

**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, 2019

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)

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

**Title of each class**  
Common shares, par value \$0.0001 per share

**Trading Symbol(s)**  
AIRG

**Name of each exchange on which registered**  
Nasdaq

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

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

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

Large accelerated filer ☐  
Non-accelerated filer ☐  
Emerging growth company ☒

Accelerated filer ☒  
Smaller reporting company ☒

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

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

As of November 04, 2019, the registrant had 9,696,984 shares of Common Stock (par value \$0.0001) outstanding.

AIRGAIN, INC.  
Form 10-Q  
For the Quarter Ended September 30, 2019

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

**Airgain, Inc.**  
**Condensed Balance Sheets**  
(In thousands, except per share data)  
(Unaudited)

	September 30, 2019	December 31, 2018
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 12,871	\$ 13,621
Short term investments	21,001	20,169
Trade accounts receivable	8,564	7,013
Inventory	1,265	1,351
Prepaid expenses and other current assets	1,386	931
Total current assets	45,087	43,085
Property and equipment, net	1,791	1,401
Goodwill	3,700	3,700
Customer relationships, net	3,231	3,593
Intangible assets, net	730	859
Other assets	601	269
Total assets	<u>\$ 55,140</u>	<u>\$ 52,907</u>
<b>Liabilities and stockholders' equity</b>		
Current liabilities:		
Accounts payable	\$ 4,447	\$ 4,137
Accrued bonus	1,402	2,076
Accrued liabilities	1,461	1,217
Current portion of deferred rent obligation under operating lease	127	81
Total current liabilities	7,437	7,511
Deferred tax liability	38	38
Deferred rent obligation under operating lease	46	211
Total liabilities	7,521	7,760
Stockholders' equity:		
Common shares, par value \$0.0001, 200,000 shares authorized; 10,117 shares issued and 9,697 shares outstanding at September 30, 2019; and 9,958 shares issued and 9,601 shares outstanding at December 31, 2018.	1	1
Additional paid in capital	95,967	93,583
Treasury stock, at cost: 420 shares and 357 shares at September 30, 2019 and December 31, 2018, respectively	(4,231)	(3,432)
Accumulated other comprehensive income (loss)	13	(11)
Accumulated deficit	(44,131)	(44,994)
Total stockholders' equity	47,619	45,147
Commitments and contingencies (note 12)		
Total liabilities and stockholders' equity	<u>\$ 55,140</u>	<u>\$ 52,907</u>

See accompanying notes.

**Airgain, Inc.**  
**Condensed Statements of Operations**  
(In thousands, except per share data)  
(Unaudited)

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Sales	\$ 13,142	\$ 15,787	\$ 42,713	\$ 44,064
Cost of goods sold	7,067	8,922	23,167	24,403
Gross profit	6,075	6,865	19,546	19,661
Operating expenses:				
Research and development	2,403	2,475	6,944	7,162
Sales and marketing	1,461	2,161	5,964	9,140
General and administrative	2,416	1,922	6,168	7,864
Total operating expenses	6,280	6,558	19,076	24,166
Income (loss) from operations	(205)	307	470	(4,505)
Other expense (income):				
Interest income	(183)	(159)	(559)	(398)
Gain on deferred purchase price liability	—	—	—	(389)
Interest expense	—	6	1	30
Total other income	(183)	(153)	(558)	(757)
Income (loss) before income taxes	(22)	460	1,028	(3,748)
Provision for income taxes	113	23	165	110
Net income (loss)	\$ (135)	\$ 437	\$ 863	\$ (3,858)
Net income (loss) per share:				
Basic	\$ (0.01)	\$ 0.05	\$ 0.09	\$ (0.41)
Diluted	\$ (0.01)	\$ 0.04	\$ 0.09	\$ (0.41)
Weighted average shares used in calculating income (loss) per share:				
Basic	9,711	9,566	9,678	9,495
Diluted	9,711	10,093	10,083	9,495

See accompanying notes.

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

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Net income (loss)	\$ (135)	\$ 437	\$ 863	\$ (3,858)
Unrealized gain on available-for-sale securities, net of deferred taxes	1	3	24	10
Total comprehensive income (loss)	<u>\$ (134)</u>	<u>\$ 440</u>	<u>\$ 887</u>	<u>\$ (3,848)</u>

See accompanying notes.

**Airgain, Inc.**  
**Condensed Statements of Stockholders' Equity**  
(In thousands)  
(Unaudited)

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
<b>Total stockholders' equity, beginning balance</b>	<u>\$ 47,620</u>	<u>\$ 43,041</u>	<u>\$ 45,147</u>	<u>\$ 46,225</u>
<b>Common stock:</b>				
Balance at beginning of period	1	1	1	1
Stock-based compensation	—	—	—	—
Issuance of shares for stock purchase plans	—	—	—	—
Balance at end of period	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
<b>Additional paid-in capital:</b>				
Balance at beginning of period	95,228	92,336	93,583	89,908
Stock-based compensation	549	408	1,605	2,536
Issuance of shares for stock purchase plans	190	316	779	616
Balance at end of period	<u>95,967</u>	<u>93,060</u>	<u>95,967</u>	<u>93,060</u>
<b>Treasury stock:</b>				
Balance at beginning of period	(3,625)	(2,580)	(3,432)	(1,257)
Repurchases of common stock	(606)	(514)	(799)	(1,837)
Balance at end of period	<u>(4,231)</u>	<u>(3,094)</u>	<u>(4,231)</u>	<u>(3,094)</u>
<b>Accumulated other comprehensive income (loss):</b>				
Balance at beginning of period	12	(10)	(11)	(17)
Unrealized gain on available-for-sale securities, net of deferred taxes	1	3	24	10
Balance at end of period	<u>13</u>	<u>(7)</u>	<u>13</u>	<u>(7)</u>
<b>Accumulated deficit:</b>				
Balance at beginning of period	(43,996)	(46,706)	(44,994)	(42,410)
Net income (loss)	(135)	438	863	(3,858)
Balance at end of period	<u>(44,131)</u>	<u>(46,268)</u>	<u>(44,131)</u>	<u>(46,268)</u>
<b>Total stockholders' equity, ending balance</b>	<u>\$ 47,619</u>	<u>\$ 43,692</u>	<u>\$ 47,619</u>	<u>\$ 43,692</u>

See accompanying notes.

**Airgain, Inc.**  
**Condensed Statements of Cash Flows**  
(In thousands)  
(Unaudited)

	Nine Months Ended September 30,	
	2019	2018
<b>Cash flows from operating activities:</b>		
Net income (loss)	\$ 863	\$ (3,858)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation	373	423
Amortization	491	508
Amortization of discounts on investments, net	(248)	(94)
Stock-based compensation	1,605	2,536
Deferred tax liability	—	22
Gain on deferred purchase price liability	—	(389)
Changes in operating assets and liabilities:		
Trade accounts receivable	(1,551)	667
Inventory	86	(476)
Prepaid expenses and other assets	(500)	(256)
Accounts payable	305	36
Accrued bonus	(674)	154
Accrued liabilities	244	(426)
Deferred obligation under operating lease	(119)	(88)
Net cash provided by (used in) operating activities	<u>875</u>	<u>(1,241)</u>
<b>Cash flows from investing activities:</b>		
Purchases of available-for-sale securities	(30,080)	(24,329)
Maturities of available-for-sale securities	29,520	26,956
Purchases of property and equipment	(1,045)	(752)
Net cash provided by (used in) investing activities	<u>(1,605)</u>	<u>1,875</u>
<b>Cash flows from financing activities:</b>		
Repayment of notes payable	—	(1,000)
Payment on deferred purchase price liability	—	(375)
Repurchases of common stock	(799)	(1,837)
Proceeds from issuance of common stock	779	617
Net cash used in financing activities	<u>(20)</u>	<u>(2,595)</u>
Net decrease in cash and cash equivalents	<u>(750)</u>	<u>(1,961)</u>
Cash and cash equivalents, beginning of period	13,621	15,026
Cash and cash equivalents, end of period	<u>\$ 12,871</u>	<u>\$ 13,065</u>
<b>Supplemental disclosure of cash flow information:</b>		
Interest paid	\$ 1	\$ 34
Taxes paid	\$ 54	\$ 26
<b>Supplemental disclosure of non-cash investing and financing activities:</b>		
Accrual of property and equipment	\$ 4	\$ —

See accompanying notes.

