased a total of \$3.1 million of shares of our common stock. On August 7, 2018, our board of directors approved an extension to its existing share repurchase program for an additional twelve month period ending August 14, 2019.

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 and increasing our sales and marketing initiatives by entering into strategic partnerships. 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 twelve months.

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

	Nine Months Ended September 30,	
	2018	2017
Net cash used in operating activities	\$ (1,240,659)	\$ (993,375)
Net cash provided by (used in) investing activities	1,874,620	(24,985,813)
Net cash used in financing activities	(2,595,373)	(1,016,568)
Net decrease in cash and cash equivalents	<u>\$ (1,961,412)</u>	<u>\$ (26,995,756)</u>

Net cash used in operating activities. Net cash used in operating activities was \$1.2 million for the nine months ended September 30, 2018. This was primarily driven by our net loss of \$3.8 million and \$0.4 million change in operating assets and liabilities offset by non-cash operating expenses of \$3.0 million.

Net cash provided by (used in) investing activities. Net cash provided by investing activities was \$1.9 million for the nine months ended September 30, 2018. This was primarily driven by \$27.0 million in maturities of available-for-sale securities offset by \$24.3 million in purchases of available-for-sale securities and \$0.8 million in purchases of property and equipment.

Net cash used in financing activities. Net cash used in financing activities was \$2.6 million for the nine months ended September 30, 2018. This was primarily driven by \$1.8 million in common stock repurchases, \$1.0 million in repayment of notes payable, \$0.4 million in payments related to the deferred purchase price offset by \$0.6 million in proceeds from the exercise of stock options.

Contractual Obligations and Commitments

There were no material changes outside the ordinary course of our business during the three months ended September 30, 2018 to the information regarding our contractual obligations that was disclosed in Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2017.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements (as defined by applicable regulations of the Securities and Exchange Commission) 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, 2017, 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 investment portfolio is exposed to market risk from changes in interest rates. The fair market value of fixed rate securities may be adversely impacted by fluctuations in interest rates while income earned on floating rate securities may decline as a result of decreases in interest rates. Under our current investment policies, we do not use interest rate derivative instruments to manage exposure to interest rate changes. We attempt to ensure the safety and preservation of our invested principal funds by limiting default risk, market risk, and reinvestment risk. We mitigate default risk by investing in investment grade securities. We maintain a relatively short average maturity for our investment portfolio, and we believe a hypothetical 100 basis point adverse move in interest rates along the entire interest rate yield curve would not materially affect the fair value of our interest sensitive financial instruments.

Our long-term debt bears interest at a fixed rate and therefore has minimal exposure to changes in interest rates. At September 30, 2018, our undrawn revolving credit facility under our second amended and restated loan and security agreement with Silicon Valley Bank bears interest at the Wall Street Journal Prime rate (5.0% as of September 30, 2018) plus 1.00%. If we draw funds from our revolving credit facility, we will be exposed to interest rate sensitivity, which is affected by changes in the Wall Street Journal 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 September 30, 2018 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, 2017, as updated by our subsequent filings under the Exchange Act. 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

Our recent management changes create uncertainties and could have a material adverse impact on our business, results of operations and financial condition.

On May 2, 2018, Charles Myers resigned as Chief Executive Officer, President and as a member of our board of directors. James K. Sims, who is our Chairman, was appointed to serve as our interim Chief Executive Officer. In addition, in April 2018, Glenn Selbo resigned as our Chief Operating Officer, and in March 2018 Anil Doradla succeeded Leo Johnson as our Chief Financial Officer. As a result of these management changes, we may experience disruption or have difficulty in maintaining or developing our business. Further, we may not be successful in any potential search for a successor Chief Executive Officer and there can be no assurances concerning the commencement, overall timing or outcome of such a search. We face significant competition for new executives, and we may not be able to find a suitable replacement for Mr. Myers, or any other members of our senior management that we may lose in the future, and our business may be harmed as a result. Our ability to effectively manage our business and execute on our business strategy may be adversely affected by the uncertainty associated with these recent management changes.

Executive leadership transitions can be inherently difficult to manage and may cause disruption to our business. As a result of the recent changes in our management team, our existing management team has taken on substantially more responsibility, which has resulted in greater workload demands and could divert their attention away from certain key areas of our business. In addition, management transition inherently causes some loss of institutional knowledge, which can negatively affect strategy and execution, and our results of operations and financial condition could suffer as a result. The loss of services of one or more other members of senior management, or the inability to attract a qualified permanent Chief Executive Officer, could have a material adverse effect on our business, operating results and financial condition.

The loss of key personnel or an inability to attract, retain and motivate qualified personnel may harm our business.

Our success depends upon the continued service and performance of our senior management team and key technical, marketing and production personnel, including James K. Sims, who is our Chairman and also serving as our interim Chief Executive Officer following Mr. Myers' resignation in May 2018. We may not be able to attract and retain a permanent Chief Executive Officer. The replacement of members of our senior management team or other key employees or consultants likely would involve significant time and costs and may significantly delay or prevent the achievement of our business objectives.

Our future success also depends, in part, on our ability to continue to attract, integrate and retain highly skilled personnel. Competition for highly skilled personnel is frequently intense. Any difficulties in obtaining or retaining human resource competencies we need to achieve our business objectives may have an adverse effect on our performance.

Risks Related to Our International Operations

Our international sales and operations subject us to additional risks that can adversely affect our operating results and financial condition.

