

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2020**

OR

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

COMMISSION FILE NUMBER 001-36379

**ENERGOUS CORPORATION**

*(Exact name of registrant as specified in its charter)*

**Delaware**  
*(State of incorporation)*

**46-1318953**  
*(I.R.S. Employer Identification No.)*

**3590 North First Street, Suite 210, San Jose, CA 95134**  
*(Address of principal executive office) (Zip code)*

**(408) 963-0200**  
*(Registrant's telephone number, including area code)*

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.00001 par value	WATT	The Nasdaq Stock Market

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

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

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

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

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

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

As of November 4, 2020, there were 44,546,728 shares of our Common Stock, par value \$0.00001 per share, outstanding.

**ENERGOUS CORPORATION**  
**FORM 10-Q**  
**FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2020**

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## PART I - FINANCIAL INFORMATION

## Item 1. Financial Statements

Energous Corporation  
BALANCE SHEETS

	As of	
	September 30, 2020 (unaudited)	December 31, 2019
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 17,303,234	\$ 21,684,089
At-the-market ("ATM") funds receivable	3,165,868	–
Accounts receivable	26,350	63,144
Prepaid expenses and other current assets	781,598	450,231
Total current assets	21,277,050	22,197,464
Property and equipment, net	346,836	626,524
Operating lease right-of-use assets	1,487,116	2,057,576
Other assets	2,410	2,410
Total assets	\$ 23,113,412	\$ 24,883,974
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 1,045,466	\$ 1,671,519
Accrued expenses	1,403,601	2,063,097
Operating lease liabilities, current portion	845,108	722,291
Deferred revenue	12,000	12,000
Total current liabilities	3,306,175	4,468,907
Operating lease liabilities, long-term portion	765,209	1,402,193
Total liabilities	4,071,384	5,871,100
Commitments and contingencies		
Stockholders' equity:		
Preferred Stock, \$0.00001 par value, 10,000,000 shares authorized at September 30, 2020 and December 31, 2019; no shares issued or outstanding	–	–
Common Stock, \$0.00001 par value, 200,000,000 and 50,000,000 shares authorized at September 30, 2020 and December 31, 2019, respectively; 43,062,944 and 33,203,806 shares issued and outstanding at September 30, 2020 and December 31, 2019, respectively.	431	333
Additional paid-in capital	306,541,496	282,153,201
Accumulated deficit	(287,499,899)	(263,140,660)
Total stockholders' equity	19,042,028	19,012,874
Total liabilities and stockholders' equity	\$ 23,113,412	\$ 24,883,974

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

**Energous Corporation**  
**CONDENSED STATEMENTS OF OPERATIONS**  
(Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2020	2019	2020	2019
Revenue	\$ 61,500	\$ 40,500	\$ 237,350	\$ 154,500
Operating expenses:				
Research and development	4,003,642	5,190,056	12,909,378	17,505,751
Sales and marketing	1,500,068	1,242,105	4,386,881	3,985,467
General and administrative	2,117,848	1,910,408	7,240,925	8,007,548
Cost of services revenue	-	-	126,539	-
Total operating expenses	<u>7,621,558</u>	<u>8,342,569</u>	<u>24,663,723</u>	<u>29,498,766</u>
Loss from operations	(7,560,058)	(8,302,069)	(24,426,373)	(29,344,266)
Other income:				
Interest income	3,221	117,842	67,134	336,575
Total other income	<u>3,221</u>	<u>117,842</u>	<u>67,134</u>	<u>336,575</u>
Net loss	<u>\$ (7,556,837)</u>	<u>\$ (8,184,227)</u>	<u>\$ (24,359,239)</u>	<u>\$ (29,007,691)</u>
Basic and diluted loss per common share	<u>\$ (0.18)</u>	<u>\$ (0.27)</u>	<u>\$ (0.62)</u>	<u>\$ (0.98)</u>
Weighted average shares outstanding, basic and diluted	<u>41,861,614</u>	<u>30,736,736</u>	<u>39,116,532</u>	<u>29,717,361</u>

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

**Energous Corporation**  
**CONDENSED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY**

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			
Balance at January 1, 2020	33,203,806	\$ 333	\$ 282,153,201	\$ (263,140,660)	\$ 19,012,874
Stock-based compensation - restricted stock units ("RSUs")	–	–	2,321,820	–	2,321,820
Stock-based compensation - performance share units ("PSUs")	–	–	(88,348)	–	(88,348)
Stock-based compensation - employee stock purchase plan ("ESPP")	–	–	42,827	–	42,827
Issuance of shares for RSUs	396,559	4	(4)	–	–
Proceeds from contributions to the ESPP	–	–	113,059	–	113,059
Issuance of shares in an at-the-market ("ATM") offering, net of \$ 141,322 in issuance costs	4,351,652	44	5,506,836	–	5,506,880
Net loss	–	–	–	(8,597,736)	(8,597,736)
Balance March 31, 2020 (unaudited)	37,952,017	\$ 381	\$ 290,049,391	\$ (271,738,396)	\$ 18,311,376
Stock-based compensation - restricted stock units ("RSUs")	–	–	2,028,599	–	2,028,599
Stock-based compensation - employee stock purchase plan ("ESPP")	–	–	41,308	–	41,308
Issuance of shares for RSUs	232,995	2	(2)	–	–
Proceeds from contributions to the ESPP	144,370	1	104,144	–	104,145
Issuance of shares in an at-the-market ("ATM") offering, net of \$ 236,528 in issuance costs	3,355,928	33	9,216,578	–	9,216,611
Net loss	–	–	–	(8,204,666)	(8,204,666)
Balance, June 30, 2020 (unaudited)	41,685,310	\$ 417	\$ 301,440,018	\$ (279,943,062)	\$ 21,497,373
Stock-based compensation - restricted stock units ("RSUs")	–	–	1,876,686	–	1,876,686
Stock-based compensation - employee stock purchase plan ("ESPP")	–	–	96,056	–	96,056
Issuance of shares for RSUs	361,608	4	(4)	–	–
Proceeds from contributions to the ESPP	–	–	121,692	–	121,692
Issuance of shares in an at-the-market ("ATM") offering, net of \$ 240,060 in issuance costs	1,016,026	10	3,007,048	–	3,007,058
Net loss	–	–	–	(7,556,837)	(7,556,837)
Balance, September 30, 2020 (unaudited)	43,062,944	\$ 431	\$ 306,541,496	\$ (287,499,899)	\$ 19,042,028

**Energous Corporation**  
**CONDENSED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (CONTINUED)**

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			
Balance at January 1, 2019	26,526,303	\$ 265	\$ 243,111,741	\$ (224,741,571)	\$ 18,370,435
Stock-based compensation - restricted stock units ("RSUs")	-	-	3,083,567	-	3,083,567
Stock-based compensation - employee stock purchase plan ("ESPP")	-	-	87,825	-	87,825
Issuance of shares for RSUs	434,522	4	(4)	-	-
Shares withheld for payroll tax on RSUs	(1,329)	-	(10,207)	-	(10,207)
Shares withheld for payroll tax on performance share units ("PSUs")	(44,481)	-	(329,159)	-	(329,159)
Exercise of stock options	80,201	1	400,102	-	400,103
Proceeds from contributions to the ESPP	-	-	173,167	-	173,167
Issuance of shares and warrant in a private placement, net of \$ 1,680,844 in issuance costs	3,333,333	33	23,319,123	-	23,319,156
Net loss	-	-	-	(11,019,468)	(11,019,468)
Balance, March 31, 2019 (unaudited)	<u>30,328,549</u>	<u>\$ 303</u>	<u>\$ 269,836,155</u>	<u>\$ (235,761,039)</u>	<u>\$ 34,075,419</u>
Stock-based compensation - restricted stock units ("RSUs")	-	-	2,675,184	-	2,675,184
Stock-based compensation - employee stock purchase plan ("ESPP")	-	-	122,749	-	122,749
Issuance of shares for RSUs	189,220	2	(2)	-	-
Proceeds from contributions to the ESPP	85,765	1	145,421	-	145,422
Net loss	-	-	-	(9,803,996)	(9,803,996)
Balance, June 30, 2019 (unaudited)	<u>30,603,534</u>	<u>\$ 306</u>	<u>\$ 272,779,507</u>	<u>\$ (245,565,035)</u>	<u>\$ 27,214,778</u>
Stock-based compensation - restricted stock units ("RSUs")	-	-	2,037,620	-	2,037,620
Stock-based compensation - employee stock purchase plan ("ESPP")	-	-	62,055	-	62,055
Issuance of shares for RSUs	280,053	3	(3)	-	-
Shares returned	(38,666)	-	-	-	-
Proceeds from contributions to the ESPP	-	-	147,809	-	147,809
Net loss	-	-	-	(8,184,227)	(8,184,227)
Balance, September 30, 2019 (unaudited)	<u><u>30,844,921</u></u>	<u><u>\$ 309</u></u>	<u><u>\$ 275,026,988</u></u>	<u><u>\$ (253,749,262)</u></u>	<u><u>\$ 21,278,035</u></u>