**Airgain, Inc.**  
**Notes to Condensed Financial Statements**  
(Unaudited)

**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 markets, including consumer, enterprise and automotive. The Company designs, develops, and engineers its antenna products for original equipment and design manufacturers worldwide. The Company's headquarters is in San Diego, California with office space and research, design and test 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, 2018, from which the balance sheet information herein was derived.

The unaudited condensed balance sheet as of December 31, 2018, 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 unaudited condensed statements of operations for the three and nine months ended September 30, 2019 and 2018, and the balance sheet data as of September 30, 2019, 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, 2019, 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 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.

***Reclassifications***

Certain amounts in the prior period financial statements have been reclassified to conform to the presentation of the current period financial statements.

***Fair Value Measurements***

The carrying values of the Company's financial instruments, including cash and cash equivalents, trade accounts receivable, accounts payable, and accrued liabilities 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-

**Airgain, Inc.**  
**Notes to Condensed Financial Statements**  
(Unaudited)

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, 2019, 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. The Company also manufactures certain of its products at its facility located in Scottsdale, Arizona.

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, 2019, 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, 2019, there is no provision for excess and obsolete inventories.

***Accumulated Other Comprehensive Income (Loss)***

Comprehensive income (loss) is comprised of net income (loss) and other comprehensive income (loss). Accumulated other comprehensive income (loss) on the unaudited condensed balance sheet at September 30, 2019, 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, 2019, 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, 2018.

**Airgain, Inc.**  
**Notes to Condensed Financial Statements**  
(Unaudited)

**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. The Company adopted this pronouncement during the year ended December 31, 2018, on a prospective basis. The impact on the financial statements is immaterial.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods and 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 Company will adopt the new guidance for the annual period ended December 31, 2019, using the modified retrospective approach. The Company is in the process of finalizing the new accounting policies, processes, and internal controls necessary to support the requirements of Topic 606, however, the expected impact the standard will have on its financial reporting is 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, 2020 and interim periods within fiscal years beginning after December 15, 2021. 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 January 2017, the FASB issued ASU No. 2017-04, *Simplifying the Test for Goodwill Impairment*, which simplifies the test for goodwill impairment by removing Step 2 which requires a hypothetical purchase price allocation and may require the services of valuation experts. An entity will, therefore, perform the goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount, recognizing an impairment charge for the amount by which the carrying amount exceeds the fair value, not to exceed the total amount of goodwill allocated to the reporting unit. An entity still has the option to perform a qualitative assessment to determine if the quantitative impairment test is necessary. ASU 2017-04 will be effective for the Company in annual periods beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021, with early adoption permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company has not yet determined whether it will early adopt ASU 2017-04 and is evaluating the impact the standard will have on its ongoing financial reporting.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments*. This standard changes the methodology for measuring credit losses on financial instruments and the timing of when such losses are recorded. ASU 2016-13 is effective for fiscal years beginning after December 15, 2020, and interim periods within the fiscal year beginning after December 15, 2021, using a modified retrospective adoption method. The Company continues to evaluate the impact of the standard on its consolidated financial statements.

In May 2019, the FASB issued ASU 2019-05, *Financial Instruments-Credit Losses (Topic 326), Targeted Transition Relief*, which provides entities that have certain instruments within the scope of ASC 326-20, Financial Instruments-Credit Losses-Measured at Amortized Cost, with an option to irrevocably elect the fair value option for eligible instruments. The effective date and transition methodology for this standard are the same as in ASU 2016-13.

**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 income (loss) per common share using the treasury stock method and the as-if-converted method, as applicable.

**Airgain, Inc.**  
**Notes to Condensed Financial Statements**  
(Unaudited)

The following table presents the computation of net income (loss) per share (in thousands except per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
<b>Numerator:</b>				
Net income (loss)	\$ (135)	\$ 437	\$ 863	\$ (3,858)
<b>Denominator:</b>				
Weighted average common shares outstanding - basic	9,711	9,566	9,678	9,495
Plus dilutive effect of potential common shares	—	527	405	—
Weighted average common shares outstanding - diluted	9,711	10,093	10,083	9,495
<b>Net income (loss) per share:</b>				
Basic	\$ (0.01)	\$ 0.05	\$ 0.09	\$ (0.41)
Diluted	\$ (0.01)	\$ 0.04	\$ 0.09	\$ (0.41)

Diluted weighted average common shares outstanding for the nine months ended September 30, 2019, includes 3,000 warrants and 402,000 options outstanding.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Employee stock options	721	245	457	887
Warrants outstanding	51	51	—	51
Total	772	296	457	938

**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, 2019 and December 31, 2018 (in thousands):

	September 30, 2019				Cash and Cash Equivalents	Short-Term Investments
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value		
Cash	\$ 2,968	\$ —	\$ —	\$ 2,968	\$ 2,968	\$ —
Level 1(1):						
Money market funds	6,903	—	—	6,903	6,903	—
U.S. treasury securities	3,855	4	—	3,859	—	3,859
Subtotal	10,758	4	—	10,762	6,903	3,859
Level 2(2):						
Commercial paper	9,641	—	—	9,641	—	9,641
Corporate debt obligations	3,740	6	—	3,746	—	3,746
Repurchase agreements	3,000	—	—	3,000	3,000	—
Asset-backed securities	3,752	3	—	3,755	—	3,755
Subtotal	20,133	9	—	20,142	3,000	17,142
Total	\$ 33,859	\$ 13	\$ —	\$ 33,872	\$ 12,871	\$ 21,001

**Airgain, Inc.**  
**Notes to Condensed Financial Statements**  
(Unaudited)

	December 31, 2018					
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Cash and Cash Equivalents	Short-Term Investments
Cash	\$ 3,044	\$ —	\$ —	\$ 3,044	\$ 3,044	\$ —
Level 1(1):						
Money market funds	5,482	—	—	5,482	5,482	—
U.S. treasury securities	1,988	—	—	1,988	—	1,988
Subtotal	7,470	—	—	7,470	5,482	1,988
Level 2(2):						
Commercial paper	10,639	—	—	10,639	2,095	8,544
Corporate debt obligations	5,964	—	(7)	5,957	—	5,957
Repurchase agreements	3,000	—	—	3,000	3,000	—
Asset-backed securities	3,682	—	(2)	3,680	—	3,680
Subtotal	23,285	—	(9)	23,276	5,095	18,181
Total	\$ 33,799	\$ —	\$ (9)	\$ 33,790	\$ 13,621	\$ 20,169

(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 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, 2019, 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, 2019, are as follows (in thousands):

	Estimated Fair Value
Due within one year	\$ 21,001

#### **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 fifteen years for all other property and equipment. Property and equipment consist of the following (in thousands):

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	September 30, 2019	December 31, 2018
Computers and software	\$ 496	\$ 361
Furniture, fixtures, and equipment	375	339
Manufacturing and testing equipment	3,083	2,503
Leasehold improvements	907	895
	4,861	4,098
Less accumulated depreciation	(3,070)	(2,697)
	<u>\$ 1,791</u>	<u>\$ 1,401</u>

Depreciation expense was \$105,000 and \$156,000 for the three months ended September 30, 2019 and 2018, respectively, and \$373,000 and \$423,000 for the nine months ended September 30, 2019 and 2018, respectively.

**Note 6. Intangible Assets**

The following is a summary of the Company's acquired intangible assets (dollars in thousands):

	Weighted Average Amortization Period (years)	Gross Carrying Amount	Accumulated Amortization	Intangibles, Net
<b>September 30, 2019</b>				
Customer relationships	10	\$ 4,830	\$ 1,599	\$ 3,231
Developed technologies	9	1,080	374	706
Tradenname	3	120	96	24
Total intangible assets, net		<u>\$ 6,030</u>	<u>\$ 2,069</u>	<u>\$ 3,961</u>
<b>December 31, 2018</b>				
Customer relationships	10	\$ 4,830	\$ 1,237	\$ 3,593
Developed technologies	9	1,080	274	806
Tradenname	3	120	67	53
Total intangible assets, net		<u>\$ 6,030</u>	<u>\$ 1,578</u>	<u>\$ 4,452</u>

The estimated annual amortization of intangible assets for the next five years and thereafter is shown in the following table (in thousands):

	Estimated Future Amortization
2019 (remaining three months)	\$ 164
2020	628
2021	598
2022	563
2023	563
Thereafter	1,445
Total	<u>\$ 3,961</u>

Actual amortization expense to be reported in future periods could differ from these estimates as a result of acquisitions, divestitures, and asset impairments, among other factors. Amortization expense was \$163,000 and \$169,000 for the three months ended September 30, 2019 and 2018, respectively, and \$491,000 and \$508,000 for the nine months ended September 30, 2019 and 2018, respectively.