The substantial majority of our sales are to ODMs and distributors based in China. Additionally, for the year ended December 31, 2017, approximately 45% of the end-customers of our products, based on sales, are outside of North America, and we are continuing to expand our international operations as part of our growth strategy. We have limited sales personnel and sales and support operations in the United States, Asia, and Europe. Our ability to convince customers to expand their use of our antenna products is directly correlated to our direct engagement with our end-customers and our channel partners. To the extent we are unable to engage with non-U.S. customers effectively with our limited sales force capacity, we may be unable to grow sales to existing customers.

Our international operations subject us to a variety of risks and challenges, including: increased management, travel, infrastructure and legal compliance costs associated with having multiple international operations; reliance on channel partners; increased financial accounting and reporting burdens and complexities; compliance with foreign laws and regulations; compliance with U.S. laws and regulations for foreign operations; and reduced protection for intellectual property rights in some countries and practical difficulties of enforcing rights abroad. Any of these risks could adversely affect our international operations, reduce our international sales or increase our operating costs, adversely affecting our business, operating results and financial condition and growth prospects.

In addition, we are subject to risks related to regulation of exports and reexports of products, software or technology regulated under United States laws and regulations. In April 2018, the U.S. Department of Commerce's Bureau of Industry and Security lifted its suspension of a denial of export privileges against Zhongxing Telecommunications Equipment Corporation of Shenzhen China, or ZTE, and a second ZTE entity. These restrictions were subsequently lifted in July 2018, but may be imposed in the future with little or no advance notice. While the export ban applicable to ZTE has been lifted by the United States, there can be no guarantee that the U.S. Department of Commerce will not take future regulatory action that may materially interfere with our ability to make sales, particularly in China. Even without such action by the U.S. Department of Commerce, we would be prohibited from exporting our products to any foreign recipient if we have knowledge that a violation of U.S. export regulations has occurred, is about to occur, or is intended to occur in connection with the item. The loss or temporary loss of such customers as a result of future regulatory limitation could have a material adverse effect on our business, financial condition and results of operations and affect our international sales strategy in China and elsewhere around the world.

We are subject to governmental export and import controls that could impair our ability to compete in international markets due to licensing requirements and subject us to liability if we are not in compliance with applicable laws.

Our products are subject to export control and import laws and regulations, including the U.S. Export Administration Regulations, U.S. Customs regulations and various economic and trade sanctions regulations administered by the U.S. Treasury Department's Office of Foreign Assets Control. Exports of our products must be made in compliance with these laws and regulations. If we violate these laws and regulations, we and certain of our employees could be subject to substantial civil or criminal penalties, including the possible loss of export or import privileges, fines, which may be imposed on us and responsible employees or managers, and, in extreme cases, the incarceration of responsible employees or managers. In addition, if our channel partners, agents or consultants fail to obtain appropriate import, export or re-export licenses or authorizations, we may also be adversely affected through reputational harm and penalties. Obtaining the necessary authorizations, including any required license, for a particular sale may be time-consuming, is not guaranteed and may result in the delay or loss of sales opportunities. Changes in our products or changes in applicable export or import laws and regulations may also create delays in the introduction and sale of our products in international markets, prevent our end-customers with international operations from deploying our products or, in some cases, prevent the export or import of our products to certain countries, governments or persons altogether. For example, as a result of the U.S. Department of Commerce's Bureau of Industry and Security lifting its suspension of a denial of export privileges against ZTE in April 2018, ZTE halted all future orders for antenna products we have previously been shipping to ZTE. This lifting of the suspension will also likely prevent us from shipping new products to ZTE. Any change in export or import laws and regulations, shift in the enforcement or scope of existing laws and regulations, or change in the countries, governments, persons or technologies targeted by such laws and regulations, could also result in decreased use of our products, or in our decreased ability to export or sell our products to existing or potential end-customers with international operations. Any decreased use of our products or limitation on our ability to export or sell our products would likely adversely affect our business, financial condition and operating results.

Changes to the United States tax, tariff and import/export regulations may have a negative effect on global economic conditions, financial markets and our business.

There have been significant changes and proposed changes to United States trade policies, treaties, tariffs and taxes, including trade policies and tariffs regarding China. For example, the United States has imposed tariffs of 10-25% on certain imports from China, as well as tariffs on steel and aluminum products imported from various other countries. In response, China and other countries have imposed or proposed additional tariffs on certain exports from the United States. Although we do a significant amount of business in China, including dealing with Chinese suppliers and customers, only a limited number of our products use imported components that are covered under these recent policy changes, and we do not expect these tariffs to have a material impact on us. However, these and other proposed policy changes have created significant uncertainty about the future relationship between the United States and China, as well as other countries, including with respect to the trade policies, treaties, government regulations and tariffs that could apply to trade with those countries. These developments, or the perception that any of them could occur, may have a material adverse effect on global economic conditions and the stability of global financial markets, and may significantly reduce global trade and, in particular, trade between these countries and the United States. Any of these factors could depress economic activity and restrict our access to suppliers or customers and have a material adverse effect on our business, financial condition and results of operations and affect our strategy in China and elsewhere around the world.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**Unregistered Sales of Equity Securities**

There were no unregistered sales of equity securities during the period covered by this report.