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

**Energous Corporation**  
**CONDENSED STATEMENTS OF CASH FLOWS**  
(Unaudited)

	For the Nine Months Ended September 30,	
	2020	2019
Cash flows from operating activities:		
Net loss	\$ (24,359,239 )	\$ (29,007,691 )
Adjustments to reconcile net loss to:		
Net cash used in operating activities:		
Depreciation and amortization	286,990	652,266
Stock based compensation	6,318,948	8,069,000
Changes in operating lease right-of-use assets	570,460	599,582
Bad debt expense	33,000	-
Changes in operating assets and liabilities:		
Accounts receivable	3,794	(40,950 )
Prepaid expenses and other current assets	(331,367 )	(15,503 )
Accounts payable	(626,053 )	(556,150 )
Accrued expenses	(818,306 )	(174,603 )
Operating lease liabilities	(514,167 )	(494,768 )
Net cash used in operating activities	(19,435,940 )	(20,968,817 )
Cash flows from investing activities:		
Purchases of property and equipment	(7,302 )	(183,935 )
Net cash used in investing activities	(7,302 )	(183,935 )
Cash flows from financing activities:		
Net proceeds from the sales of common stock	14,723,491	23,319,156
Proceeds from the exercise of stock options	-	400,103
Proceeds from contributions to employee stock purchase plan	338,896	466,398
Shares repurchased for tax withholdings on vesting of RSUs	-	(10,207 )
Shares repurchased for tax withholdings on vesting of PSUs	-	(329,159 )
Net cash provided by financing activities	15,062,387	23,846,291
Net (decrease) increase in cash and cash equivalents	(4,380,855 )	2,693,539
Cash and cash equivalents - beginning	21,684,089	20,106,485
Cash and cash equivalents - ending	\$ 17,303,234	\$ 22,800,024
Supplemental disclosure of non-cash financing activities:		
At-the-market ("ATM") funds receivable	\$ 3,165,868	\$ -
Common stock issued for RSUs	\$ 10	\$ 9

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

### **Note 1 - Business Organization, Nature of Operations**

Energous Corporation (the “Company”) was incorporated in Delaware on October 30, 2012. The Company has developed its WattUp® technology, consisting of proprietary semiconductor chipsets, software, hardware designs and antennas, that enables radio frequency (“RF”) based charging for electronic devices, providing wire-free contact and non-contact charging solutions, with the potential to enable charging with mobility. The Company believes its proprietary WattUp technology can be utilized in consumer electronics such as wearables, hearing aids, earbuds, Bluetooth headsets, Internet of Things (“IoT”) devices, smartphones, tablets, e-book readers, keyboards, mice, remote controls, rechargeable lights, cylindrical batteries, medical devices and other devices with charging requirements that would otherwise require battery replacement or wired power connection.

### **Note 2 – Liquidity and Management Plans**

During the three and nine months ended September 30, 2020, the Company recorded revenue of \$61,500 and \$237,350, respectively, and during the three and nine months ended September 30, 2019, the Company recorded revenue of \$40,500 and \$154,500, respectively. During the three and nine months ended September 30, 2020, the Company recorded net losses of \$7,556,837 and \$24,359,239, respectively, and during the three and nine months ended September 30, 2019, the Company recorded net losses of \$8,184,227 and \$29,007,691, respectively. Net cash used in operating activities was \$19,435,940 and \$20,968,817 for the nine months ended September 30, 2020 and 2019, respectively. The Company is currently meeting its liquidity requirements through the proceeds of securities offerings that raised net proceeds of \$23,319,156 in March 2019, \$4,557,693 during the fourth quarter 2019, \$5,506,880 during the first quarter 2020 and \$9,216,611 during the second quarter 2020, along with payments received from customers.

As of September 30, 2020, the Company had cash on hand of \$17,303,234. The Company expects that cash on hand as of September 30, 2020, together with anticipated revenues and funds raised from the at-the-market (“ATM”) finance offering (see Note 9 – Subsequent Events) will be sufficient to fund the Company’s operations into November 2021.

Research and development of new technologies is by its nature unpredictable. Although the Company intends to continue its research and development activities, there can be no assurance that its available resources and revenue generated from its business operations will be sufficient to sustain its operations. Accordingly, the Company expects to pursue additional financing, which could include offerings of equity or debt securities, bank financings, commercial agreements with customers or strategic partners, and other alternatives, depending upon market conditions. There is no assurance that such financing would be available on terms that the Company would find acceptable, or at all.

The market for products using the Company’s technology is broad and evolving, but remains nascent and unproven, so the Company’s success is dependent upon many factors, including customer acceptance of its existing products, technical feasibility of future products, regulatory approvals, competition and global market fluctuations.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic. The pandemic continues to affect the United States and the world. The Company is monitoring the ongoing effects of COVID-19 (including continued outbreaks) and the related business and travel restrictions and changes to behavior intended to reduce its spread, and COVID-19’s impact on the Company’s operations, financial position, cash flows, inventory, supply chains, global regulatory approvals, purchasing trends, customer payments, and the industry in general, in addition to the impact on its employees. Due to the continuing developments and fluidity of this situation, the magnitude and duration of the pandemic and its impact on the Company’s operations and liquidity are still uncertain as of the date of this report.

### **Note 3 – Summary of Significant Accounting Policies**

#### ***Basis of Presentation***

The accompanying financial statements are presented in U.S. dollars and have been prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”), and pursuant to the accounting and disclosure rules and regulations of the U.S. Securities and Exchange Commission (“SEC”).

These unaudited condensed interim financial statements should be read in conjunction with the audited financial statements and notes thereto for the fiscal year ended December 31, 2019 included in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2019, filed with the SEC on March 13, 2020. The accounting policies used in preparing these unaudited condensed interim financial statements are consistent with those described in the Company’s December 31, 2019 audited financial statements.



### **Note 3 – Summary of Significant Accounting Policies, continued**

#### ***Use of Estimates***

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements as well as the reported expenses during the reporting periods.

The Company's significant estimates and assumptions include the valuation of stock-based compensation instruments, recognition of revenue, the useful lives of long-lived assets, and income tax expense. Some of these judgments can be subjective and complex, and, consequently, actual results may differ from these estimates. Although the Company believes that its estimates and assumptions are reasonable, they are based upon information available at the time the estimates and assumptions were made. Actual results could differ from those estimates.

#### ***Cash and Cash Equivalents***

The Company considers all short-term, highly liquid investments with an original maturity at the date of purchase of three months or less to be cash equivalents. The Company maintains cash balances that may be uninsured or in deposit accounts that exceed Federal Deposit Insurance Corporation limits. The Company maintains its cash deposits with major financial institutions.

#### ***Revenue Recognition***

On January 1, 2018, the Company adopted Accounting Standards Update No. 2014-09, "Revenue from Contracts with Customers" (Topic 606).

In accordance with Topic 606, the Company recognizes revenue using the following five-step approach:

1. Identify the contract with a customer.
2. Identify the performance obligations in the contract.
3. Determine the transaction price of the contract.
4. Allocate the transaction price to the performance obligations in the contract.
5. Recognize revenue when the performance obligations are met or delivered.

The Company's revenue primarily consists of product development projects revenue and royalty revenue from Dialog. The Company also provides contract services for Dialog.

The Company records revenue associated with product development projects that it enters into with certain customers. In general, these product development projects are complex, and the Company does not have certainty about its ability to achieve the project milestones. The achievement of a milestone is dependent on the Company's performance obligation and requires acceptance by the customer. The Company recognizes this revenue at a point in time based on when the performance obligation is met. The payment associated with achieving the performance obligation is generally commensurate with the Company's effort or the value of the deliverable and is nonrefundable. The Company records the expenses related to these product development projects in research and development expense, in the periods such expenses were incurred.

The Company records royalty revenue from its manufacturing partner, Dialog, and such royalty revenue is recognized at a point in time based on shipments from Dialog to its customers.

The Company recognizes contract services revenue from Dialog over the period of time that the services are performed. The costs associated with this revenue are recognized as the services are performed and are included in cost of services revenue.

#### ***Research and Development***

Research and development expenses are charged to operations as incurred. For internally developed patents, all patent application costs are expensed as incurred as research and development expense. Patent application costs, which are generally legal costs, are expensed as research and development costs until such time as the future economic benefits of such patents become more certain. The Company incurred research and development costs of \$4,003,642 and \$5,190,056 for the three months ended September 30, 2020 and 2019, respectively, and the Company incurred research and development costs of \$12,909,378 and \$17,505,751 for the nine months ended September 30, 2020 and 2019, respectively.

### Note 3 – Summary of Significant Accounting Policies, continued

#### Stock-Based Compensation

The Company accounts for equity instruments issued to employees, board members and contractors in accordance with accounting guidance that requires awards to be recorded at their fair value on the date of grant and are amortized over the vesting period of the award. The Company recognizes compensation costs on a straight-line basis over the requisite service period of the award, which is typically the vesting term of the equity instrument issued.

Under the Company's Employee Stock Purchase Plan ("ESPP"), employees may purchase a limited number of shares of the Company's common stock at a 5% discount from the lower of the closing market prices measured on the first and last days of each half-year period. The Company recognizes stock-based compensation expense for the fair value of the purchase options, as measured on the grant date.

#### Income Taxes

Tax benefits are recognized only for tax positions that are more likely than not to be sustained upon examination by tax authorities. The amount recognized is measured as the largest amount of benefit that is greater than 50 percent likely to be realized upon settlement. A liability for "unrecognized tax benefits" is recorded for any tax benefits claimed in the Company's tax returns that do not meet these recognition and measurement standards. As of September 30, 2020, no liability for unrecognized tax benefits was required to be reported. The guidance also discusses the classification of related interest and penalties on income taxes. The Company's policy is to record interest and penalties on uncertain tax positions as a component of income tax expense. No interest or penalties were recorded during the three or nine months ended September 30, 2020 or 2019. The Company files income tax returns with the United States and California governments.

#### Net Loss Per Common Share

Basic net loss per share is computed by dividing net loss available to common stockholders by the weighted average number of shares of common stock outstanding during the period. Diluted earnings per share is computed using the weighted average number of common shares and, if dilutive, potential common shares outstanding during the period. Potential common shares consist of the incremental common shares issuable upon the exercise of stock options and warrants (using the treasury stock method), the vesting of restricted stock units ("RSUs") and performance stock units ("PSUs") and the enrollment of employees in the ESPP. The computation of diluted loss per share excludes potentially dilutive securities of 5,990,698 and 6,876,595 for the three months ended September 30, 2020 and 2019, respectively, and 5,990,698 and 6,876,595 for the nine months ended September 30, 2020 and 2019, respectively, because their inclusion would be anti-dilutive.

Potentially dilutive securities outlined in the table below have been excluded from the computation of diluted net loss per share because the effect of their inclusion would have been anti-dilutive.