**Note 7. Notes Payable and Line of Credit**

In December 2015 the Company 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 matured on December 1, 2018. The interest rate was fixed at 5.0%.

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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. It also removed a minimum EBITDA requirement previously applicable to the line of credit and former 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 to outstanding debt under the Amended Loan Agreement minus deferred revenue of 1.25 to 1.00. The Amended Loan Agreement also set a borrowing base limit of 80% of the aggregate face amount of all eligible receivables. No balance was owed on the line of credit as of September 30, 2019 and December 31, 2018.

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 (5.0% as of September 30, 2019) (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 1.25 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 (5.0% as of September 30, 2019) (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.

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 Company was in compliance with its financial covenants in the Amended Loan Agreement as of September 30, 2019.

**Note 8. Treasury Stock**

In August 2017, the Company's Board of Directors (the Board) approved a share repurchase program (the 2017 Program) pursuant to which the Company could 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 2017 Program were made from time to time in the open market or in privately negotiated transactions and were funded from the Company's working capital. Repurchases were 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 2017 Program were returned to the status of authorized but unissued shares of common stock. On August 7, 2018, the Board approved an extension to the 2017 Program for an additional twelve-month period ending on August 14, 2019.

On September 9, 2019, the Board approved a new share repurchase program pursuant to which the Company may purchase up to \$7.0 million of shares of its common stock over the following twelve-months. All shares purchased in the three months ended September 30, 2019 were subject to the new share repurchase program. This newly adopted share repurchase program mirrors all aspects and terms of the 2017 Program as described above.

During the three and nine months ended September 30, 2019, the Company repurchased 48,000 and 63,000 shares of common stock, respectively, under the share repurchase programs. For the three months ended September 30, 2019, the shares were repurchased at an average price per share of \$12.54 per share, for a total cost of \$0.6 million. For the nine months ended September 30, 2019, the shares were repurchased at an average price of \$12.75 per share, for a total cost of \$0.8 million. As of September 30, 2019, the Company repurchased a total of \$3.6 million in common stock under the recently expired 2017 Program.

**Note 9. Income Taxes**

The Company's effective income tax rate was 16.1% and (2.9)% for the nine months ended September 30, 2019 and 2018, respectively. The variance from the U.S. federal statutory tax rate of 21% for each of the nine months ended September 30, 2019 and 2018, 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

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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, 2019, and December 31, 2018, 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 10. Stockholders' Equity**

***Shares Reserved for Future Issuance***

The following common stock (in thousands) is reserved for future issuance at<sup>(1)</sup>:

	September 30, 2019		December 31, 2018
Warrants issued and outstanding	51		51
Stock option awards issued and outstanding	1,866		1,407
Authorized for grants under the 2016 Equity Incentive Plan	145	(2)	464
Authorized for grants under the 2016 Employee Stock Purchase Plan	186	(3)	100
	<u>2,248</u>		<u>2,022</u>

(1) Treasury stock in the amount of 420,000 and 357,000 as of September 30, 2019, and December 31, 2018, respectively, are excluded from the table above.

(2) On January 1, 2019, the number of authorized shares in the 2016 Equity Incentive Plan increased by 384,045 shares pursuant to the evergreen provisions of the 2016 Equity Incentive Plan.

(3) On January 1, 2019, the number of authorized shares in the 2016 Employee Stock Purchase Plan increased by 96,000 shares pursuant to the evergreen provisions of the 2016 Employee Stock Purchase Plan.

**Note 11. Stock Based Compensation**

**Stock Options**

The following table summarizes the outstanding stock option activity during the periods indicated (shares in thousands):

	Number of shares	Weighted average	
		Exercise price	Remaining contractual term (years)
Balance at December 31, 2018	1,407	\$ 8.73	
Granted	770	11.79	
Exercised	(148)	4.59	
Expired/Forfeited	(163)	11.36	
Balance at September 30, 2019	<u>1,866</u>	<u>\$ 10.09</u>	<u>8.1</u>
Vested and exercisable at September 30, 2019	756	\$ 8.38	6.6
Vested and expected to vest at September 30, 2019	1,866	\$ 10.09	8.1

The weighted average grant date fair value of options granted during the nine months ended September 30, 2019, and for the year ended December 31, 2018, was \$4.18 and \$3.97, respectively. For fully vested stock options, the aggregate intrinsic value as of September 30, 2019, and December 31, 2018, was \$3,043,000 and \$2,485,000, respectively. For stock options expected to vest, the aggregate intrinsic value as of September 30, 2019 and December 31, 2018 was \$935,000 and \$993,000, respectively.

At September 30, 2019, and December 31, 2018, there was \$4,090,000 and \$2,781,000, 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.

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**Restricted Stock**

During the nine months ended September 30, 2019, the Company granted 95,478 Restricted Stock Units (RSUs) at a weighted average grant date fair value of \$11.35 per share. No RSUs vested during the three and nine months ended September 30, 2019. As of September 30, 2019, the Company has 96,605 RSUs outstanding at a weighted average grant date fair value of \$11.42 per share and a weighted average remaining contractual term of 1.8 years. As of September 30, 2019, there was \$919,000 of total unrecognized compensation cost related to unvested RSUs.

**Employee Stock Purchase Plan (ESPP)**

The Company maintains the Employee Stock Purchase Plan (ESPP) that provides employees an opportunity to purchase common stock through payroll deductions. The ESPP is implemented through consecutive 6-month offering periods commencing on March 1 and September 1 of each year. The first offering period under the ESPP commenced on March 1, 2019. The purchase price is set at 85% of the fair market value of the Company's common stock on either the first or last trading day of the offering period, whichever is lower, and annual contributions are limited to the lower of 20% of an employee's eligible compensation or such other limits as apply under Section 423 of the Internal Revenue Code for such plans such as the ESPP. The ESPP is intended to qualify as an employee stock purchase plan for purposes of Section 423 of the Internal Revenue Code.

Based on the 15% discount and the fair value of the option feature of the ESPP, it is considered compensatory. Compensation expense is calculated using the fair value of the employees' purchase rights under the Black-Scholes model. The Company currently uses authorized and unissued shares to satisfy share award exercises.

The Company received proceeds of \$97,000 from the issuance of 10,000 shares under the ESPP in August 2019.

**Note 12. Commitments and Contingencies**

***(a) Operating Leases***

The Company has entered into lease agreements for office space and research facilities in San Diego County, California; Melbourne, Florida; Scottsdale, Arizona; Taipei, Taiwan; Shenzhen and Jiangsu, China; and Cambridgeshire, United Kingdom. Rent expense was \$239,000 and \$220,000 for the three months ended September 30, 2019 and 2018, respectively, and \$729,000 and \$687,000 for the nine months ended September 30, 2019 and 2018, respectively. The longest lease expires in June 2024. 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, 2019, were as follows (in thousands):

Year ending:		
2019 (remaining three months)	\$	290
2020		854
2021		387
2022		104
2023		72
2024		34
	\$	<u>1,741</u>

***(b) Indemnification***

In some agreements to which the Company is a party, the Company has agreed to indemnify the other party for certain matters, including, but not limited to, product liability and intellectual property. To date, there have been no known events or circumstances that have resulted in any material costs related to these indemnification provisions and no liabilities have been recorded in the accompanying financial statements.

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**Note 13. Concentration of Credit Risk**

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

The following represents customers that accounted for 10% or more of total revenue during the three and nine months ended September 30, 2019 and 2018, and customers that accounted for 10% or more of total trade accounts receivable at September 30, 2019 and 2018.

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Percentage of net revenue				
Customer A	34%	38%	38%	35%
Customer B	18	9	14	8
Customer C	10	0	6	8

	<b>As of September 30,</b>	
	<b>2019</b>	<b>2018</b>
Percentage of gross trade accounts receivable		
Customer A	38%	24%
Customer B	15	0
Customer C	13	7

**(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.

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Percentage of net revenue				
China	71%	79%	72%	73%
Other Asia	2	5	4	6
North America	25	13	21	16
Europe	2	3	3	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, 2019, primarily all of the Company's products were manufactured by two vendors in China and by the Company's facilities in Arizona.

**Note 14. 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

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\$20,000 covering certain other employment benefits; the acceleration of all his unvested options for a total of 283,000 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 and 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, 2019, there were no further amounts owed to Mr. Myers.