Issuer Purchases of Equity Securities

The following table contains information relating to the repurchase of our common stock made by us in the three months ended September 30, 2018:

Fiscal Period	Total Number of Shares Repurchased	Average Price Paid Per Share	Total Number of Shares Purchased As Part of a Publicly Announced Program	Approximate Dollar Amount of Shares That May Yet be Purchased Under the Program (1)
July 1, 2018 to July 31, 2018	—	\$ —	—	\$ —
August 1, 2018 to August 30, 2018	28,995	11.94	314,523	4,072,514
September 1, 2018 to September 30, 2018	14,000	11.86	328,523	3,906,026
Total during the three months ended September 30, 2018	42,995	\$ 11.95	328,523	\$ 3,906,026

- (1) On August 14, 2017, our board of directors authorized the repurchase over the following twelve months of issued and outstanding shares of our common stock having an aggregate value of up to \$7.0 million pursuant to a repurchase program. On August 7, 2018, our board of directors extended the previously approved authorization to repurchase shares of our common stock for an additional twelve months to August 14, 2019. As of September 30, 2018, we have repurchased shares of common stock having an aggregate value of \$3.1 million.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

We entered into an Employment Transition Agreement, effective as of March 15, 2018, with Leo Johnson, our prior Chief Financial Officer relating to Mr. Johnson's retirement. Under the Employment Transition Agreement, Mr. Johnson will continue as an employee through September 30, 2019, or the Termination Date, or his earlier termination of employment. Pursuant to the Employment Transition Agreement, Mr. Johnson will receive a base salary of \$75,000 during the term of his transition services. Mr. Johnson will not be eligible to receive an annual incentive bonus for 2018 or 2019. In the event Mr. Johnson's employment is terminated by us for any reason other than Mr. Johnson's voluntary resignation, Mr. Johnson will be eligible to receive (1) lump sum cash payment equal to the remaining base salary payable to him under the Employment Transition Agreement through the Termination Date, plus (2) continued health benefits at the same cost to him as was in effect on the date of his termination through the Termination Date (or, if earlier, the date his eligibility for COBRA expires), plus (3) the acceleration of vesting and/or exercisability of all of Mr. Johnson's outstanding stock option awards, effective as of the Termination Date. The foregoing severance benefits are conditioned on Mr. Johnson's execution of a general release of claims in favor of us.

The above summary of the terms of the Employment Transition Agreement is qualified in its entirety by reference to the full text of the agreement, a copy of which will be filed as an exhibit to this Quarterly Report on Form 10-Q.

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	Employment Transition Agreement, dated November 7, 2018, by and between Leo Johnson and the Registrant
31.1	Certification of Principal 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 Principal 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 Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certification of Principal 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.

* 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.

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: November 8, 2018

/s/ James K. Sims

James K. Sims
Chairman of the Board and Interim Chief Executive Officer
(principal executive officer)

Date: November 8, 2018

/s/ Anil Doradla

Anil Doradla
Chief Financial Officer and Secretary
(principal financial and accounting officer)

EMPLOYMENT TRANSITION AGREEMENT

THIS EMPLOYMENT TRANSITION AGREEMENT (this "Agreement") is entered into by and between Airgain, Inc., a Delaware corporation (the "Company"), and Leo Johnson ("Employee"), effective as of March 15, 2018 (the "Effective Date").

WHEREAS, the Company and Employee are parties to that certain Employment Agreement dated as of July 28, 2014 (the "Prior Agreement");

WHEREAS, Employee served as the Company's Chief Financial Officer until February 5, 2018, and the Company's principal financial and accounting officer until March 15, 2018, at which time Employee ceased serving in such capacity but continued as an employee of the Company in a non-executive capacity; and

WHEREAS, the Company desires to continue to employ Employee, and Employee desires to continue employment with the Company, through September 30, 2019 (such date, or any earlier date on which Employee's employment terminates pursuant to this Agreement, the "Termination Date"), on the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the mutual promises herein contained, the parties agree as follows:

1. Employment Period.

(a) Employment Period. During the period (the "Employment Period") commencing on the Effective Date and ending on the Termination Date, Employee shall continue to be employed by the Company. Employee hereby agrees that, effective as of the Termination Date, he shall automatically cease to serve as an employee (and cease to hold any other titles or officer positions he may hold) of the Company (and any of its affiliates and subsidiaries). Employee shall execute any additional documentation necessary to effectuate the foregoing. The termination of the Employment Period shall constitute Employee's "separation from service" for purposes of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code").

(b) Duties and Responsibilities. During the Employment Period, Employee shall report directly to the Chief Executive Officer of the Company (the "CEO"), and shall be subject to the direction of the CEO and to such limits upon Employee's authority as the CEO may from time to time impose. Employee shall be subject to and comply with the policies and procedures generally applicable to employees of the Company to the extent the same are not inconsistent with any term of this Agreement.

(c) Exclusive Services. Employee shall at all times faithfully, industriously and to the best of his ability, experience and talent perform to the satisfaction of the CEO all of the duties consistent with his role that may be assigned to Employee hereunder and shall devote such portion of his productive time and efforts to the performance of such duties as is mutually agreed between Employee and the CEO. Subject to the terms of the Confidentiality and Inventions Assignment Agreement referred to in Section 3(b), this shall not preclude Employee

from devoting time to personal and family investments or serving on community and civic boards, or participating in industry associations, provided such activities do not interfere with his duties to the Company, as determined in good faith by the CEO.

(d) Compensation During Employment Period. As compensation for the services to be rendered by Employee to the Company during the Employment Period, Employee shall be paid the compensation and benefits:

(i) Base Salary. For the period commencing on the Effective Date and ending on the Termination Date, the Company shall continue to pay to Employee his base salary at the rate of \$75,000 per year (the "Base Salary"), payable in accordance with the Company's usual pay practices (and in any event no less frequently than monthly).