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2020	2019	2020	2019
Warrant issued to private investors	3,284,789	4,702,354	3,284,789	4,702,354
Options to purchase common stock	550,985	566,753	550,985	566,753
RSUs	1,533,247	1,607,488	1,533,247	1,607,488
PSUs	621,677	–	621,677	–
Total potentially dilutive securities	5,990,698	6,876,595	5,990,698	6,876,595

### Note 3 – Summary of Significant Accounting Policies, continued

#### *Leases*

As of January 1, 2019, the Company determines if an arrangement is a lease at the inception of the arrangement. The Company applies the short-term lease recognition exemption and recognizes lease payments in profit or loss at lease commencement for facility or equipment leases that have a lease term of 12 months or less and do not include a purchase option whose exercise is reasonably certain. Operating leases are included in operating lease right-of-use (ROU) assets and operating lease liabilities.

ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are measured and recorded at the later of the adoption date, January 1, 2019, or the service commencement date based on the present value of lease payments over the lease term. The Company uses the implicit interest rate when readily determinable; however, most leases do not establish an implicit rate, so the Company uses an estimate of the incremental borrowing rate based on the information available at the time of measurement. Lease expense for lease payments is recognized on a straight-line basis over the lease term. See Note 4 – Commitments and Contingencies, *Operating Leases* for further discussion of the Company's operating leases.

#### *Recent Accounting Pronouncements*

In July 2019, the FASB issued ASU No. 2019-07, "Codification Updates to SEC Sections." ASU 2019-07 updates the SEC portion of the FASB's codification literature to reflect the changes the SEC made to simplify disclosures. It is effective immediately. The Company adopted ASU 2019-07 and its adoption had no material impact on its financial statements.

In December 2019, the FASB issued ASU No. 2019-12, "Income Taxes (Topic 740)," *Simplifying the Accounting for Income Taxes*. ASU 2019-12 removes certain exceptions under Topic 740 and improves consistent application by clarifying and amending existing guidance. This standard is effective for annual reporting periods beginning after December 15, 2020. The Company does not believe adoption of this standard will have a material impact on its financial statements.

#### *Management's Evaluation of Subsequent Events*

The Company evaluates events that have occurred after the balance sheet date of September 30, 2020, through the date which the financial statements are available to be issued.

### Note 4 – Commitments and Contingencies

#### *Operating Leases*

##### San Jose Lease

On September 10, 2014, the Company entered into a lease agreement with Balzer Family Investments, L.P. (the "Landlord") related to space located at Northpointe Business Center, 3590 North First Street, San Jose, California. The initial term of the lease was 60 months, with initial monthly base rent of \$36,720 and the lease was subject to certain annual escalations as defined in the agreement. On March 13, 2019, the Company amended its lease agreement with the Landlord which combined both the first-floor space and the second-floor space for the final three months of the original lease term for the second floor, which expired on September 30, 2019. Effective July 1, 2019 through September 30, 2019, the new monthly rent payment was \$48,372.

On February 26, 2015, the Company entered into a sub-lease agreement for space in its San Jose location on the first floor and was amended on August 25, 2015 to include additional space. The sub-lease agreement had a term which expired on June 30, 2019.

On July 1, 2019, the Company signed a new lease agreement for the lease of its office space at its corporate headquarters in San Jose, California for an additional three years. The lease agreement includes space on the first floor of the building that had been previously subleased. Upon expiration of the original lease on September 30, 2019, the new monthly lease payment starting October 1, 2019 was \$52,970 and is subject to annual escalations up to a maximum monthly lease payment of \$64,941.

#### Note 4 – Commitments and Contingencies, continued

##### *Operating Leases, continued*

###### Costa Mesa Lease

On May 31, 2017, the Company renewed a lease agreement for the Company's space in Costa Mesa, California. The agreement had a term that expired on September 30, 2019 with initial monthly rent of \$9,040 and was subject to certain annual escalations as defined in the agreement.

On July 15, 2019, the Company signed a new lease agreement for the lease of office space in Costa Mesa, California for an additional two years. Upon expiration of the original lease on September 30, 2019, the new monthly lease payment starting October 1, 2019 was \$9,773 and is subject to an annual escalation up to a maximum monthly lease payment of \$10,200.

###### Operating Lease Commitments

In February 2016, the FASB issued its final standard on lease accounting, ASU No. 2016-02, "Leases (Topic 842)," which superseded Topic 840, "Leases," which was further modified in ASU No. 2018-10, "Codification Improvements" to clarify the implementation guidance. The new accounting standard was effective for the Company beginning on January 1, 2019 and required the recognition on the balance sheet of right-of-use assets and lease liabilities. The Company elected the optional transition method and adopted the new guidance on January 1, 2019 on a modified retrospective basis with no restatement of prior period amounts. The Company's adoption of the new standard resulted in the recognition of right-of-use assets of \$414,426 and operating lease liabilities of \$485,747, with no material cumulative effect adjustment to equity as of the date of adoption. The Company anticipates having future total lease payments of \$1,670,460 during the period from the fourth quarter of 2020 to the third quarter of 2022. As of September 30, 2020, the company has total operating lease right-of-use assets of \$1,487,116, current portion operating lease liabilities of \$845,108 and long-term portion of operating lease liabilities of \$765,209. The weighted average remaining lease term is 1.9 years as of September 30, 2020.

A reconciliation of undiscounted cash flows to lease liabilities recognized as of September 30, 2020 is as follows:

	<b>Amount (unaudited)</b>
2020	222,792
2021	863,199
2022	584,469
Total future lease payments	1,670,460
Present value discount (4% weighted average)	(60,143)
Total operating lease liabilities	<u>1,610,317</u>

###### *Hosted Design Software Agreement*

On June 25, 2015, the Company entered into a three-year agreement to license electronic design automation software in a hosted environment. Pursuant to the agreement, under which services began July 2015, the Company is required to remit quarterly payments in the amount of approximately \$101,000 with the last payment due March 30, 2018. On December 18, 2015, the agreement was amended to redefine the hardware and software configuration and the quarterly payments increased to approximately \$198,000. In July 2018, the Company renewed agreement for an additional three years, and the Company is required to remit quarterly payments of approximately \$218,000, with the last payment due in March 2021.

###### *Litigations, Claims, and Assessments*

The Company is from time to time involved in various disputes, claims, liens and litigation matters arising in the normal course of business. While the outcome of these disputes, claims, liens and litigation matters cannot be predicted with certainty, after consulting with legal counsel, management does not believe that the outcome of these matters will have a material adverse effect on the Company's combined financial position, results of operations or cash flows.

#### **Note 4 – Commitments and Contingencies, continued**

##### ***MBO Bonus Plan***

On March 15, 2018, the Company's Board of Directors ("Board"), on the recommendation of the Board's Compensation Committee ("Compensation Committee"), approved the Energen Corporation MBO Bonus Plan ("Bonus Plan") for executive officers of the Company. To be eligible to receive a bonus under the Bonus Plan, an executive officer must be continuously employed throughout the applicable performance period, and in good standing, and achieve the performance objectives selected by the Compensation Committee.

Under the Bonus Plan, the Compensation Committee is responsible for selecting the amounts of potential bonuses for executive officers, the performance metrics used to determine whether any such bonuses will be paid and determining whether those performance metrics have been achieved.

During the three months ended September 30, 2020, the Company accrued \$189,728 in expense under the Bonus Plan, which will be paid during the fourth quarter of 2020. During the three months ended September 30, 2019, the Company accrued \$167,740 in expense, which was paid during the fourth quarter of 2019. During the nine months ended September 30, 2020 and 2019, the Company incurred \$867,248 and \$691,928 in expense under the Bonus Plan.

##### ***Severance and Change in Control Agreement***

On March 15, 2018, the Compensation Committee approved a form of Severance and Change in Control Agreement ("Severance Agreement") that the Company may enter into with executive officers ("Executive").

Under the Severance Agreement, if an Executive is terminated in a qualifying termination, the Company agrees to pay the Executive six to 12 months of that Executive's monthly base salary. If Executive elects continued coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA") the Company will pay the full amount of Executive's premiums under the Company's health, dental and vision plans, including coverage for the Executive's eligible dependents, for the six to 12 month period following the Executive's termination.

##### ***Amended Employee Agreement – Stephen Rizzone***

On April 3, 2015, the Company entered into an Amended and Restated Executive Employment Agreement with Stephen R. Rizzone, the Company's President and Chief Executive Officer ("Employment Agreement").

The Employment Agreement effective as of January 1, 2015, has an initial term of four years and automatically renews each year after the initial term. The Employment Agreement provides for an annual base salary of \$365,000, and Mr. Rizzone is eligible to receive quarterly cash bonuses from the MBO Bonus Plan with a total target amount equal to 100% of his base salary based upon achievement of performance-based objectives established by the Board.

Mr. Rizzone is also eligible to receive all customary and usual benefits generally available to senior executives of the Company.

##### ***Strategic Alliance Agreement***

In November 2016, the Company and Dialog Semiconductor plc ("Dialog"), a related party (see Note 7—Related Party Transactions), entered into a Strategic Alliance Agreement ("Alliance Agreement") for the manufacture, distribution and commercialization of products incorporating the Company's wire-free charging technology ("Licensed Products"). Pursuant to the terms of the Alliance Agreement, the Company agreed to engage Dialog as the exclusive supplier of the Licensed Products for specified fields of use, subject to certain exceptions (the "Company Exclusivity Requirement"). Dialog agreed to not distribute, sell or work with any third party to develop any competing products without the Company's approval (the "Dialog Exclusivity Requirement"). In addition, both parties agreed on a revenue sharing arrangement and will collaborate on the commercialization of Licensed Products based on a mutually-agreed upon plan. Each party will retain all of its intellectual property.