On April 2, 2018, Glenn Selbo, the Company's Chief Operating Officer, resigned from his position with the Company. Following his resignation, Mr. Selbo began providing consulting services to the Company. Mr. Selbo's outstanding stock options continued to vest until the termination of his consulting services in March 2019.

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. 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.

## 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, 2018 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 year ended December 31, 2018.*

### 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," "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 markets, including consumer, enterprise and automotive. 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 to help improve wireless services that require higher throughput, broad coverage footprint, and carrier grade quality.

The consumer market encompasses a large and growing market of consumers using wireless-enabled devices and our antennas are deployed in consumer access points, wireless gateways, Wi-Fi Mesh systems, smart TVs, smart home devices, and set-top boxes. Our antennas support an array of technologies including wireless local area networking, or WLAN, Wi-Fi, LTE, 5G and low power wide area networking, or LPWAN.

The enterprise market is characterized by devices that provide reliable wireless access for high-density environments such as buildings, campuses, transportation terminals and stadiums. Within this market our antennas are deployed across a wide range of systems, devices, and applications that include access points and gateways, small cells, and remote radio heads. In addition we support an array of technologies, including WiFi, LTE, 5G and LPWAN.

In the automotive market our antennas are deployed in a wide range of vehicles to support a variety of wireless connectivity solutions in the fleet and aftermarket segment and support a variety of technologies that include WiFi, 3G, LTE, Satellite and LPWAN. The fleet and aftermarket segment consists of applications whereby external modems are paired with external antenna systems to provide connectivity to fixed and mobile assets. Within the fleet and aftermarket market segment, there has been a rise in the number of antennas per vehicle. The majority of our revenues are currently derived from fleet and aftermarket sales and going forward, our strategy is to augment our current sales in the automotive aftermarket with design wins and sales into the automotive Original Equipment Manufacturers, or OEM, and in 2018 we announced two design wins with automotive OEMs.

Our design teams partner with customers from the early stages of antenna prototyping to device throughput testing to facilitate optimal performance and quick time to market. Our capabilities include design, custom engineering support, integration, and over-the-air, or OTA, testing. These capabilities have resulted in a strong reputation across the OEM, Original Design Manufacturers, or ODM,

and chipset manufacturer ecosystem. Our competencies and strengths have helped us secure design wins used in multiple reference designs from leading Wi-Fi chipset vendors, OEMs, ODMs, and chipset manufacturers and service providers rely on these reference designs and our engineering skills to deliver superior throughput performance. We view our relationship with OEM, ODM, chipset manufacturers and service providers as an important attribute to our long-term strategy and success.

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 grows, our solutions and expertise 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 consumer, enterprise, and automotive, the average sales 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. Our ability to maintain or increase our sales depends on among other things, new and existing end-customers selecting our antenna solutions for their wireless devices and networks, the proliferation of Wi-Fi connected home devices and data intensive applications, investments in our growth to address customer needs, our ability to target new end markets, development of our product offerings and technology solutions and international expansion, as well as our ability to successfully integrate 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 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 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 expenses to increase in absolute dollars in future periods 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 expenses also include the costs of trade shows, marketing programs, promotional materials, demonstration equipment, travel, recruiting, and allocated costs for certain facilities. Over the next several quarters, we expect sales and marketing expenses to fluctuate as a percentage of sales as we realign our efforts increasingly towards the Enterprise and Automotive markets.

*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, accounting expenses, and the additional costs of achieving and maintaining regulatory compliance. We expect general and administrative expenses to be higher for the remainder of 2019, due to the appointment and increased compensation to our new CEO.

#### **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 we and Skycross, Inc. 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 purchase price liability 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 charges on 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.

## 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 September 30,	
	2019	2018	2019	2018
<b>Statements of Operations Data:</b>				
Sales	100.0%	100.0%	100.0%	100.0%
Cost of goods sold	53.8	56.5	54.2	55.4
Gross profit	46.2	43.5	45.8	44.6
Operating expenses:				
Research and development	18.3	15.7	16.3	16.3
Sales and marketing	11.1	13.7	14.0	20.7
General and administrative	18.4	12.2	14.4	17.8
Total operating expenses	47.8	41.6	44.7	54.8
Income (loss) from operations	(1.6)	1.9	1.1	(10.2)
Other income	(1.4)	(1.0)	(1.3)	(1.7)
Income (loss) before income taxes	(0.2)	2.9	2.4	(8.5)
Provision for income taxes	0.9	0.1	0.4	0.3
Net income (loss)	(1.1)%	2.8%	2.0%	(8.8)%

### Comparison of the Three and Nine Months Ended September 30, 2019 and 2018 (dollars in thousands)

#### Sales

	Three Months Ended September 30,		Decrease	% Change
	2019	2018		
Sales	\$ 13,142	\$ 15,787	\$ (2,645)	(16.8)%

  

	Nine Months Ended September 30,		Decrease	% Change
	2019	2018		
Sales	\$ 42,713	\$ 44,064	\$ (1,351)	(3.1)%

Sales decreased \$2.6 million for the three months ended September 30, 2019 as compared to the three months ended September 30, 2018 and decreased \$1.3 million for the nine months ended September 30, 2019 as compared to the nine months ended September 30, 2018. The sales decreases were primarily driven by a decrease in demand and a slower than anticipated ramp up in new and existing programs and contributions from new designs, primarily within the consumer and enterprise markets.

#### Cost of Goods Sold

	Three Months Ended September 30,		Decrease	% Change
	2019	2018		
Cost of goods sold	\$ 7,067	\$ 8,922	\$ (1,855)	(20.8)%

  

	Nine Months Ended September 30,		Decrease	% Change
	2019	2018		
Cost of goods sold	\$ 23,167	\$ 24,403	\$ (1,236)	(5.1)%

Cost of goods sold decreased \$1.9 million for the three months ended September 30, 2019 as compared to the three months ended September 30, 2018 and is primarily due to the decrease in revenues for the current quarter.

The decrease in cost of goods sold of \$1.2 million for the nine months ended September 30, 2019, as compared to the nine months ended September 30, 2018 was primarily due to the decrease in revenues for the current quarter and to a smaller degree an increase in cost of goods sold within the consumer and enterprise markets.

## Gross Profit

	Three Months Ended September 30,			
	2019	2018	Decrease	% Change
Gross profit	\$ 6,075	\$ 6,865	\$ (790)	(11.5)%
Gross profit (percentage of sales)	46.2%	43.5%		2.7%

	Nine Months Ended September 30,			
	2019	2018	Decrease	% Change
Gross profit	\$ 19,546	\$ 19,661	\$ (115)	(0.6)%
Gross profit (percentage of sales)	45.8%	44.6%		1.2%

Gross profit as a percentage of sales increased 2.7% for the three months ended September 30, 2019, as compared to the three months ended September 30, 2018, and increased 1.2% for the nine months ended September 30, 2019, as compared to the nine months ended September 30, 2018. The increase in gross profit as a percentage of sales is primarily driven by a shift in the sales mix.

## Operating Expenses

	Three Months Ended September 30,			
	2019	2018	Increase / (Decrease)	% Change
Operating Expenses				
Research and development	\$ 2,403	\$ 2,475	\$ (72)	(2.9)%
Sales and marketing	1,461	2,161	(700)	(32.4)
General and administrative	2,416	1,922	494	25.7
Total	\$ 6,280	\$ 6,558	\$ (278)	(4.2)%

	Nine Months Ended September 30,			
	2019	2018	Decrease	% Change
Operating Expenses				
Research and development	\$ 6,944	\$ 7,162	\$ (218)	(3.0)%
Sales and marketing	5,964	9,140	(3,176)	(34.7)
General and administrative	6,168	7,864	(1,696)	(21.6)
Total	\$ 19,076	\$ 24,166	\$ (5,090)	(21.1)%

## Research and Development

Research and development expense decreased \$0.1 million for the three months ended September 30, 2019, compared to the three months ended September 30, 2018. The decrease is primarily from lower travel, depreciation, and production activity costs but offset by higher facility cost from our expanded UK and Florida operations.

Research and development expense decreased \$0.2 million for the nine months ended September 30, 2019, compared to the nine months ended September 30, 2018. The decrease is due to decreases in personnel-related expenses, depreciation, and travel, as well as, higher allocation of R&D expenses to cost of sales from contracts. This was partially offset by higher facility costs at our expanded UK operations.

## Sales and Marketing

Sales and marketing expense decreased \$0.7 million for the three months ended September 30, 2019, compared to the three months ended September 30, 2018. The decrease was primarily due to the termination of certain marketing activities and reduced tradeshow spending.