(ii) Bonus. Employee acknowledges and agrees that he shall not be eligible to receive an annual bonus pursuant to the Company's annual bonus plan for 2018 or 2019.

(iii) Employee Benefits. During the Employment Period, Employee shall be entitled to participate in all employee benefit plans, programs and arrangements maintained by the Company and made available to employees generally, including, without limitation, bonus, retirement, profit sharing and savings plans and medical, disability, dental, life and accidental death and dismemberment insurance plans.

(iv) Reimbursement of Expenses. During the Employment Period, Employee shall be entitled to reimbursement for all reasonable and necessary business expenses incurred on behalf of the Company, including without limitation, travel and entertainment expenses, business supplies and communication expenses, in accordance with the Company's policies and procedures.

(v) Paid Time Off; Vacation. During the Employment Period, Employee shall be entitled to such periods of paid time off or vacation each year as provided from time to time under the Company's paid time off or vacation policy and as otherwise provided for similarly-situated employees.

(vi) Stock Options. During the Employment Period, Employee's stock options shall continue to vest and be exercisable in accordance with the terms of the stock option agreements and the equity plans pursuant to which such stock options were issued.

(e) At-Will Employment; Termination. The Company and Employee acknowledge that Employee's employment is and shall continue to be at-will, as defined under applicable law, and that Employee's employment with the Company may be terminated by either party at any time for any or no reason, with or without notice. If Employee's employment terminates for any reason, Employee shall not be entitled to any payments, benefits, damages, awards or compensation other than as provided in this Agreement. Employee's employment under this Agreement shall be terminated immediately on the death of Employee.

2. Termination of Employment.

(a) Compensation Through Termination Date. On the Termination Date, the Company shall issue to Employee his final paycheck, reflecting (i) Employee's fully earned but unpaid base salary, through the Termination Date at the rate then in effect, and (ii) all accrued, unused vacation or paid time off due Employee through the Termination Date. Subject to Sections 2(b) and (d) below, Employee acknowledges and agrees that with his final check, Employee received all monies, bonuses, commissions, expense reimbursements, paid time off, or other compensation he earned or was due during his employment by the Company.

(b) Expense Reimbursements. The Company, within thirty (30) days after the Termination Date, will reimburse Employee for any and all reasonable and necessary business expenses incurred by Employee in connection with the performance of his job duties prior to the Termination Date, which expenses shall be submitted to the Company with supporting receipts and/or documentation no later than thirty (30) days after the Termination Date.

(c) Benefits. Except as provided in Section 2(d)(i)(B) below, Employee's entitlement to benefits from the Company, and eligibility to participate in the Company's benefit plans, shall cease on the Termination Date, except to the extent Employee elects to and is eligible to receive continued healthcare coverage pursuant to the provisions of the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA"), for himself and any covered dependents, in accordance with the provisions of COBRA.

(d) Termination Benefit.

(i) Upon the termination of the Employment Period for any reason other than Employee's voluntary resignation, and subject to Employee's continued compliance with Section 3 and Employee's execution and non-revocation of the Release (as defined below), effective as of the Termination Date:

(A) if such termination occurs prior to prior to September 30, 2019, a cash payment in an amount equal to the amount of the Base Salary Employee would have received had he remained employed by the Company through September 30, 2019 at the rate set forth in Section 1(d)(i), less applicable tax withholding, payable in a lump sum on the date that is thirty (30) days following the Termination Date;

(B) if such termination occurs prior to prior to September 30, 2019, for the period beginning on the Termination Date and ending on September 30, 2019 (or, if earlier, the date on which the applicable continuation period under COBRA expires) (the "COBRA Coverage Period"), the Company shall arrange to provide Employee and his eligible dependents who were covered under the Company's health insurance plans as of the Termination Date with health (including medical and dental) insurance benefits substantially similar to those provided to Employee and his dependents immediately prior to the date of such termination. If the Company is not reasonably able to continue health insurance benefits coverage under the Company's insurance plans, the Company shall provide substantially equivalent coverage under other third-party insurance sources. If any of the Company's health benefits are self-funded as of the Termination Date, or if the Company cannot provide the foregoing benefits in a manner that is exempt from or otherwise compliant with applicable law (including, without limitation, Section

409A of the Code and Section 2716 of the Public Health Service Act), instead of providing continued health insurance benefits as set forth above, the Company shall instead pay to Employee an amount equal to the monthly premium payment for Employee and his eligible dependents who were covered under the Company's health plans as of the Termination Date (calculated by reference to the premium as of the date of termination) as currently taxable compensation in substantially equal monthly installments over the COBRA Coverage Period (or the remaining portion thereof); and

(C) Effective as of the Termination Date, the vesting and/or exercisability of each of Employee's outstanding stock options shall be automatically accelerated. Except as modified above, Employee's stock options shall continue to be governed by the terms and conditions of the stock option agreements and the Company's equity plan pursuant to which such stock options were granted.

(ii) As a condition to Employee's receipt of the foregoing termination benefits pursuant to this Section 2(d) above, Employee shall execute and not revoke a general release of all claims in favor of the Company (the "Release") in the form attached hereto as Exhibit A. In the event Employee's Release does not become effective within the thirty (30) day period following the Termination Date, Employee shall not be entitled to the aforesaid payments and benefits. The termination benefits set forth in Section 2(d) above will represent full satisfaction of the Company's severance obligations to Employee and Employee shall not be eligible for any termination benefits under the Prior Agreement, which is hereby expressly superseded and terminated.