The Alliance Agreement has an initial term of seven years and will automatically renew annually thereafter unless terminated by either party upon 180 days' prior written notice. The Company may terminate the Alliance Agreement at any time after the third anniversary of the Agreement upon 180 days' prior written notice to Dialog, or if Dialog breaches certain exclusivity obligations. Dialog may terminate the Alliance Agreement if sales of Licensed Products do not meet specified targets. The Company Exclusivity Requirement will terminate upon the earlier of January 1, 2021 or the occurrence of certain events relating to the Company's pre-existing exclusivity obligations.

## **Note 5 – Stockholders’ Equity**

### ***Authorized Capital***

The holders of the Company’s common stock are entitled to one vote per share. Holders of common stock are entitled to receive ratably such dividends, if any, as may be declared by the Board out of legally available funds. Upon the liquidation, dissolution or winding up of the Company, holders of common stock are entitled to share ratably in all assets of the Company that are legally available for distribution.

### ***Financing***

On August 9, 2018, the Company filed a shelf registration statement on Form S-3 with the SEC, which became effective on August 17, 2018. This shelf registration statement allows the Company to sell, from time to time, any combination of debt or equity securities described in the registration statement up to aggregate proceeds of \$75,000,000. Pursuant to this registration statement, in March 2019 the Company raised \$23,319,156 (net of \$1,680,844 in issuance costs) from an offering of shares of its common stock and warrants to purchase 1,666,666 shares of common stock at an exercise price of \$0.00 per share. The Company also raised \$4,557,693 (net of \$339,081 in issuance costs) during the fourth quarter of 2019, \$5,506,880 (net of \$141,322 in issuance costs) during the first quarter of 2020 and \$9,216,611 (net of \$236,528 in issuance costs) during the second quarter of 2020.

On September 15, 2020, the Company filed a shelf registration statement on Form S-3 with the SEC, which became effective on September 24, 2020, and contains two prospectuses: a base prospectus, which covers the offering, issuance and sale by the Company of up to \$75,000,000 of its common stock, preferred stock, debt securities, warrants to purchase our common stock, preferred stock or debt securities, subscription rights to purchase its common stock, preferred stock or debt securities and/or units consisting of some or all of these securities; and a sales agreement prospectus covering the offering, issuance and sale by the Company of up to a maximum aggregate offering price of \$40,000,000 of its common stock that may be issued and sold under a sales agreement. The \$40,000,000 of common stock that may be offered, issued and sold under the sales agreement prospectus is included in the \$75,000,000 of securities that may be offered, issued and sold by the Company under the base prospectus. Pursuant to this shelf registration statement, the Company sold shares which raised net proceeds of \$3,165,868 (before legal and issuance costs of \$158,810) on September 30, 2020 which were recorded as a receivable on the accompanying balance sheet on September 30, 2020.

### ***Common Stock Outstanding***

Our outstanding common shares typically include shares that are deemed delivered under US GAAP. Shares that are deemed delivered currently include shares that have vested, but have not yet been delivered, under tax-deferred equity awards, as well as shares purchased under our Employee Stock Purchase Program (“ESPP”) where actual transfer of shares normally occurs a few days after the completion of the purchase periods. There are no voting rights for shares that are deemed delivered under US GAAP until the actual delivery of shares takes place. As of September 30, 2020, a total of 200,000,000 common shares are authorized.

In August 2019, an aggregate of 38,666 shares of common stock were returned to the Company and retired in connection with the rescission of restricted stock unit agreements.

## **Note 6 – Stock-Based Compensation**

### ***Equity Incentive Plans***

#### **2013 Equity Incentive Plan**

Effective on May 26, 2020, the Company’s stockholders approved the amendment and restatement of the 2013 Equity Incentive Plan to increase the number of shares reserved for issuance thereunder by 1,200,000 shares, bringing to 7,285,967 the total number of shares approved for issuance under that plan.

As of September 30, 2020, 1,893,044 shares of common stock remain eligible to be issued through equity-based instruments under the 2013 Equity Incentive Plan.

#### **2014 Non-Employee Equity Compensation Plan**

Effective on May 26, 2020, the Company’s stockholders approved the amendment and restatement of the 2014 Non-employee Equity Compensation Plan to increase the number of shares reserved for issuance through equity-based instruments thereunder by 800,000 shares, bringing to 1,650,000 the total number of shares approved for issuance under that plan.

## **Note 6 – Stock-Based Compensation, continued**

### ***Equity Incentive Plans, continued***

As of September 30, 2020, 1,047,794 shares of common stock remain eligible to be issued through equity-based instruments under the 2014 Non-Employee Equity Compensation Plan.

#### 2015 Performance Share Unit Plan

Effective on May 26, 2020, the Company's stockholders approved the amendment and restatement of the 2015 Performance Share Unit Plan to increase the number of shares reserved for issuance through equity-based instruments thereunder by 700,000 shares, bringing to 3,410,104 the total number of shares approved for issuance under that plan.

As of September 30, 2020, 1,510,274 shares of common stock remain eligible to be issued through equity-based instruments under the 2015 Performance Share Unit Plan.

#### 2017 Equity Inducement Plan

On December 28, 2017, the Board approved the 2017 Equity Inducement Plan. Under the plan, the Board reserved 600,000 shares for the grant of RSUs. These grants will be administered by the Board or a committee of the Board. These awards will be granted to individuals who (a) are being hired as an employee by the Company or any subsidiary and such award is a material inducement to such person being hired; (b) are being rehired as an employee following a bona fide period of interruption of employment with the Company or any subsidiary; or (c) will become an employee of the Company or any subsidiary in connection with a merger or acquisition.

As of September 30, 2020, 155,776 shares of common stock remain available to be issued through equity-based instruments under the 2017 Equity Inducement Plan.

#### Employee Stock Purchase Plan

In April 2015, the Company's Board approved the ESPP, under which 600,000 shares of common stock have been reserved for purchase by the Company's employees, subject to the approval by the stockholders. On May 21, 2015, the Company's stockholders approved the ESPP. Effective on May 26, 2020, the Company's stockholders approved the amendment and restatement of the Employee Stock Purchase Plan to increase the number of shares reserved for issuance through equity-based instruments thereunder by 250,000 shares, bring to 850,000 the total number of shares approved for issuance under that plan. Under the ESPP, employees may designate an amount not less than 1% but not more than 10% of their annual compensation for the purchase of Company shares. No more than 7,500 shares may be purchased by an employee under the ESPP during an offering period. An offering period shall be six months in duration commencing on or about January 1 and July 1 of each year. The exercise price of the option will be the lesser of 85% of the fair market of the common stock on the first business day of the offering period and 85% of the fair market value of the common stock on the applicable exercise date.

As of September 30, 2020, 271,380 shares of common stock remain eligible to be issued under the ESPP. Employees contributed \$21,692 through payroll withholdings as of September 30, 2020 to the ESPP for the current offering period that will end on December 31, 2020 and shares were deemed delivered on that date.

**Note 6 – Stock-Based Compensation, continued**

**Stock Option Activity**

The following is a summary of the Company's stock option activity during the nine months ended September 30, 2020:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Life In Years	Intrinsic Value
Outstanding at January 1, 2020	550,985	\$ 5.67	4.3	\$ 2,538
Granted	–	–	–	–
Exercised	–	–	–	–
Forfeited	–	–	–	–
Outstanding at September 30, 2020	<u>550,985</u>	<u>\$ 5.67</u>	<u>3.5</u>	<u>\$ 35,932</u>
Exercisable at January 1, 2020	550,985	\$ 5.67	4.3	\$ 2,538
Vested	–	–	–	–
Exercised	–	–	–	–
Forfeited	–	–	–	–
Exercisable at September 30, 2020	<u>550,985</u>	<u>\$ 5.67</u>	<u>3.5</u>	<u>\$ 35,932</u>

As of September 30, 2020, the unamortized value of options was \$0.

**Restricted Stock Units (“RSUs”)**

During the nine months ended September 30, 2020, the Compensation Committee granted various employees RSUs covering 648,781 shares of common stock under the 2013 Equity Incentive Plan. The awards vest over terms ranging from two to four years.

During the nine months ended September 30, 2020, the Compensation Committee and the Board of Directors granted various non-employees RSUs covering 25,000 shares of common stock under the 2014 Non-employee Equity Compensation Plan. The awards vest over terms ranging from one to three years.

During the nine months ended September 30, 2020, the Compensation Committee granted employees RSUs covering 171,000 shares of common stock under the 2017 Equity Inducement Plan. The awards vest over four years beginning on the anniversary of the grant date.

As of September 30, 2020, the unamortized value of the RSUs was \$5,921,305. The unamortized amount will be expensed over a weighted average period of 1.3 years. A summary of the activity related to RSUs for the nine months ended September 30, 2020 is presented below:

	Total	Weighted Average Grant Date Fair Value
Outstanding at January 1, 2020	1,821,852	\$ 10.05
RSUs granted	844,781	\$ 1.27
RSUs forfeited	(142,224)	\$ 8.47
RSUs vested	(991,162)	\$ 8.44
Outstanding at September 30, 2020	<u>1,533,247</u>	<u>\$ 6.52</u>



**Note 6 – Stock-Based Compensation, continued****Performance Share Units (“PSUs”)**

Performance share units (“PSUs”) are grants that vest upon the achievement of certain performance goals. The goals are commonly related to the Company’s revenue, market capitalization or market share price of the common stock.

Amortization for all PSU awards was \$0 and \$0 for the three months ended September 30, 2020 and 2019, respectively and amortization for all PSU awards was \$(88,348) and \$0 for the nine months ended September 30, 2020 and 2019, respectively.

A summary of the activity related to PSUs for the nine months ended September 30, 2020 is presented below:

	<b>Total</b>	<b>Weighted Average Grant Date Fair Value</b>
Outstanding at January 1, 2020	428,000	\$ 2.09
PSUs granted	267,677	1.27
PSUs forfeited	(74,000 )	2.09
PSUs vested	—	—
Outstanding at September 30, 2020	<u>621,677</u>	<u>1.74</u>

**Employee Stock Purchase Plan (“ESPP”)**

The current offering period under the ESPP started on July 1, 2020 and will conclude on December 31, 2020. The recently completed offering period under the ESPP started on January 1, 2020 and concluded on June 30, 2020. During the year ended December 31, 2019, there were two offering periods for the ESPP. The first offering period started on January 1, 2019 and concluded on June 30, 2019. The second offering period started on July 1, 2019 and concluded on December 31, 2019.