Sales and marketing expense decreased \$3.2 million for the nine months ended September 30, 2019, compared to the nine months ended September 30, 2018. The decrease was primarily due to the termination of certain marketing activities and reduced tradeshow spending.

## General and Administrative

General and administrative expense increased \$0.5 million for the three months ended September 30, 2019, compared to the three months ended September 30, 2018. The increase was primarily due to an increase in personnel-related expenses.

General and administrative expense decreased \$1.7 million for the nine months ended September 30, 2019, compared to the nine months ended September 30, 2018. The decrease was primarily due to a decrease in personnel-related expenses.

#### Other Income

	Three Months Ended September 30,		Increase	% Change
	2019	2018		
Other expense (income):				
Interest income	\$ (183)	\$ (159)	\$ (24)	15.1%
Gain on deferred purchase price liability	—	—	—	—
Interest expense	—	6	(6)	(100.0)
Total	<u>\$ (183)</u>	<u>\$ (153)</u>	<u>\$ (30)</u>	<u>19.6%</u>

  

	Nine Months Ended September 30,		(Increase) / Decrease	% Change
	2019	2018		
Other expense (income):				
Interest income	(559)	\$ (398)	\$ (161)	40.5%
Gain on deferred purchase price liability	—	(389)	389	(100.0)
Interest expense	1	30	(29)	(96.7)
Total	<u>\$ (558)</u>	<u>\$ (757)</u>	<u>\$ 199</u>	<u>(26.3)%</u>

Other income increased very slightly for the three months ended September 30, 2019 as compared to the three months ended September 30, 2018.

Other income decreased \$0.2 million for the nine months ended September 30, 2019 as compared to the nine months ended September 30, 2018. The decrease was due to the one-time gain on deferred purchase price liability in the prior period offset by an increase in interest income on invested cash and cash equivalents.

#### Liquidity and Capital Resources

We had cash and cash equivalents of \$12.9 million and \$21.0 million in short-term investments at September 30, 2019.

Before 2013, we had incurred net losses in each year since our inception. As a result, we had an accumulated deficit of \$44.0 million at September 30, 2019.

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.

In December 2015, we 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 required 36 monthly installments of interest and principal and lapse upon maturity on December 1, 2018.

On January 31, 2018, we entered into a second amended and restated loan and security agreement with Silicon Valley Bank, the Amended Loan Agreement. The agreement, among other things, increased 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 Amended Loan 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 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 we must maintain a ratio of cash and cash equivalents plus accounts receivable to outstanding debt under the Amended Loan 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 Amended Loan Agreement minus deferred revenue of 1.25 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.

As of September 30, 2019, there was no balance owed on the line of credit under the Amended Loan Agreement.

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 Amended Loan 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 could 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 were made from time to time in the open market or in privately negotiated transactions and are funded from our working capital. Repurchases were 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 were returned to the status of authorized and issued shares of common stock. On August 7, 2018, our board of directors approved an extension to the existing share repurchase program for an additional twelve-month period ending August 14, 2019.

On September 9, 2019, our board of directors approved a new share repurchase program pursuant to which we may purchase up to \$7.0 million of shares of our common stock over the following twelve-months. This newly adopted share repurchase program mirrors all aspects and terms of our original share repurchase program as described above.

During the nine months ended September 30, 2019, we repurchased 63,000 shares of common stock under the share repurchase programs. These shares were repurchased at an average price per share of \$12.75, for a total cost of \$0.8 million. Since inception of the stock repurchase programs, we have purchased a total of 420,000 shares for a total cost of \$4.2 million.

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

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

	Nine Months Ended September 30,	
	2019	2018
Net cash provided by (used in) operating activities	\$ 875	\$ (1,241)
Net cash provided by (used in) investing activities	(1,605)	1,875
Net cash used in financing activities	(20)	(2,595)
Net decrease in cash and cash equivalents	\$ (750)	\$ (1,961)

**Net cash provided by (used in) operating activities.** Net cash provided by operating activities was \$0.9 million for the nine months ended September 30, 2019. This was primarily driven by net income of \$0.9 million and further adjusted by \$2.2 million of net non-cash expenses and offset by changes in operating assets and liabilities of \$2.2 million.

**Net cash provided by (used in) investing activities.** Net cash used by investing activities was \$1.6 million for the nine months ended September 30, 2019. This was primarily driven by \$29.5 million in maturities of available-for-sale securities offset by \$30.1 million in purchases of available-for-sale securities and \$1.0 million in purchases of property and equipment.

**Net cash used in financing activities.** Net cash used in financing activities was negligible for the nine months ended September 30, 2019. This was primarily driven by \$0.8 million in proceeds from the exercise of stock options offset by \$0.8 million in common stock repurchases.

#### Contractual Obligations and Commitments

There were no material changes outside the ordinary course of our business during the three and six months ended June 30, 2019 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, 2018.

## **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, 2018, 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.

At September 30, 2019, our undrawn revolving credit facility under our Amended Loan Agreement with Silicon Valley Bank bears interest at the Wall Street Journal Prime rate (5.0% as of September 30, 2019) 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.

In the third quarter 2019 we replaced our legacy computer software system with a new Enterprise Resource Planning (ERP) system. The ERP initial implementation encompassed accounting activities, with a future rollout to integrate customer resource management, as well as our engineering and R&D functions. The implementation of that ERP system is expected to, among other things, improve user access security and automate a number of accounting, back office, and reporting processes and activities, thereby decreasing the amount of manual processes previously required.

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

Except for the implementation of the new ERP system, 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, 2019 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, 2018, as updated by our subsequent filings under the Exchange Act. There have been no material changes to such risk factors, other than as previously reported in our quarterly report on Form 10-Q for the quarter ended June 30, 2019 and changes to the risk factors 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 operating results may fluctuate significantly, which makes our future operating results difficult to predict and could cause our operating results to fall below expectations or our guidance.*

Our quarterly and annual operating results have fluctuated in the past and may fluctuate significantly in the future, which makes it difficult for us to predict our future operating results. The timing and size of sales of our products are variable and difficult to predict and can result in fluctuations in our net sales from period to period. In addition, our budgeted expense levels depend in part on our expectations of future sales. Because any substantial adjustment to expenses to account for lower levels of sales is difficult and takes time, we may not be able to reduce our costs sufficiently to compensate for an unexpected shortfall in net sales, and even a small shortfall in net sales could disproportionately and adversely affect our operating margin and operating results for a given quarter.

Our operating results may also fluctuate due to a variety of other factors, many of which are outside of our control, including the changing and volatile U.S., European, Asian and global economic environments, and any of which may cause our stock price to fluctuate. Besides the other risks in this “Risk Factors” section, factors that may affect our operating results include:

- fluctuations in demand for our products and services;
- the inherent complexity, length and associated unpredictability of product development windows and product lifecycles;

- the timing and extent of investment in our targeted growth markets and the timing and amount of sales in such markets;
- changes in customers' budgets for technology purchases and delays in their purchasing cycles;
- seasonal fluctuations around local holidays in China affecting how customers make purchasing decisions;
- changing market conditions;
- any significant changes in the competitive dynamics of our markets, including new entrants, or further consolidation; the timing of product releases or upgrades by us or by our competitors; and
- our ability to develop, introduce and ship in a timely manner new products and product enhancements and anticipate future market demands that meet our customers' requirements.

For example, the ongoing tension on global trade and macroenvironment are impacting the whole supply chain to varying degrees, which, in addition to the slowdown in customer specific product rollouts, has negatively affected our business and may continue to do so. In addition, the slower than expected rollouts of our customers 802.11ac, 802.11ax and DOCSIS 3.1 upgrade cycles in 2018 shifted the timing of our product sales, and such future deployment delays could also affect our quarterly operating results. The cumulative effects of the factors above could result in large fluctuations and unpredictability in our quarterly and annual operating results. As a result, comparing our operating results on a period-to-period basis may not be meaningful. You should not rely on our past results as an indication of future performance.

***The implementation of a new accounting system could interfere with our business and operations.***

We have recently implemented a new ERP system, NetSuite. The ERP initial implementation encompassed accounting and customer resource management activities, with a future rollout to integrate our engineering and R&D functions. The implementation of new systems and enhancements may be disruptive to our business and can be time-consuming and divert management's attention. Any disruptions relating to our systems or any problems with the implementation, particularly any disruptions impacting our operations or our ability to accurately report our financial performance on a timely basis during the implementation period, could materially and adversely affect our business and operations.