(iii) In the event of Employee's termination of employment with the Company, Employee's sole remedy shall be to receive the payments and benefits described in this Section 2(d). The foregoing termination benefits shall be the only severance or termination benefits to which Employee will be entitled and will be in lieu of any severance or termination benefits under any severance plan or program of the Company, including the Prior Agreement.

3. Confirmation of Continuing Obligations.

(a) Confidential Information Obligations. Employee acknowledges that Employee continues to be bound by the Confidentiality and Inventions Assignment Agreement, which is attached hereto as Exhibit B, or any other agreement governing the use of the Company's confidential information that Employee signed in connection with Employee's employment in accordance with the terms thereof.

(b) Nondisparagement. Employee agrees that Employee shall not disparage or otherwise communicate negative statements or opinions about the Company, the members of its Board of Directors, officers, employees, shareholders or agents. The Company agrees that it shall not, and it shall instruct its officers and the members of its Board of Directors to not, disparage or otherwise communicate negative statements or opinions about Employee. Nothing in this Section 3(b) shall have application to any evidence or testimony required by any court, arbitrator or government agency.

(c) Return of Property. On the Termination Date, Employee shall return to the Company all of the Company's property, documents (hard copy or electronic files), and

information. Employee has not and will not copy or transfer any Company information, nor will Employee maintain any Company information after the Termination Date.

(d) Remedy in the Event of Breach. In addition to all other rights and remedies available to the Company under law or in equity, the Company shall be entitled to cease all termination benefits to Employee under Section 2(d) above in the event of Employee's material breach of this Section 3.

(e) Whistleblower Provision. Notwithstanding anything to the contrary contained in this Agreement or the Confidentiality and Inventions Assignment Agreement, (i) Employee will not be prevented from reporting possible violations of federal law or regulation to any United States governmental agency or entity in accordance with the provisions of and rules promulgated under Section 21F of the Securities Exchange Act of 1934 or Section 806 of the Sarbanes-Oxley Act of 2002, or any other whistleblower protection provisions of state or federal law or regulation (including the right to receive an award for information provided to any such government agencies), and (ii) Employee acknowledges that he will not be held criminally or civilly liable for (A) the disclosure of confidential or proprietary information that is made in confidence to a government official or to an attorney solely for the purpose of reporting or investigating a suspected violation of law, or (B) disclosure of confidential or proprietary information that is made in a complaint or other document filed in a lawsuit or other proceeding under seal or pursuant to court order.

4. General Relationship. Employee shall be considered an employee of the Company within the meaning of all federal, state and local laws and regulations including, but not limited to, laws and regulations governing unemployment insurance, workers' compensation, industrial accident, labor and taxes.

5. Knowing and Voluntary. Employee represents and agrees that, prior to signing this Agreement, Employee has had the opportunity to discuss the terms of this Agreement with legal counsel of Employee's choosing. Employee further represents and agrees that Employee is entering into this Agreement knowingly and voluntarily. Employee affirms that no promise was made to cause Employee to enter into this Agreement, other than what is promised in this Agreement. Employee further confirms that Employee has not relied upon any other statement or representation by anyone other than what is in this Agreement as a basis for Employee's agreement.

6. Miscellaneous.

(a) Modification; Prior Claims. This Agreement, the Confidentiality and Inventions Assignment Agreement and the Release set forth the entire understanding of the parties with respect to the subject matter hereof, supersedes all existing agreements between them concerning such subject matter. The Prior Agreement shall be superseded entirely by this Agreement and the Prior Agreement shall be terminated and be of no further force or effect. This Agreement may be amended or modified only with the written consent of Employee and an authorized representative of the Company. No oral waiver, amendment or modification will be effective under any circumstances whatsoever.

(b) Assignment; Assumption by Successor. The rights of the Company under this Agreement may, without the consent of Employee, be assigned by the Company, in its sole

and unfettered discretion, to any person, firm, corporation or other business entity which at any time, whether by purchase, merger or otherwise, directly or indirectly, acquires all or substantially all of the assets or business of the Company. The Company will require any successor (whether direct or indirect, by purchase, merger or otherwise) to all or substantially all of the business or assets of the Company expressly to assume and to agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place; provided, however, that no such assumption shall relieve the Company of its obligations hereunder. As used in this Agreement, the “Company” shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law or otherwise.

(c) Survival. The covenants, agreements, representations and warranties contained in or made in Sections 2, 3, 5 and 6 of this Agreement shall survive any termination of Employee’s employment.

(d) Third-Party Beneficiaries. This Agreement does not create, and shall not be construed as creating, any rights enforceable by any person not a party to this Agreement.

(e) Waiver. The failure of either party hereto at any time to enforce performance by the other party of any provision of this Agreement shall in no way affect such party’s rights thereafter to enforce the same, nor shall the waiver by either party of any breach of any provision hereof be deemed to be a waiver by such party of any other breach of the same or any other provision hereof.

(f) Notices. Any notice required or permitted by this Agreement shall be in writing and shall be delivered as follows with notice deemed given as indicated: (i) by personal delivery when delivered personally; (ii) by overnight courier upon written verification of receipt; (iii) by email, telecopy or facsimile transmission upon acknowledgment of receipt of electronic transmission; or (iv) by certified or registered mail, return receipt requested, upon verification of receipt. Notice shall be sent to Employee at the address listed on the Company’s personnel records and to the Company at its principal place of business, or such other address as either party may specify in writing.