The weighted-average grant-date fair value of the purchase option for each designated share purchased under this plan was approximately \$1.11 and \$2.05 for the nine months ended September 30, 2020 and 2019, respectively, which represents the fair value of the option, consisting of three main components: (i) the value of the discount on the enrollment date, (ii) the proportionate value of the call option for 85% of the stock and (iii) the proportionate value of the put option for 15% of the stock. The Company recognized compensation expense for the plan of \$96,056 and \$62,055 for the three months ended September 30, 2020 and 2019, respectively, and \$180,191 and \$272,629 for the nine months ended September 30, 2020 and 2019, respectively.

The Company estimated the fair value of ESPP purchase options granted during the nine months ended September 30, 2020 and 2019 using the Black-Scholes option pricing model. The fair values of stock options granted were estimated using the following assumptions:

	<b>Nine Months Ended September 30, 2020</b>	<b>Nine Months Ended September 30, 2019</b>
Stock price	\$1.77 - \$2.96	\$4.27 - \$5.79
Dividend yield	0%	0%
Expected volatility	61% - 182%	83% - 96%
Risk-free interest rate	0.17% - 1.57%	2.10% - 2.51%
Expected life	6 months	6 months

## Note 6 – Stock-Based Compensation, continued

### Stock-Based Compensation Expense

The following tables summarize total stock-based compensation costs recognized for the three and nine months ended September 30, 2020 and 2019:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
RSUs	1,876,686	\$ 2,037,620	6,227,105	\$ 7,796,371
PSUs	–	–	(88,348 )	–
ESPP	96,056	62,055	180,191	272,629
Total	<u>\$ 1,972,742</u>	<u>\$ 2,099,675</u>	<u>\$ 6,318,948</u>	<u>\$ 8,069,000</u>

The total amount of stock-based compensation was reflected within the statements of operations as:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Research and development	\$ 922,858	\$ 1,154,680	\$ 3,055,885	\$ 4,172,458
Sales and marketing	385,171	390,192	1,189,964	1,111,185
General and administrative	664,713	554,803	2,073,099	2,785,357
Total	<u>\$ 1,972,742</u>	<u>\$ 2,099,675</u>	<u>\$ 6,318,948</u>	<u>\$ 8,069,000</u>

## Note 7 – Related Party Transactions

In November 2016, the Company and Dialog entered into an alliance agreement for the manufacture, distribution and commercialization of products incorporating the Company's wire-free charging technology (See Note 4 – Commitments and Contingencies, *Strategic Alliance Agreement*). On November 7, 2016 and June 28, 2017, the Company and Dialog entered into securities purchase agreements under which Dialog acquired a total of 1,739,691 shares and received warrants to purchase up to 1,417,565 shares. As of September 30, 2020, none of the warrants remain outstanding. As of September 30, 2020, Dialog owns approximately 4.0% of the Company's outstanding common shares. The Company recorded \$0 and \$0 for the three months ended September 30, 2020 and 2019, respectively, and \$0 and \$7,100 for the nine months ended September 30, 2020 and 2019, respectively, in royalty revenue pursuant to the Strategic Alliance Agreement. Additionally, the Company recorded \$0 and \$0 in contract services revenue performed for Dialog during the three months ended September 30, 2020 and 2019, respectively, and \$130,000 and \$0 in contract services revenue performed for Dialog during the nine months ended September 30, 2020 and 2019, respectively. The Company recorded \$0 and \$0 in cost of services revenue associated with the contract services performed for Dialog during the three months ended September 30, 2020 and 2019, respectively, and \$126,539 and \$0 in cost of services revenue during the nine months ended September 30, 2020 and 2019, respectively.

## Note 8 – Customer Concentrations

Four customers accounted for approximately 81% of the Company's revenue for the three months ended September 30, 2020, and three customers accounted for 100% of the Company's revenue for the three months ended September 30, 2019. Three customers accounted for approximately 78% of the Company's revenue for the nine months ended September 30, 2020 and three customers accounted for approximately 55% of the Company's revenue for the nine months ended September 30, 2019. Four customers accounted for approximately 95% of the accounts receivable balance as of September 30, 2020. Four customers accounted for nearly 100% of the accounts receivable balance as of December 31, 2019.

## Note 9 – Subsequent Events

On October 2, 2020, the Company received \$3,165,868 in ATM proceeds, which were recorded as a receivable as of September 30, 2020 (see Note 5 – Stockholders' Equity). Subsequent to October 2, 2020, and through November 4, 2020, the Company received an additional \$4,206,475 in net ATM proceeds from the issuance of 1,605,810 common shares.

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

### Forward-Looking Statements

As used in this Quarterly Report on Form 10-Q, unless the context otherwise requires the terms "we," "us," "our," and "Energous" refer to Energous Corporation, a Delaware corporation. This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, that are intended to be covered by the "safe harbor" created by those sections. Forward-looking statements, which are based on certain assumptions and describe our future plans, strategies and expectations, can generally be identified by the use of forward-looking terms such as "believe," "expect," "may," "will," "would," "should," "could," "seek," "intend," "plan," "continue," "estimate," "anticipate" or other comparable terms. All statements other than statements of historical facts included in this report regarding our strategies, prospects, financial condition, operations, costs, plans and objectives are forward-looking statements. Examples of forward-looking statements include, among others, statements we make regarding proposed business strategy; market opportunities; regulatory approval; expectations for current and potential business relationships; the impact of COVID-19 on our business and our response to it; and expectations for revenues, liquidity cash flows and financial performance, the anticipated results of our research and development efforts, the timing for receipt of required regulatory approvals and product launches. Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based only on our current beliefs, expectations and assumptions regarding the future of our business, future plans and strategies, projections, anticipated events and trends, the economy and other future conditions. Forward-looking statements relate to the future and are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict and generally outside of our control, so actual results and financial condition may differ materially from those indicated in the forward-looking statements. Important factors that could cause our actual results and financial condition to differ materially from those indicated in the forward-looking statements include, among others: our ability to develop commercially feasible technology; timing of customer implementations of our technology in consumer products; timing and receipt of regulatory approvals in the United States and internationally; our ability to find and maintain development partners; market acceptance of our technology; competition in our industry; our ability to protect our intellectual property; competition; and other risks and uncertainties described in the Risk Factors and in Management's Discussion and Analysis sections of our most recently filed Annual Report on Form 10-K and subsequently filed Quarterly Reports on Form 10-Q, including this Quarterly Report on Form 10-Q. We undertake no obligation to publicly update any of our forward-looking statements, whether as a result of new information, future developments or otherwise.

### Overview

We have developed our WattUp® wireless power technology, consisting of proprietary semiconductor chipsets, software controls, hardware designs and antennas, that enables radio frequency ("RF") based charging for electronic devices. The WattUp technology has a broad spectrum of capabilities, including contact-based wireless charging and wireless charging at various distances. We have demonstrated that, for non-contact applications, our transmitter technology is able to mesh into a wire-free charging network that is expected to allow users to charge their devices even as the devices are moved about in three-dimensional space ("mobility charging"). In November 2016 we entered into a Strategic Alliance Agreement with Dialog Semiconductor plc ("Dialog"), an industry leader in Bluetooth low energy semiconductors and power management semiconductors. In conjunction with the Strategic Alliance Agreement, Dialog manufactures and is the exclusive distributor of integrated circuit ("IC") products that incorporate our designs and provides sales and logistic support to customers on a global basis. We believe our proprietary WattUp technology can be utilized in consumer electronics such as wearables, hearing aids, earbuds, Bluetooth headsets, Internet of Things ("IoT") devices, smartphones, tablets, smartwatches, fitness bands, keyboards, mice, remote controls, rechargeable lights, batteries, medical devices, and other devices with charging requirements that would otherwise require battery replacement or a wired power connection.

We believe our technology is innovative in its approach, in that we are developing solutions that charge electronic devices by surrounding them with a focused RF energy pocket. We are engineering solutions that deliver wire-free energy for contact-based charging applications and are also developing non-contact charging at distances up to approximately three feet, as well as low-power charging for distances up to 15 feet and in some use cases mobility charging. To-date, we have developed multiple transmitters and receivers, including prototypes as well as partner production designs. The transmitters vary based on form factor, power specifications and frequencies, while the receivers are designed for applications including hearing aids, fitness bands, smartwatches, smartphones, smartglasses, sensors, industrial applications, keyboards, mice, headsets, earbuds, headphones, Bluetooth tracking tags and more. We are engaged with several consumer electronics (CE) and medical device companies that are in the pre-production stage of WattUp-based product development. In 2019, our first end customer product entered the market and we expect additional partner products to be announced and launched in 2020. We are also in discussion with potential customers in the consumer and industrial spaces that are considering our solutions to supply low power distance charging for products that could enter the market in 2021.

When the company was founded in 2012, we recognized the need to design and build an enterprise-class network management and control software (“NMS”) system that would be integral to supporting our customers’ rapid and cost-effective deployment of our wire-free charging technology. Our NMS system is robust and flexible enough to both scale up to control thousands of devices across an enterprise, or scale down to meet the needs of a home or IoT environment.

In December 2017, we announced Federal Communications Commission (“FCC”) certification of our first-generation WattUp Mid Field transmitter, which simultaneously powers multiple devices at a distance of up to three feet. This transmitter underwent rigorous, multi-month testing to verify that it met consumer safety and regulatory requirements. We believe this was the first certification of a Part 18 FCC-approved non-contact wireless charging transmitter, and that it establishes engineering design precedents that can streamline future regulatory approvals for our technology and for our customers’ end-products that employ our technology. In April 2020, we announced an FCC certification for a new over-the-air charging transmitter technology which we believe will offer our partners a lower-cost, smaller size transmitter technology for lower power applications.