## **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, 2019:

<b>Fiscal Period</b>	<b>Total Number of Shares Repurchased</b>	<b>Average Price Paid Per Share</b>	<b>Total Number of Shares Purchased As Part of a Publicly Announced Program</b>	<b>Approximate Dollar Amount of Shares That May Yet be Purchased Under the Program (1)</b>
July 1, 2019 to July 31, 2019	—	\$ —	—	\$ —
August 1, 2019 to August 31, 2019	—	—	—	—
September 1, 2019 to September 30, 2019	48,384	12.54	48,384	6,393,000

- (1) On September 9, 2019, 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. As of September 30, 2019, we have repurchased shares of common stock having an aggregate value of \$0.6 million.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

**ITEM 4. MINE SAFETY DISCLOSURES**

None.

**ITEM 5. OTHER INFORMATION**

None.

**ITEM 6. EXHIBITS**

Exhibit Number	Description
3.1(1)	<a href="#">Amended and Restated Certificate of Incorporation</a>
3.2(1)	<a href="#">Amended and Restated Bylaws</a>
4.1(2)	<a href="#">Specimen stock certificate evidencing the shares of common stock</a>
4.2(3)	<a href="#">Fourth Amended and Restated Investors' Rights Agreement, dated May 7, 2008</a>
4.3(2)	<a href="#">Form of Warrant issued to Northland Securities, Inc. in connection with the initial public offering of our common stock.</a>
10.1	<a href="#">Amendment to Amended and Restated Employment Agreement, dated August 8, 2019 by and between Jacob Suen and the Registrant</a>
10.2	<a href="#">Amended and Restated Employment Agreement dated August 8, 2019, by and between James K. Sims and the Registrant</a>
31.1*	<a href="#">Certification of Principal Executive Officer pursuant to Rules 13a-14 and 15d-14 promulgated pursuant to the Securities Exchange Act of 1934, as amended</a>
31.2*	<a href="#">Certification of Principal Financial Officer pursuant to Rules 13a-14 and 15d-14 promulgated pursuant to the Securities Exchange Act of 1934, as amended</a>
32.1*	<a href="#">Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
32.2*	<a href="#">Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
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 7, 2019

/s/ Jacob Suen

Jacob Suen  
President and Chief Executive Officer  
(principal executive officer)

Date: November 7, 2019

/s/ Anil Doradla

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

## AMENDMENT TO AMENDED AND RESTATED EMPLOYMENT AGREEMENT

This AMENDMENT TO AMENDED AND RESTATED EMPLOYMENT AGREEMENT (this “Amendment”) is made and entered into effective as of August 8, 2019, by and between AIRGAIN, INC. (the “Company”) and JACOB SUEN (“Employee”).

### RECITALS

WHEREAS, Employee and the Company previously entered into that certain Amended and Restated Employment Agreement effective January 16, 2019 (the “Agreement”), pursuant to which Employee currently is employed by the Company; and

WHEREAS, the Company and Employee wish to enter into this Amendment to modify certain terms of the Agreement.

NOW, THEREFORE, in consideration of the mutual promises and covenants and the respective undertakings of the Company and Employee set forth below, the Company and Employee agree as follows:

### AGREEMENT

#### Amendment to Section 3(a)

1. Section 3(a) of the Agreement is hereby amended to read as follows:

a. Title/Responsibilities. Effective August 8, 2019, Employee shall be the President and Chief Executive Officer of the Company, reporting to the Board. Employee shall perform all of the duties and responsibilities of such offices set forth in the Bylaws of the Company and those commonly associated with such offices and such further duties and responsibilities as may from time to time be assigned to him by the Board.

#### Amendment to Section 4(a)

2. Section 4(a) of the Agreement is hereby amended to read as follows:

a. Base Salary. Effective August 8, 2019, the Company shall pay Employee a base salary of \$400,000 per year, or such higher amount as the Board may determine from time to time, less applicable federal and state withholding taxes, in accordance with the Company's regular payroll practices (the “Base Salary”).

3. Status of Agreement. Except to the limited extent expressly amended hereby, the Agreement and its terms and conditions remain in full force and effect and unchanged by this Amendment. Capitalized terms used herein but not defined herein shall have the meanings ascribed such terms in the Agreement.

4. Duplicate Counterparts; Facsimile. This Amendment may be executed in duplicate counterparts, each of which shall be deemed an original; provided, however, such

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counterparts shall together constitute only one agreement. Facsimile signatures or signatures sent via electronic mail shall be as effective as original signatures. IN WITNESS WHEREOF, the Parties have executed this Amendment as of the date(s) set forth below.

AIRGAIN, INC.

Dated: August 8, 2019

By: /s/ Anil Doradla\_\_\_\_\_

Name: Anil Doradla\_\_\_\_\_

Title: CFO\_\_\_\_\_

EMPLOYEE

Dated: August 8, 2019

/s/ Jacob Suen

JACOB SUEN

## AMENDED AND RESTATED EMPLOYMENT AGREEMENT

This AMENDED AND RESTATED EMPLOYMENT AGREEMENT ("Agreement"), effective as of August 8, 2019 (the "Effective Date"), is made by and between AIRGAIN, INC. (the "Company"), and JIM K. SIMS ("Employee").

WHEREAS, Employee is currently serving as Chairman of the Board of Directors of the Company (the "Board") and Chief Executive Officer of the Company pursuant to that certain Amended and Restated Employment Agreement between the Company and Employee effective as of March 13, 2019 (the "Prior Agreement");

WHEREAS, the Board has determined that it is in the best interests of the Company and its shareholders to appoint Employee as Advisor to the newly-appointed Chief Executive Officer of the Company, while still serving as Chairman of the Board, effective as of the Effective Date, under the following terms and conditions; and

WHEREAS, Employee desires to continue to be employed by the Company as its Chairman and Advisor to the Chief Executive Officer and to accept such terms and conditions of employment as are contained in this Agreement, in each case as of the Effective Date.

NOW, THEREFORE, in consideration of the promises and mutual covenants contained herein and for other good and valuable consideration, the receipt of which is mutually acknowledged, the Company and Employee (individually a "Party" and together the "Parties") agree as follows:

### AGREEMENT

#### 1. Effective Date; Term.

Employee's employment under the terms of this Agreement shall commence on the Effective Date. The term of this Agreement and Employee's employment with the Company will expire on February 9, 2020 (the "Term"), unless earlier terminated by either Party for any reason prior to such date. Employee's employment pursuant to this Agreement will terminate automatically upon expiration of the Term.

#### 2. At-will Employment.

Employee's employment relationship with the Company under this Agreement ("Employment") is at-will, terminable at any time and for any reason by either the Company or Employee. While certain sections of this Agreement describe events that could occur at a particular time in the future, nothing in this Agreement shall be construed as a guarantee of employment of any length.

#### 3. Employment Duties.

- a. Title/Responsibilities. On the Effective Date, Employee shall be the Chairman of the Board and the Advisor to the Chief Executive Officer, reporting to the Board. Employee shall perform all of the duties and responsibilities of such offices set forth in the Bylaws of the Company and those commonly associated with such offices and such further

duties and responsibilities as may from time to time be assigned to him by the Board. During the term of this Agreement, Employee will also continue to serve as a member of the Board and Chairman of the Board until the earlier of his resignation, removal from the Board or death, or his successor is duly appointed by the Board. Employee's termination of employment will not affect his service as Chairman of the Board or a member of the Board, which will remain subject to Delaware law and the Company's bylaws and charter. However, Employee may resign or be removed as Chairman of the Board or a member of the Board in accordance with Delaware law and the Company's bylaws and charter.

- b. Responsibilities/Work Location. Employee's duties and authority shall be prescribed by the Board. Employee agrees that while serving as Chairman and Advisor to the Chief Executive Officer under this Agreement Employee shall use best efforts and devote such business time to the Company as reasonably necessary to perform such duties. Employee's primary place of work shall be the Company's offices in Melbourne, Florida, but shall travel to other Company locations as his duties may reasonably require.
- c. Policy Compliance. Employee shall comply with all of the Company's policies, practices and procedures, as well as, all applicable laws. Employee has previously executed and delivered to the Company the Confidentiality and Inventions Assignment Agreement (the "Confidentiality and Inventions Assignment Agreement") attached hereto as Exhibit 1.