(g) Non-transferability of Interest. None of the rights of Employee to receive any form of compensation payable pursuant to this Agreement shall be assignable or transferable except through a testamentary disposition or by the laws of descent and distribution upon the death of Employee. Any attempted assignment, transfer, conveyance, or other disposition (other than as aforesaid) of any interest in the rights of Employee to receive any form of compensation to be made by the Company pursuant to this Agreement shall be void.

(h) Governing Law. This Agreement will be governed by and construed in accordance with the laws of the State of California without regard to the conflicts of law provisions thereof. Employee and the Company agree that any litigation regarding this Agreement shall be conducted in San Diego, California. Employee and the Company hereby consent to the jurisdiction of the courts of the State of California and the United States District Court for the Southern District of California.

(i) Entire Agreement. This Agreement, together with the other agreements referenced herein, constitutes the entire understanding between the parties with respect to its subject matter, superseding all prior agreements and understandings, written or oral, with respect to its subject matter. This Agreement may not be amended or modified, nor any provision hereof waived, other than by a writing signed by Employee and an authorized representative of the Company.

(j) Ambiguities. The general rule that ambiguities are to be construed against the drafter shall not apply to this Agreement. In the event that any language of this Agreement is found to be ambiguous, all parties shall have the opportunity to present evidence as to the actual intent of the parties with respect to any such ambiguous language.

(k) Severability. If any sentence, phrase, paragraph, subparagraph or portion of this Agreement is found to be illegal or unenforceable, such action shall not affect the validity or enforceability of the remaining sentences, phrases, paragraphs, subparagraphs or portions of this Agreement.

(l) Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, all of which together shall constitute one and the same instrument.

(m) Withholding and other Deductions. All compensation payable to Employee hereunder shall be subject to such deductions as the Company is from time to time required to make pursuant to law, governmental regulation or order.

(n) Code Section 409A.

(i) Notwithstanding anything to the contrary in this Agreement, no payment or benefit to be paid or provided to Employee upon his termination of employment, if any, pursuant to this Agreement that, when considered together with any other payments or benefits, are considered deferred compensation under Code Section 409A (together, the “Deferred Payments”) will be paid or otherwise provided until Employee has a “separation from service” within the meaning of Code Section 409A. Similarly, no amounts payable to Employee, if any, pursuant to this Agreement that otherwise would be exempt from Code Section 409A pursuant to Treasury Regulation Section 1.409A-1(b)(9) will be payable until Employee has a “separation from service” within the meaning of Section 409A.

(ii) Notwithstanding anything to the contrary in this Agreement, if Employee is a “specified employee” within the meaning of Code Section 409A at the time of Employee’s termination of employment (other than due to death), then the Deferred Payments that are payable within the first six (6) months following Employee’s separation from service, will become payable on the first payroll date that occurs on or after the date six (6) months and one (1) day following the date of Employee’s separation from service. All subsequent Deferred Payments, if any, will be payable in accordance with the payment schedule applicable to each payment or benefit. Notwithstanding anything herein to the contrary, if Employee dies following Employee’s separation from service, but prior to the six (6) month anniversary of the separation from service, then any payments delayed in accordance with this paragraph will be payable in a lump sum as soon as administratively practicable after the date of Employee’s death and all other

Deferred Payments will be payable in accordance with the payment schedule applicable to each payment or benefit. Each payment and benefit payable under this Agreement is intended to constitute a separate payment for purposes of Section 1.409A-2(b)(2) of the Treasury Regulations.

(iii) Any amount paid under this Agreement that satisfies the requirements of the “short-term deferral” rule set forth in Section 1.409A-1(b)(4) of the Treasury Regulations will not constitute a Deferred Payment for purposes of clauses (i) and (ii) above.

(iv) Any amount paid under this Agreement that qualifies as a payment made as a result of an involuntary separation from service pursuant to Section 1.409A-1(b)(9)(iii) of the Treasury Regulations that does not exceed the limits set forth therein will not constitute a Deferred Payment for purposes of clauses (i) and (ii) above.

(v) This Agreement is intended to be written, administered, interpreted and construed in a manner such that no payment or benefits provided under the Agreement become subject to (A) the gross income inclusion set forth within Code Section 409A(a)(1)(A) or (B) the interest and additional tax set forth within Code Section 409A(a)(1)(B) (together, referred to herein as the “Section 409A Penalties”), including, where appropriate, the construction of defined terms to have meanings that would not cause the imposition of Section 409A Penalties. In no event shall the Company be required to provide a tax gross-up payment to Employee or otherwise reimburse Employee with respect to Section 409A Penalties. The Company and Employee agree to work together in good faith to consider amendments to this Agreement and to take such reasonable actions which are necessary, appropriate or desirable to avoid imposition of any Section 409A Penalties on Employee.

(vi) Any reimbursement of expenses or in-kind benefits payable under this Agreement shall be made in accordance with Treasury Regulation Section 1.409A-3(i)(1)(iv) and shall be paid on or before the last day of Employee’s taxable year following the taxable year in which Employee incurred the expenses. The amount of expenses reimbursed or in-kind benefits payable in one year shall not affect the amount eligible for reimbursement or in-kind benefits payable in any other taxable year of Employee’s, and Employee’s right to reimbursement for such amounts shall not be subject to liquidation or exchange for any other benefit.