Our technology solution consists principally of transmitter controller ICs, power amplifier ICs and receiver ICs, as well as novel antenna designs, application prototypes and proprietary software algorithms. We submitted our first IC design for wafer fabrication in 2013 and have developed many generations of transmitter and receiver ICs, antenna designs, and software algorithms. We have endeavored to optimize our technology by reducing size and cost, while at the same time increasing performance which enables our designs to be integrated into a broad range of devices. We have developed a “building block” approach that allows us to scale our product implementations by combining multiple transmitter building blocks or multiple receiver building blocks to meet the power, distance, size and cost requirements of customer applications requirements. Our technology is readily scalable because the same ICs that are used for contact-based charging can be used for distance-based charging solutions. We have developed two classes of chip solutions, a CMOS-based technology focused on low cost, small footprint and low power (less than 5 watts) and a GaAs/GAn-based technology capable of delivering higher power with greater efficiency. We intend to continue to invest in research and development with high power capabilities of 20 watts and beyond at high levels of efficiency. We also intend to continue to invest in improving product performance, efficiency, cost-performance and miniaturization as required to reach multiple markets and expand the power-at-a-distance ecosystem, while maintaining a technology lead on potential competitors.

We deliver evaluation kits to potential licensees of our technology, to allow their respective engineering and product management departments to test and evaluate the technology. Our customers’ product development, technology integration and product introduction cycles occur over multiple quarters and generally more than a year can elapse before first evaluation and final shipment of the customer’s product. Once our customers begin to sell products to end customers that incorporate our technology, we would expect the commercialization cycle to shorten over time as the technology matures and market acceptance grows.

We generally maintain exclusive rights to all intellectual property in our technology. We have implemented an aggressive intellectual property strategy and are continuing to pursue patent protection for new innovations. As of October 29, 2020, we had more than 122 pending patent applications in the U.S. and abroad. Additionally, the U.S. Patent and Trademark Office and international patent offices have issued 227 patents to us. In addition to the inventions covered by these patents, we have also identified specific inventions that we believe are novel and patentable. In addition to the inventions covered by these patents and patent applications, we have also identified specific inventions that we believe are novel and patentable. We intend to file for patent protection for the most valuable of these, and for other inventions that we expect to develop. This is a significant annual expense and we continually monitor the costs and benefits of each patent application and pursue those that we believe are most protective for our business and expand the core value of the Company.

Our seasoned management team has both private and public company experience, as well as relevant industry experience. In addition, we have identified and hired key engineering resources in the areas of IC development, antenna development, hardware, software and firmware engineering as well as integration and testing, which will allow us to continue to expand our technology and intellectual property and to meet our customers’ support requirements.

The market for products using our technology is nascent and unproven, so our success is sensitive to many factors, including technological feasibility, regulatory approval, customer acceptance, competition and global market fluctuations.

#### ***Impact of COVID-19 on Our Business***

In March 2020, the World Health Organization declared the outbreak of COVID-19 as a pandemic. The pandemic continues to affect the United States and the world. We are monitoring the ongoing effects of COVID-19 (including

continued outbreaks) and the related business and travel restrictions and changes to behavior intended to reduce its spread, and its impact on our operations, financial position, cash flows, inventory, supply chains, global regulatory approvals, purchasing trends, customer payments, and the industry in general, in addition to the impact on our employees.

The outbreak of COVID-19 has delayed adoption of our technology by potential customers who temporarily shut down their workforce and supply chain based in China, and who continue to evaluate their future prospects and business models, including partnerships with us. For example, in one case, the outbreak delayed the spring launch of a new product that incorporates our technology. Further delays in this or other products could result from the ongoing pandemic. These changes are due in part to changes in how business is conducted as a result of the pandemic, including state executive orders, local shelter-in-place orders, government-imposed quarantines and work-from-home policies in China, the United States, and elsewhere. We have implemented work-from-home policies for our employees that will likely be in place through the end of the year and possibly longer. The effects of state executive orders, local shelter-in-place orders, government-imposed quarantines and our work-from-home policies could negatively impact productivity, disrupt our research and development or other operations, and delay the planned launch of our customers' new products that incorporate our technology, the magnitude of which will depend, in part, on the length and severity of the continuing restrictions and other limitations on our ability to conduct our business in the ordinary course. Due to the continuing developments and fluidity of this situation, the magnitude and duration of the pandemic and its impact on our operations and liquidity are still uncertain as of the date of this report.

### ***Critical Accounting Policies and Estimates***

#### ***Revenue Recognition***

On January 1, 2018 we adopted Accounting Standards Update No. 2014-09, "Revenue from Contracts with Customers" (Topic 606).

In accordance with Topic 606, we recognize revenue using the following five-step approach:

1. Identify the contract with a customer.
2. Identify the performance obligations in the contract.
3. Determine the transaction price of the contract.
4. Allocate the transaction price to the performance obligations in the contract.
5. Recognize revenue when the performance obligations are met or delivered.

Our revenue currently consists of product development projects revenue and royalty revenue from Dialog. We also provide contract services for Dialog.

We record revenue associated with product development projects that we enter into with certain customers. In general, these product development projects are complex, and we do not have certainty about our ability to achieve the project milestones. The achievement of a milestone is dependent on our performance obligation and requires acceptance by the customer. We recognize this revenue at a point in time based on when the performance obligation is met. The payment associated with achieving the performance obligation is generally commensurate with our effort or the value of the deliverable and is nonrefundable. We record the expenses related to these product development projects in research and development expense, in the periods such expenses were incurred.

We record royalty revenue from our manufacturing partner, Dialog, and such royalty revenue is recognized at a point in time based on shipments from Dialog to its customers.

We recognize contract services revenue from Dialog over a period of time as the services are performed. The costs associated with this revenue are recognized as the services are performed and are included in cost of services revenue.

### ***Results of Operations***

#### ***Operating Expenses***

Research and development expenses include costs associated with our efforts to develop our technology, including personnel compensation, consulting, engineering supplies and components, intellectual property costs, regulatory expense and general office expenses specifically related to the research and development department. Sales and marketing expenses include costs associated with selling and marketing our technology to our customers, including

personnel compensation, public relations, graphic design, tradeshow, engineering supplies utilized by the sales team and general office expenses specifically related to the sale and marketing department. General and administrative expenses include costs for general and corporate functions, including personnel compensation, facility fees, travel, telecommunications, insurance, professional fees, consulting fees, general office expenses, and other overhead.

### **Three Months Ended September 30, 2020 and 2019**

*Revenue.* During the three months ended September 30, 2020 and 2019, we recorded revenue of \$61,500 and \$40,500, respectively.

*Operating Expenses and Loss from Operations.* Operating expenses are made up of research and development, sales and marketing, general and administrative expenses and cost of services revenue. Losses from operations for the three months ended September 30, 2020 and 2019 were \$7,560,058 and \$8,302,069, respectively.

*Research and Development Costs.* Research and development costs were \$4,003,642 and \$5,190,056, respectively, for the three months ended September 30, 2020 and 2019. The decrease of \$1,186,414 is primarily due to an \$444,185 decrease in compensation, consisting of a \$212,364 decrease in payroll costs and a \$231,822 decrease in stock-based compensation from a lower headcount within the department, a \$357,521 decrease in legal costs pertaining to patent and intellectual property management, a \$243,629 decrease in engineering supplies, components and chip development costs due to project timing, an \$83,995 decrease in depreciation and a \$71,655 decrease in regulatory testing expense.

*Sales and Marketing Costs.* Sales and marketing costs for the three months ended September 30, 2020 and 2019 were \$1,500,068 and \$1,242,105, respectively. The increase of \$257,963 is primarily due to a \$238,945 increase in payroll costs from a higher headcount within the department, a \$111,938 increase in consulting and third party services, partially offset by an \$93,185 decrease in travel, meals and entertainment as a result of COVID-19 restrictions.

*General and Administrative Expenses.* General and administrative costs for the three months ended September 30, 2020 and 2019 were \$2,117,848 and \$1,910,408, respectively. The increase of \$207,440 is primarily due to a \$109,910 increase in stock-based compensation due to the issuance of equity awards to newly appointed board members during the preceding 12 months, a \$346,683 increase in legal expense and an \$89,357 increase in insurance premiums, partially offset by a \$150,670 decrease in recruiting costs, a \$70,581 decrease in accounting and auditing fees, a \$54,496 decrease in travel, meals and entertainment as a result of COVID-19 restrictions, a \$32,393 decrease in payroll costs and a \$22,048 decrease in depreciation.

*Interest Income.* Interest income for the three months ended September 30, 2020 was \$3,221 as compared to interest income of \$117,842 for the three months ended September 30, 2019. The decrease of \$114,621 is primarily due to lower savings interest rates and a lower average cash balance.

*Net Loss.* As a result of the above, net loss for the three months ended September 30, 2020 was \$7,556,837 as compared to \$8,184,227 for the three months ended September 30, 2019.

### **Nine Months Ended September 30, 2020 and 2019**

*Revenue.* During the nine months ended September 30, 2020 and 2019, we recorded revenue of \$237,350 and \$154,500, respectively.

*Operating Expenses and Loss from Operations.* Operating expenses are made up of research and development, sales and marketing, general and administrative expenses and cost of services revenue. Losses from operations for the nine months ended September 30, 2020 and 2019 were \$24,426,373 and \$29,344,266, respectively.

*Research and Development Costs.* Research and development costs were \$12,909,378 and \$17,505,571, respectively, for the nine months ended September 30, 2020 and 2019. The decrease of \$4,596,373 is primarily due to a \$2,966,006 decrease in compensation, consisting of a \$1,849,434 decrease in payroll costs and an \$1,116,573 decrease in stock-based compensation from a lower headcount within the department, an \$875,473 decrease in engineering supplies, components and chip development costs due to project timing, a \$295,869 decrease in depreciation, a \$156,123 decrease in regulatory testing fees, a \$144,808 decrease in legal fees pertaining to patents and intellectual property and a \$136,101 decrease in consulting fees.