#### 4. Compensation.

- a. Base Salary. The Company shall pay Employee a base salary of \$400,000 per year, or such higher amount as the Board may determine from time to time, less applicable federal and state withholding taxes, in accordance with the Company's regular payroll practices (the "Base Salary").
- b. Annual Bonus Compensation. In addition to the Base Salary, Employee may be awarded a discretionary bonus by the Board in connection with his employment hereunder. Employee will be eligible to receive an incentive bonus (the "Bonus") with his target incentive equal to ninety percent (90%) of his Base Salary for the applicable year (the "Target Bonus"), or such higher amount as the Board may determine from time to time. Employee's Bonus will be prorated for any partial year of employment. Employee shall not be entitled to a bonus for 2020.
- c. Director Compensation. Employee acknowledges and agrees that, except as provided in this Section 4(c), during the Term of this Agreement, he will not be entitled to any additional fees or other compensation for serving as a member of the Board, including any fees or equity grants in accordance with the Company's policy for non-employee members of the Board, provided, that the Equity Awards (as defined below) previously granted to Employee in connection with his service as a member of the Board will continue to vest based on his employment hereunder. Commencing February 1, 2020, Employee will be eligible to receive equity grants in accordance with the Company's policy for non-employee members of the Board. Following the cessation of Employee's employment under this Agreement, subject to his remaining as a member of the Board thereafter, Employee will again be eligible to receive cash compensation in accordance with the Company's policy for non-employee members of the Board; provided, however, that, notwithstanding anything to the contrary contained in such policy, Employee will receive a cash retainer for his service as the non-employee Chairman of the Board for the remainder of 2020 following the expiration of the Term based on an annualized rate of \$240,000 per year, and the Company shall amend such policy prior to the expiration of the Term to reflect such increased annual cash retainer.

Employee's cash compensation for his service as the non-employee Chairman of the Board for 2021 and thereafter will be determined in accordance with the Company's policy for non-employee members of the Board. Employee and the Company acknowledge and agree that the cash compensation payable to Employee under this Agreement prior to the expiration of the Term is solely for Employee's services as an employee and not for his service as a non-employee member of the Board.

- d. Equity Awards. Employee shall be entitled to participate in any equity or other employee benefit plan that is generally available to senior executive officers, as distinguished from general management, of the Company. Except as otherwise provided in this Agreement, Employee's participation in and benefits under any such plan shall be on the terms and subject to the conditions specified in the governing document of the particular plan. All of Employee's Equity Awards shall vest in full upon the occurrence of a Change in Control (as defined in the Company's 2016 Incentive Award Plan). For purposes of this Agreement, "Equity Awards" means all stock options, restricted stock and such other awards granted pursuant to the Company's stock option and equity incentive award plans or agreements and any shares of stock issued upon exercise thereof.
- e. Employee Benefits. 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.
- f. Reimbursement of Expenses. During his Employment with the Company, 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.

5. Voluntary Resignation, Termination for "Cause" or Expiration of Term.

a. Payment upon Voluntary Resignation other than for Good Reason or Termination for Cause or Expiration of Term. If Employee voluntarily resigns his Employment other than for Good Reason or if Employee is terminated for Cause, or in the event of the expiration of the Term, the Company shall pay Employee the following: (i) all accrued and unpaid Base Salary, if any is due, through the date of termination and any vacation which is accrued but unused as of such date; (ii) Employee's business expenses that are reimbursable pursuant to this Agreement and Company policies, but which have not been reimbursed by the Company as of the date of termination; and (iii) the Employee's Bonus compensation for the calendar year immediately preceding the year in which the date of termination occurs if such Bonus has been determined but not paid as of the date of termination (payable at the time such Bonus would otherwise have been paid to Employee, but in no event later than March 15 of the year in which the date of termination occurs) (collectively, the "Accrued Obligations"). Employee shall not be eligible for severance payments under Sections 6 or 7, or any continuation of benefits (other than as required by law), or any other compensation pursuant to this Agreement or otherwise.

b. Definition of "Cause." As set forth above, the employment relationship between the Parties is at-will, terminable at any time by either Party for any reason or no reason. The termination may nonetheless be for "Cause". For purposes of this Agreement, "Cause" is

defined as the Company's good faith determination of: (i) Employee's material breach of this Agreement or the Confidentiality and Inventions Assignment Agreement; (ii) Employee's continued substantial and material failure or refusal to perform the duties reasonably assigned to him by the Board consistent with his position ; (iii) the appropriation (or attempted appropriation) of a material business opportunity of the Company, including attempting to secure or securing any personal profit in connection with any transaction entered into on behalf of the Company; (iv) the misappropriation (or attempted appropriation) of any of the Company's funds or property of any kind; (v) willful gross misconduct; (vi) Employee's conviction of a felony involving moral turpitude that is likely to inflict or has inflicted material injury on the business of the Company; or (vii) any violation by Employee of any fiduciary duties owed by Employee to the Company; provided, however, that except for Cause being the result of item (vi) above, the Board shall provide written notice to Employee, which notice specifically identifies the nature of the alleged Cause claimed by the Company with enough specificity for Employee to be able to cure, and Employee shall thereafter have fifteen (15) days to cure the purported ground(s) for Cause.

c. Definition of "Good Reason". For purposes of this Agreement, "Good Reason" and "Resignation for Good Reason" are defined as the occurrence of any of the following events after the Effective Date: (i) a material reduction by the Company in Employee's Base Salary relative to Employee's Base Salary in effect immediately prior to such reduction (and the Parties agree that a reduction of ten percent (10%) or more will be considered material for purposes of this clause (i)), other than a general reduction in the base salaries of similarly-situated employees of the Company; or (ii) the Company's material breach of this Agreement; provided, however, that Employee must provide written notice to the Board of the condition that could constitute a "Good Reason" event within ninety (90) days of the initial existence of such condition and such condition must not have been remedied by the Company within thirty (30) days (the "Cure Period") of such written notice. Employee's Resignation for Good Reason must occur within six (6) months following the initial existence of such condition.

6. Termination Without "Cause" or "Resignation for Good Reason" Prior to the Expiration of Term. In the event Employee is terminated without Cause or resigns for Good Reason prior to the expiration of the Term, Employee shall be entitled to:

- a. the Accrued Obligations; plus
- b. subject to Employee's execution and non-revocation of a full and final Release (as defined in Section 8 below) and Employee's continued compliance with the Confidentiality and Inventions Assignment Agreement, severance pay in an amount equal to the sum of (i) Employee's Base Salary as in effect immediately prior to the date of termination for the remainder of the Term, plus (ii) if such termination occurs prior to December 31, 2019, Employee's Target Bonus for the calendar year in which the Termination Date occurs, payable in a lump sum on the date that is thirty (30) days following the date of termination; plus
- c. subject to Employee's execution and non-revocation of a full and final Release and Employee's continued compliance with the Confidentiality and Inventions

Assignment Agreement, for the period beginning on the date of Employee's termination of employment and ending on the last day of the Term (or, if earlier, the date on which the applicable continuation period under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("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 date of Employee's termination of employment 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 date of Employee's termination of employment, 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 date of Employee's termination of employment (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); plus

d. subject to Employee's execution and non-revocation of a full and final Release and Employee's continued compliance with the Confidentiality and Inventions Assignment Agreement, effective as of the Termination Date, all of Employee's Equity Awards shall become fully vested and/or exercisable.

7. Employee's Disability or Death. Employee's employment shall terminate automatically in the event of Employee's death or termination of employment by reason of his "Disability." In the event of Employee's death or termination of employment as a result of Employee's Disability, Employee or his heirs shall be entitled to (a) the Accrued Obligations, plus (b) payment of an amount equal to Employee's "earned" Bonus for the calendar year during which Employee's date of termination occurs calculated as of the date of termination (wherein "earned" means that Employee has met the applicable bonus metrics as of date of such termination, as determined by the Board), prorated for such portion of the calendar year during which such termination occurs that has elapsed through the date of termination, payable in a lump sum on the date that is thirty (30) days following the date of termination. For purposes of this Agreement, "Disability," shall mean the Employee's failure to perform his duties hereunder, for a period of not less than one hundred twenty (120) consecutive days because of Employee's incapacitation due to physical or mental injury, disability, or illness.

8. Release. Notwithstanding any provision to the contrary in this Agreement, no amount shall be paid or benefit provided pursuant to Section 6 (other than the Accrued Obligations) unless, on or prior to the thirtieth (30<sup>th</sup>) day following the date of Employee's termination of employment, an effective general release of claims agreement (the "Release") in substantially the form attached hereto as Exhibit 2 has been executed by Employee and remains effective on such date and any applicable revocation period

thereunder has expired.