(o) Taxes; Right to Seek Independent Advice. Employee understands and agrees that all payments under this Agreement will be subject to appropriate tax withholding and other deductions, as and to the extent required by law. Employee acknowledges and agrees that neither the Company nor the Company’s counsel has provided any legal or tax advice to Employee and that Employee is free to, and is hereby advised to, consult with a legal or tax advisor of Employee's choosing.

(Signature Page Follows)

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first set forth above.

AIRGAIN, INC.

By: /s/Anil Doradla
Name: Anil Doradla
Title: Chief Financial Officer and Secretary

EMPLOYEE

/s/Leo Johnson
Leo Johnson

[SIGNATURE PAGE TO EMPLOYMENT TRANSITION AGREEMENT]

EXHIBIT A

GENERAL RELEASE OF CLAIMS

This General Release of Claims ("Release") is entered into as of this _____ day of _____, 2019, between Leo Johnson ("Employee"), and Airgain, Inc., a Delaware corporation (the "Company") (collectively referred to herein as the "Parties").

WHEREAS, Employee and the Company are parties to that certain Employment Transition Agreement effective as of March 15, 2018 (the "Agreement");

WHEREAS, the Parties agree that Employee is entitled to certain termination benefits under Section 2(d) of the Agreement, subject to Employee's execution of this Release; and

WHEREAS, the Company and Employee now wish to fully and finally to resolve all matters between them.

NOW, THEREFORE, in consideration of, and subject to, the severance benefits payable to Employee pursuant to the Agreement, the adequacy of which is hereby acknowledged by Employee, and which Employee acknowledges that he would not otherwise be entitled to receive, Employee and the Company hereby agree as follows:

1. General Release of Claims by Employee.

(a) In exchange for the termination benefits under Section 2(d) of the Agreement, and in consideration of the further agreements and promises set forth herein, Employee, on behalf of himself and his executors, heirs, administrators, representatives and assigns, hereby agrees to release and forever discharge the Company and all predecessors, successors and their respective parent corporations, affiliates, related, and/or subsidiary entities, and all of their past and present investors, directors, shareholders, officers, general or limited partners, employees, attorneys, agents and representatives, and the employee benefit plans in which Employee is or has been a participant by virtue of his employment with or service to the Company (collectively, the "Company Releasees"), from any and all claims, debts, demands, accounts, judgments, rights, causes of action, equitable relief, damages, costs, charges, complaints, obligations, promises, agreements, controversies, suits, expenses, compensation, responsibility and liability of every kind and character whatsoever (including attorneys' fees and costs), whether in law or equity, known or unknown, asserted or unasserted, suspected or unsuspected (collectively, "Claims"), which Employee has or may have had against such entities based on any events or circumstances arising or occurring on or prior to the date hereof or on or prior to the date hereof, arising directly or indirectly out of, relating to, or in any other way involving in any manner whatsoever Employee's employment by or service to the Company or the termination thereof, including any and all claims arising under federal, state, or local laws relating to employment, including without limitation claims of wrongful discharge, breach of express or implied contract, fraud, misrepresentation, defamation, or liability in tort, and claims of any kind that may be brought in any court or administrative agency including, without limitation, claims under Title VII of the Civil Rights Act of 1964, as amended, 42 U.S.C. Section 2000, et seq.; the Americans with Disabilities Act, as amended, 42 U.S.C. § 12101 et seq.; the Rehabilitation Act of 1973, as amended, 29 U.S.C. § 701 et seq.; the Civil Rights Act of 1866, and the Civil Rights Act of 1991; 42 U.S.C. Section 1981, et seq.; the Age Discrimination in

Employment Act, as amended, 29 U.S.C. Section 621, et seq. (the “ADEA”); the Equal Pay Act, as amended, 29 U.S.C. Section 206(d); regulations of the Office of Federal Contract Compliance, 41 C.F.R. Section 60, et seq.; the Family and Medical Leave Act, as amended, 29 U.S.C. § 2601 et seq.; the Fair Labor Standards Act of 1938, as amended, 29 U.S.C. § 201 et seq.; the Employee Retirement Income Security Act, as amended, 29 U.S.C. § 1001 et seq.; and the California Fair Employment and Housing Act, California Government Code Section 12940, et seq.

Notwithstanding the generality of the foregoing, Employee does not release the following claims:

- (i) Claims for unemployment compensation or any state disability insurance benefits pursuant to the terms of applicable state law;
- (ii) Claims for workers’ compensation insurance benefits under the terms of any worker’s compensation insurance policy or fund of the Company;
- (iii) Claims pursuant to the terms and conditions of the federal law known as COBRA;
- (iv) Claims for indemnity under the bylaws of the Company, as provided for by California law or under any applicable insurance policy with respect to Employee’s liability as an employee, director or officer of the Company;
- (v) Claims based on any right Employee may have to enforce the Company’s executory obligations under the Agreement;
- (vi) Claims Employee may have to vested or earned compensation and benefits;
- (viii) Employee’s right to bring to the attention of the Equal Employment Opportunity Commission or the California Department of Fair Employment and Housing or any other federal, state or local government agency claims of discrimination, harassment, interference with leave rights or retaliation; provided, however, that Employee does release Employee's right to secure any damages for such alleged treatment; or
- (ix) Employee’s right to communicate or cooperate with any government agency.