*Sales and Marketing Costs.* Sales and marketing costs for the nine months ended September 30, 2020 and 2019 were \$4,386,881 and \$3,985,467, respectively. The increase of \$401,414 is primarily due to a \$390,737 increase in compensation, consisting of a \$311,958 increase in payroll costs and an \$78,779 increase in stock-based

compensation from a higher headcount within the department, a \$374,209 increase in consulting and third party services, a \$64,126 increase in recruiting costs and a \$47,553 increase in rent expense, partially offset by a \$244,655 decrease in travel, meals and entertainment as a result of COVID-19 restrictions, a \$124,394 decrease in engineering supplies and components used by the sales and marketing staff and a \$113,522 decrease in tradeshow expenses,

*General and Administrative Expenses.* General and administrative costs for the nine months ended September 30, 2020 and 2019 were \$7,240,925 and \$8,007,548, respectively. The decrease of \$766,623 is primarily due to a \$849,438 decrease in compensation, consisting of a \$712,258 decrease in stock-based compensation due to certain equity awards reaching full expense amortization during the previous year and a \$137,179 decrease in payroll costs, a \$196,366 decrease in recruiting costs, a \$129,147 decrease in travel, meals and entertainment as a result of COVID-19 restrictions and a \$73,431 decrease in general office expenses, partially offset by a \$245,011 increase in insurance premiums, a \$149,385 increase in consulting fees and a \$135,535 increase in accounting and auditing fees.

*Cost of Services Revenue.* During the nine months ended September 30, 2020 and 2019, we recorded cost of services revenue of \$126,539 and \$0, respectively. These costs are related to our contract services performed for Dialog.

*Interest Income.* Interest income for the nine months ended September 30, 2020 was \$67,134 as compared to interest income of \$336,575 for the nine months ended September 30, 2019. The decrease of \$269,441 is primarily due to lower savings interest rates and a lower average cash balance.

*Net Loss.* As a result of the above, net loss for the nine months ended September 30, 2020 was \$24,359,239 as compared to \$29,007,691 for the nine months ended September 30, 2019.

#### ***Liquidity and Capital Resources***

During the nine months ended September 30, 2020 and 2019, we recorded revenue of \$237,350 and \$154,500, respectively. We incurred net losses of \$24,359,239 and \$29,007,691 for the nine months ended September 30, 2020 and 2019, respectively. Net cash used in operating activities was \$19,435,940 and \$20,968,817 for the nine months ended September 30, 2020 and 2019, respectively. We are currently meeting our liquidity requirements through the proceeds from securities offerings that raised net proceeds of \$23,319,156 in March 2019, \$4,557,693 during the fourth quarter 2019, \$5,506,880 during the first quarter 2020 and \$9,216,611 during the second quarter 2020, along with payments received from customers.

We believe our current cash on hand, together with anticipated revenues and funds raised from the at-the-market (“ATM”) finance offering will be sufficient to fund our operations into November 2021. Although we intend to continue our research and development activities, there can be no assurance that our available resources will be sufficient to enable us to generate revenues sufficient to sustain operations. Accordingly, we will likely pursue additional financing, which could include offerings of equity or debt securities, bank financings, commercial agreements with customers or strategic partners, and other alternatives, depending upon market conditions. There is no assurance that such financing would be available on terms that we would find acceptable, or at all.

During the nine months ended September 30, 2020, cash flows used in operating activities were \$19,435,940, consisting of a net loss of \$24,359,239, less non-cash expenses aggregating \$7,209,398 (principally stock-based compensation of \$6,318,948, amortization of operating lease right-of-use assets of \$570,460 and depreciation and amortization expense of \$286,990), an \$818,306 decrease in accrued expenses, a \$626,053 decrease in accounts payable, \$514,167 decrease in operating lease liabilities and a \$331,367 increase in prepaid expenses and other current assets.

During the nine months ended September 30, 2019, cash flows used in operating activities were \$20,968,817, consisting of a net loss of \$29,007,691, less non-cash expenses aggregating \$9,320,848 (principally stock-based compensation of \$8,069,000, depreciation and amortization expense of \$652,266 and amortization of operating lease right-of-use assets of \$599,582), a \$556,150 decrease in accounts payable, a \$494,768 decrease in operating lease liabilities and a \$174,603 decrease in accrued expenses.

During the nine months ended September 30, 2020 and 2019, cash flows used in investing activities were \$7,302 and \$183,935, respectively. The cash used in investing activities for the nine months ended September 30, 2020 consisted of the purchase of new lab equipment. The cash used in investing activities for the nine months ended September 30, 2019 primarily consisted of leasehold improvements related to the construction of a regulatory testing chamber.

During the nine months ended September 30, 2020, cash flows provided by financing activities were \$15,062,387, which consisted of \$14,723,491 in net proceeds from the sale of shares of our common stock to the public in an ATM offering and \$338,896 in proceeds from contributions to the ESPP. During the nine months ended September 30, 2019, cash flows provided by financing activities were \$23,846,291, which consisted of \$23,319,156 in net proceeds from a private offering

of shares and warrants pursuant to a shelf registration, \$466,398 in proceeds from contributions to the ESPP and \$400,103 in proceeds from the exercise of stock options, partially offset by \$339,366 in shares withheld for the payment of payroll taxes for the delivery of RSUs and PSUs.

Research and development of new technologies is, by its nature, unpredictable. Although we intend to continue our research and undertake development activities, there can be no assurance that our available resources will be sufficient to enable us to generate revenues sufficient to sustain operations.

Furthermore, since we have no committed source of financing, there can be no assurance that we will be able to raise capital as and when we need it to continue our operations.

#### ***Off Balance Sheet Transactions***

As of September 30, 2020, we did not have any off-balance sheet transactions.

#### ***Material Changes in Specified Contractual Obligations***

A table of our specified contractual obligations was provided in the *Management's Discussion and Analysis of Financial Condition and Results of Operation* of our most recent Annual Report on Form 10-K. There were no material changes outside the ordinary course of our business in the specified contractual obligations during the three months ended September 30, 2020.

#### **Item 3. Quantitative and Qualitative Disclosure About Market Risk**

There has been no material change in our exposure to market risk during the three months ended September 30, 2020. Please refer to "Quantitative and Qualitative Disclosures about Market Risk" contained in Part II, Item 7A of our Form 10-K for the year ended December 31, 2019 for a discussion of our exposure to market risk.

#### **Item 4. Controls and Procedures**

##### ***Evaluation of Disclosure Controls and Procedures***

We have established disclosure controls and procedures to ensure that material information relating to us is made known to the officers who certify our financial reports and the Board.

Based on their evaluation as of September 30, 2020, our principal executive and principal financial and accounting officers have concluded that these disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) were effective as of September 30, 2020 to provide reasonable assurance that information required to be disclosed by us in reports that we file under the Exchange Act is recorded, processed, summarized, and reported, within the time periods specified in Securities and Exchange Commission rules and forms and that information required to be disclosed by us in our reports filed or submitted under the Exchange Act is accumulated and communicated to management, including our principal executive officer and our principal financial officer, as appropriate to allow timely decisions regarding required disclosures.

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

For the quarter ended September 30, 2020, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.



## PART II – OTHER INFORMATION

### Item 1. Legal Proceedings

We are not currently a party to any pending legal proceedings that we believe will have a material adverse effect on our business or financial condition. We may, however, be subject to various claims and legal actions arising in the ordinary course of business from time to time.

### Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the factors discussed under “Risk Factors” in our annual report on Form 10-K as filed with the Securities and Exchange Commission on March 13, 2020. These factors could materially adversely affect our business, financial condition, liquidity, results of operations and capital position, and could cause our actual results to differ materially from our historical results or the results contemplated by any forward-looking statements contained in this report.

*We are subject to many risks that may harm our business, prospects, results of operations and financial condition. This discussion highlights some of the risks that might adversely affect our future operating results in material ways. We believe these are the risks and uncertainties that are the most important ones we face. We cannot be certain that we will successfully address these risks, and if we are unable to address them, our business may not grow, our stock price may suffer and you could lose the value of your investment in our company. Other risks and uncertainties that we do not currently recognize as material risks, or that are similar to risks faced by other companies in our industry, may also impair our business, prospects, results of operations and financial condition. The risks discussed below include forward-looking statements, and our actual results may differ substantially from what is in these forward-looking statements.*

#### Risks Related to Our Financial Condition

***We have no history of generating meaningful product revenue, and we may never achieve or maintain profitability.***

We have a limited operating history upon which investors may rely in evaluating our business and prospects. We have generated limited revenues to date, and as of September 30, 2020, we had an accumulated deficit of approximately \$287 million. Our ability to generate revenues and achieve profitability will depend on our ability to execute our business plan, complete the development and approval of our technology, incorporate the technology into products that customers wish to buy, and if necessary, secure additional financing. There can be no assurance that our technology will be adopted widely, that we will ever earn revenues sufficient to support our operations, or that we will ever be profitable. Furthermore, there can be no assurance that we will be able to raise capital as and when we need it to continue our operations. If we are unable to raise sufficient additional capital, we may be required to delay, reduce or severely curtail our research and development or other operations, which could have a material adverse effect on our business, operating results, financial condition, long-term prospects and ability to continue as a viable business. If we are unable to generate revenues of significant scale to cover our costs of doing business, our losses will continue and we may not achieve profitability, which could negatively impact the value of your investment in our securities.