9. Notices. Any reports, notices or other communications required or permitted to be given by either Party hereto, shall be given in writing by personal delivery, overnight courier service, or by registered or certified mail, postage prepaid, return receipt requested, addressed to the Company at its principal executive offices and to Employee at his most recent address on the Company's payroll records.

10. Notice of Termination. Any purported termination of Employment by the Company or the Employee shall be communicated by written Notice of Termination to the other Party. For purposes of this Agreement, a "Notice of Termination" shall mean a notice which indicates, if applicable, the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Employee's employment under the provision so indicated. For purposes of this Agreement, no such purported termination of employment shall be effective without delivery of such a Notice of Termination.

11. General Provisions.

- a. Governing Law; Venue. This Agreement shall be governed by and construed in accordance with the laws of the State of California without regard to the conflicts of laws principles 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.
- 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. No Waiver of Breach. The failure to enforce any provision of this Agreement shall not be construed as a waiver of any such provision, nor prevent a Party thereafter from enforcing the provision or any other provision of this Agreement. The rights granted the Parties are cumulative, and the election of one shall not constitute a waiver of such Party's right to assert all other legal and equitable remedies available under the circumstances.
- d. Severability. The provisions of this Agreement are severable, and if any provision shall be held to be invalid or otherwise unenforceable, in whole or in part, the remainder of the provisions, or enforceable parts of this Agreement, shall not be affected.
- e. Entire Agreement. As of the Effective Date, this Agreement and the

Confidentiality and Inventions Assignment Agreement constitute the entire agreement of the Parties with respect to the subject matter of this Agreement and supersede all prior and contemporaneous negotiations, agreements and understandings between the Parties, whether oral or written, including the Prior Agreement.

- f. Modifications and Waivers. No modification or waiver of this Agreement shall be valid unless in writing, signed by the Party against whom such modification or waiver is sought to be enforced.
- g. Amendment. This Agreement may be amended or supplemented only by a writing signed by both of the Parties hereto.
- h. Duplicate Counterparts; Facsimile. This Agreement may be executed in duplicate counterparts, each of which shall be deemed an original; provided, however, such counterparts shall together constitute only one agreement. Facsimile signatures or signatures sent via electronic mail shall be as effective as original signatures.
- i. Interpretation. The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.
- j. 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.
- k. Construction. The language in all parts of this Agreement shall in all cases be construed simply, according to its fair meaning, and not strictly for or against any of the parties hereto. Without limitation, there shall be no presumption against any party on the ground that such party was responsible for drafting this Agreement or any part thereof.
- l. 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 Section 409A (together, the “Deferred Payments”) will be paid or otherwise provided until Employee has a “separation from service” within the meaning of Section 409A. Similarly, no amounts payable to Employee, if any, pursuant to this Agreement that otherwise would be exempt from 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 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.

m. Whistleblower Provision. Nothing herein shall be construed to prohibit Employee from communicating directly with, cooperating with, or providing information to, any government regulator, including, but not limited to, the U.S. Securities and Exchange Commission, the U.S. Commodity Futures Trading Commission, or the U.S. Department of Justice. Employee acknowledges that the Company has provided Employee with the following

notice of immunity rights in compliance with the requirements of the Defend Trade Secrets Act: (i) Employee shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of proprietary information of the Company that is made in confidence to a Federal, State, or local government official or to an attorney solely for the purpose of reporting or investigating a suspected violation of law, (ii) Employee shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of proprietary information of the Company that is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal and (iii) if Employee files a lawsuit for retaliation by the Company for reporting a suspected violation of law, Employee may disclose the proprietary information to my attorney and use the proprietary information in the court proceeding, if Employee files any document containing the proprietary information under seal, and does not disclose the proprietary information, except pursuant to court order.

(Signature Page Follows)

m.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date(s) set forth below.

AIRGAIN, INC.

Dated: August 8, 2019

By: /s/ Anil Doradla \_\_\_\_\_

Name: Anil Doradla \_\_\_\_\_

Title: Chief Financial Officer \_\_\_\_\_

EMPLOYEE

Dated: August 8, 2019

/s/ James K Sims \_\_\_\_\_

JIM K. SIMS

## EXHIBIT 2

### GENERAL RELEASE OF CLAIMS

*[The language in this Release may change based on legal developments and evolving best practices; this form is provided as an example of what will be included in the final Release document.]*

This General Release of Claims ("Release") is entered into as of this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_, between JIM K. SIMS ("Employee"), and AIRGAIN, INC., a California corporation (the "Company") (collectively referred to herein as the "Parties").

WHEREAS, Employee and the Company are parties to that certain Employment Agreement effective as of the Effective Date (as defined therein) (the "Agreement");

WHEREAS, the Parties agree that Employee is entitled to certain severance benefits under 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) 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) 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, or from participating in an investigation or proceeding conducted by the Equal Employment Opportunity Commission or any other federal, state or local government agency; provided, however, that Employee does release his right to secure any damages for alleged discriminatory treatment;
- (vi) Claims based on any right Employee may have to enforce the Company’s executory obligations under the Agreement;
- (vii) Claims Employee may have to vested or earned compensation and benefits; and
- (viii) 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 OR RELEASING DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.”**

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.

*[Note: Clauses (c), (d) and (e) apply only if Employee is age 40 or older at time of termination]*

(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 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 any severance benefits under 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. No Assignment. Employee represents and warrants to the Company Releasees

that there has been no assignment or other transfer of any interest in any Claim that Employee may have against the Company Releasees. Employee agrees to indemnify and hold harmless the Company Releasees from any liability, claims, demands, damages, costs, expenses and attorneys' fees incurred as a result of any such assignment or transfer from Employee.

3. Whistleblower Provision. Nothing herein shall be construed to prohibit Employee from communicating directly with, cooperating with, or providing information to, any government regulator, including, but not limited to, the U.S. Securities and Exchange Commission, the U.S. Commodity Futures Trading Commission, or the U.S. Department of Justice. Employee acknowledges that the Company has provided Employee with the following notice of immunity rights in compliance with the requirements of the Defend Trade Secrets Act: (i) Employee shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of proprietary information of the Company that is made in confidence to a Federal, State, or local government official or to an attorney solely for the purpose of reporting or investigating a suspected violation of law, (ii) Employee shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of proprietary information of the Company that is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal and (iii) if Employee files a lawsuit for retaliation by the Company for reporting a suspected violation of law, Employee may disclose the proprietary information to my attorney and use the proprietary information in the court proceeding, if Employee files any document containing the proprietary information under seal, and does not disclose the proprietary information, except pursuant to court order.

4. Severability. In the event any provision of this Release is found to be unenforceable by an arbitrator or court of competent jurisdiction, such provision shall be deemed modified to the extent necessary to allow enforceability of the provision as so limited, it being intended that the parties shall receive the benefit contemplated herein to the fullest extent permitted by law. If a deemed modification is not satisfactory in the judgment of such arbitrator or court, the unenforceable provision shall be deemed deleted, and the validity and enforceability of the remaining provisions shall not be affected thereby.

5. Interpretation; Construction. The headings set forth in this Release are for convenience only and shall not be used in interpreting this Agreement. This Release has been drafted by legal counsel representing the Company, but Employee has participated in the negotiation of its terms. Furthermore, Employee acknowledges that Employee has had an opportunity to review and revise the Release and have it reviewed by legal counsel, if desired, and, therefore, the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Release. Either party's failure to enforce any provision of this Release shall not in any way be construed as a waiver of any such provision, or prevent that party thereafter from enforcing each and every other provision of this Release.

6. Governing Law; Venue. This Release shall be governed by and construed in accordance with the laws of the State of California without regard to the conflicts of laws principles 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 and the Agreement constitute the entire agreement of the Parties in respect of the subject matter contained herein and therein and supersede all prior or simultaneous representations, discussions, negotiations and agreements, whether written or oral. This Release 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.

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

(Signature Page Follows)

IN WITNESS WHEREOF, the Parties have executed this Release as of the date(s) set forth below.

AIRGAIN, INC.

Dated: By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

EMPLOYEE

Dated: \_\_\_\_\_  
JAMES SIMS

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

I, Jacob Suen, 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 and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer 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 7, 2019

/s/ Jacob Suen

\_\_\_\_\_  
Jacob Suen  
President and 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 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)) (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer 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 7, 2019

/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, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jacob Suen, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

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

Date: November 7, 2019

/s/ Jacob Suen

Jacob Suen

President and Chief Executive Officer

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

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, 2019, 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 7, 2019

/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.