(b) EMPLOYEE ACKNOWLEDGES THAT HE HAS BEEN ADVISED OF AND IS FAMILIAR WITH THE PROVISIONS OF CALIFORNIA CIVIL CODE SECTION 1542, WHICH PROVIDES AS FOLLOWS:

“A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH, IF KNOWN BY HIM OR HER, MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.”

BEING AWARE OF SAID CODE SECTION, EMPLOYEE HEREBY EXPRESSLY WAIVES ANY RIGHTS HE MAY HAVE THEREUNDER, AS WELL AS UNDER ANY OTHER STATUTES OR COMMON LAW PRINCIPLES OF SIMILAR EFFECT.

(c) Employee acknowledges that this Release was presented to him on the date indicated above and that Employee is entitled to have twenty-one (21) days' time in which to consider it. Employee further acknowledges that the Company has advised him that he is waiving his rights under the ADEA, and that Employee should consult with an attorney of his o choice before signing this Release, and Employee has had sufficient time to consider the terms of this Release. Employee represents and acknowledges that if Employee executes this Release before twenty-one (21) days have elapsed, Employee does so knowingly, voluntarily, and upon the advice and with the approval of Employee's legal counsel (if any), and that Employee voluntarily waives any remaining consideration period.

(d) Employee understands that after executing this Release, Employee has the right to revoke it within seven (7) days after his execution of it. Employee understands that this Release will not become effective and enforceable unless the seven (7) day revocation period passes and Employee does not revoke the Release in writing. Employee understands that this Release may not be revoked after the seven (7) day revocation period has passed. Employee also understands that any revocation of this Release must be made in writing and delivered to the Company at its principal place of business within the seven (7) day period.

(e) Employee understands that this Release shall become effective, irrevocable, and binding upon Employee on the eighth (8th) day after his execution of it, so long as Employee has not revoked it within the time period and in the manner specified in clause (d) above.

(f) Employee further understands that Employee will not be given the termination benefits under Section 2(d) of the Agreement unless this Release is effective on or before the date that is thirty (30) days following the date of Employee's termination of employment.

2. Additional Representations and Warranties By Employee. Employee represents that Employee has no pending complaints or charges against the Releasees, or any of them, with any state or federal court, or any local, state or federal agency, division, or department based on any event(s) occurring prior to the date Employee signs this Agreement. Subject to Section 3(e) of the Agreement, Employee further represents that Employee will not in the future, file, participate in, encourage, instigate or assist in the prosecution of any claim, complaints, charges or in any lawsuit by any party in any state or federal court against the Releasees, or any of them. unless such aid or assistance is ordered by a court or government agency or sought by compulsory legal process, claiming that the Releasees, or any of them, have violated any local, state or federal laws, statutes, ordinances or regulations based upon events occurring prior to the execution of this Agreement. Nothing in this Section 2 is intended to affect your right to communicate directly with, cooperate with, or provide information to, any federal, state or local government regulator.

3. Warranty. Employee acknowledges that, other than the compensation set forth in Section 2(d) of the Agreement, Employee has received all wages, accrued but unused vacation

pay, and other benefits due to Employee as a result of Employee's employment with and termination from the Company.

4. Ambiguities. The general rule that ambiguities are to be construed against the drafter shall not apply to this Release. In the event that any language of this Release is found to be ambiguous, all parties shall have the opportunity to present evidence as to the actual intent of the parties with respect to any such ambiguous language.

5. Severability. If any sentence, phrase, paragraph, subparagraph or portion of this Release is found to be illegal or unenforceable, such action shall not affect the validity or enforceability of the remaining sentences, phrases, paragraphs, subparagraphs or portions of this Release.

6. Governing Law. This Release will be governed by and construed in accordance with the laws of the State of California without regard to the conflicts of law provisions thereof. Employee and the Company agree that any litigation regarding this Release shall be conducted in San Diego, California. Employee and the Company hereby consent to the jurisdiction of the courts of the State of California and the United States District Court for the Southern District of California.

7. Entire Agreement. This Release, together with the other agreements referenced herein, constitutes the entire understanding between the parties with respect to its subject matter, superseding all prior agreements and understandings, written or oral, with respect to its subject matter. This Release may not be amended or modified, nor any provision hereof waived, other than by a writing signed by Employee and an authorized representative of the Company.

8. Counterparts. This Release may be executed in one or more counterparts, each of which shall be deemed an original, all of which together shall constitute one and the same instrument.

(Signature Page Follows)

PLEASE READ CAREFULLY. THIS AGREEMENT CONTAINS A RELEASE OF ALL KNOWN AND UNKNOWN CLAIMS.

THE UNDERSIGNED AGREE TO THE TERMS OF THIS AGREEMENT AND VOLUNTARILY ENTER INTO IT WITH THE INTENT TO BE BOUND THEREBY.

Dated: _____, 2019

Leo Johnson

Dated: _____, 2019

AIRGAIN, INC.

By: _____

Name: _____

Title: _____

[SIGNATURE PAGE TO RELEASE]

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

I, James K. Sims, 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: November 8, 2018

/s/ James K. Sims
James K. Sims
Interim Chief Executive Officer
(principal executive officer)

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

I, Anil Doradla, 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: November 8, 2018

/s/ Anil Doradla

Anil Doradla

Chief Financial Officer and Secretary

(principal financial and accounting officer)

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

In connection with the quarterly report of Airgain, Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James K. Sims, Interim 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: November 8, 2018

/s/ James K. Sims

James K. Sims

Interim 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.

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 September 30, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Anil Doradla, 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: November 8, 2018

/s/ Anil Doradla
Anil Doradla
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.