***We will need additional financing to achieve our long-term business plans, and there is no guarantee that it will be available on acceptable terms, or at all.***

We do not have sufficient funds to fully implement our long-term business plans. It is likely that we will need to raise additional capital through new financings, even if we begin to generate meaningful commercial revenue. For example, new product development for business partners may require considerable expense in advance of substantial revenue for such products. Such financings could include equity financing, which may be dilutive to stockholders, or debt financing, which could restrict our ability to borrow from other sources. In addition, such securities may contain rights, preferences or privileges senior to those of current stockholders. As a result of economic conditions, general global economic uncertainty (including as a result of actual or perceived disruption caused by COVID-19, or other infectious diseases), political change, and other factors, we do not know whether additional capital will be available when needed, or that, if available, we will be able to obtain additional capital on reasonable terms. If we are unable to raise additional capital due to the volatile global financial markets, general economic uncertainty or other factors, we may be required to curtail development of our technology or reduce operations as a result, or to sell or dispose of assets. Any inability to raise adequate funds on commercially reasonable terms could have a material adverse effect on our business, results of operations and financial condition, including the possibility that a lack of funds could cause our business to fail and liquidate with little or no return to investors.

## **Risks Related to Our Technology and Products**

### ***We may not be able to develop all the features we seek to include in our technology.***

We have developed commercial products, as well as working prototypes, that utilize our technology. Additional features and performance specifications we seek to include in our technology have not yet been developed. For example, some customer applications may require specific combinations of cost, footprint, efficiencies and capabilities at various frequencies, charging power levels and distances. We believe our research and development efforts will yield additional functionality and capabilities over time. However, there can be no assurance that we will be successful in achieving all the features we are targeting and our inability to do so may limit the appeal of our technology to consumers.

### ***We may be unable to demonstrate the commercial feasibility of the full capability of our technology.***

We have developed both commercial products, as well as working prototypes, that use our technology at differing power levels and charging distances, but additional research and development is required to realize the potential of our technology for applications at increasing power levels and distances that can be successfully integrated into commercial products. Research and development of new technologies is, by its nature, unpredictable. We could encounter unanticipated technical problems, the inability to identify products utilizing our technology that will be in demand with customers, getting our technology designed into those products, designing new products for manufacturability, regulatory hurdles and achieving acceptable price points for final products. Although we intend to undertake development efforts with commercially reasonable diligence, there can be no assurance that our available resources will be sufficient to enable us to develop our technology to the extent needed to create future revenues to sustain our operations.

Our technology must satisfy customer expectations and be suitable for them to use in consumer applications. Any delays in developing our technology that arise from factors of this sort would aggravate our exposure to the risk of having inadequate capital to fund the research and development needed to complete development of these products. Technical problems leading to delays would cause us to incur additional expenses that would increase our operating losses. If we experience significant delays in developing our technology and products based on it for use in potential commercial applications, particularly after incurring significant expenditures, our business may fail, and you could lose the value of your investment in our company. If we fail to develop practical and economical commercial products based on our technology, our business may fail and you could lose the value of your investment in our stock.

### ***The outbreak of health epidemics, such as COVID-19, has and may further adversely affect our business, results of operations and financial condition.***

Any outbreaks of contagious diseases and other adverse public health developments in countries where we, our customers and suppliers operate could have a material and adverse effect on our business, results of operations and financial condition. For example, the outbreak of COVID-19, which was declared by the World Health Organization as a pandemic, has resulted in significant governmental measures being implemented to control the spread of the virus, including quarantines, travel restrictions, manufacturing restrictions, declarations of states of emergency, business shutdown and restrictions on the movement of employees in China, the United States and many other countries. A majority of our potential customers have a significant dependence on the Chinese manufacturing and supply chain infrastructure. We believe the outbreak of COVID-19 has delayed adoption of our technology by potential customers who temporarily shut down their workforce and supply chain based in China. In the United States, COVID-19 has resulted in travel and other restrictions in order to reduce the spread of the disease, including executive orders in California and several other state and local orders across the country, which, among other things, direct individuals to shelter at their places of residence, direct businesses and governmental agencies to cease non-essential operations at physical locations, prohibit certain non-essential gatherings, and order cessation of non-essential travel. As a result of these developments, we have implemented work-from-home policies for our employees that will likely be in place until the end of the year. The effects of state executive orders, local shelter-in-place orders, government-imposed quarantines and our work-from-home policies could negatively impact productivity, disrupt our research and development or other operations and delay the planned launch of our customers' new products that incorporate our technology, the magnitude of which will depend, in part, on the length and severity of the continuing restrictions and other limitations on our ability to conduct our business in the ordinary course. Due to the continuing developments and fluidity of this situation, the magnitude and duration of the pandemic and its impact on our operations and liquidity are still uncertain as of the date of this report.

In addition, COVID-19 has resulted and may continue to result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in a global economic downturn that could affect interest in our products or demand by potential customers. Any of these events could materially and

adversely affect our business, results of operations and financial condition. The extent of the impact will depend on future developments, which are highly uncertain and cannot be predicted.

***Expanding our business operations as we intend will impose new demands on our financial, technical, operational and management resources.***

To date we have operated primarily in the research and development phase of our business. If we are successful, we will need to expand our business operations, which will impose new demands on our financial, technical, operational and management resources. If we do not upgrade our technical, administrative, operating and financial control systems, or if unexpected expansion difficulties arise, including issues relating to our research and development activities, then retention of experienced scientists, managers and engineers could become more challenging and have a material adverse effect on our business, results of operations and financial condition.

***If products incorporating our technology are launched commercially but do not achieve widespread market acceptance, we will not be able to generate the revenue necessary to support our business.***

Market acceptance of a RF-based charging system as a preferred method for charging electronic devices will be crucial to our success. The following factors, among others, may affect the level of market acceptance of products in our industry:

- the price of products incorporating our technology relative to other products or competing technologies;
- user perceptions of the convenience, safety, efficiency and benefits of our technology;
- the effectiveness of sales and marketing efforts of our commercialization partners;
- the support and rate of acceptance of our technology and solutions with our development partners;
- press and blog coverage, social media coverage, and other publicity factors that are not within our control; and
- regulatory developments.

If we are unable to achieve or maintain market acceptance of our technology, and if related products do not win widespread market acceptance, our business will be significantly harmed.

***If products incorporating our technology are launched commercially, we may experience seasonality or other unevenness in our financial results in consumer markets or a long and variable sales cycle in enterprise markets.***

Our strategy depends on our customers developing successful commercial products using our technology and selling them into the consumer, enterprise and commercial markets. We need to understand procurement and buying cycles to be successful in licensing our technology. We anticipate it is possible that demand for our technology may vary in different segments of the consumer electronics market, such as hearing aids, wearables, toys, watches, accessories, laptops, tablet, mobile phones and gaming systems. Such consumer markets are often seasonal, with peaks in and around the December holiday season and the August-September back-to-school season. Enterprises and commercial customers may have annual or other budgeting and buying cycles that could affect us, and, particularly if we are designated as a capital improvement project, we may have a long or unpredictable sales cycle.

***Future products based on our technology may require the user to purchase additional products to use with existing devices. To the extent these additional purchases are inconvenient, the adoption of our technology under development or other future products could be slowed, which would harm our business.***

For rechargeable devices that utilize our receiver technology, the technology may be embedded in a sleeve, case or other enclosure. For example, products such as remote controls or toys equipped with replaceable AA size or other batteries would need to be outfitted with enhanced batteries and other hardware enabling the devices to be rechargeable by our system. In each case, an end user would be required to retrofit the device with a receiver and may be required to upgrade the battery technology used with the device (unless, for example, compatible battery technology and a receiver are built into the device). These additional steps and expenses may offset the convenience for users and discourage customers from licensing our technology. Such factors may inhibit adoption of our technology, which could harm our business. We have not developed an enhanced battery for use in devices with our technology, and our ability to enable use of our technology with devices that require an enhanced battery will depend on our ability to develop a commercial version of such a battery that could be manufactured at a reasonable cost. If a commercially practicable enhanced battery of this nature is not developed, our business could be harmed, and we may need to change our strategy and target markets.

***Laboratory conditions differ from field conditions, which could reduce the effectiveness of our technology under development or other future products. Failures to move from laboratory to the field effectively would harm our business.***

When used in the field, our technology may not perform as expected based on performance under controlled laboratory conditions. For example, in the case of distance charging, a laboratory configuration of transmission obstructions will be arranged for testing, but in the field receivers may be obstructed in many different and unpredictable ways. These conditions may significantly diminish the power received at the receiver or the effective range of the transmitter. The failure of products using our technology to meet the expectations of users in the field could harm our business.

***Safety concerns and legal action by private parties may affect our business.***

We believe that our technology is safe. However, it is possible that we could discover safety issues with our technology or that some people may be concerned with RF-based charging in a manner that has occurred with some other wireless technologies as they were put into residential and commercial use, such as the safety concerns that were raised by some regarding the use of cellular telephones and other devices to transmit data wirelessly in close proximity to the human body. In addition, while we believe our technology is safe, users of our technology under development or other future products who suffer medical ailments may blame the use of products incorporating our technology, as occurred with a small number of users of cellular telephones. A discovery of safety issues relating to our technology could have a material adverse effect on our business and any legal action against us claiming our technology caused harm could be expensive, divert management and adversely affect us or cause our business to fail, whether or not such legal actions were ultimately successful.

***Our industry is subject to intense competition and rapid technological change, which may result in technology that is superior to ours. If we do not keep pace with changes in the marketplace and the direction of technological innovation and customer demands, our technology and products may become less useful or obsolete and our operating results will suffer.***

The consumer electronics industry in general, and the charging segments in particular, are subject to intense competition and rapidly evolving technologies. Because products incorporating our technology are expected to have long development cycles, we must anticipate changes in the marketplace and the direction of technological innovation and customer demands. To compete successfully, we will need to demonstrate the advantages of our products and technologies over established alternatives, and other emerging methods of power delivery. Traditional wall plug-in recharging remains an inexpensive alternative to our technology. Directly competing technologies such as inductive charging, magnetic resonance charging, conductive charging, ultrasound and other yet unidentified solutions may have greater consumer acceptance than the technology we have developed. Furthermore, some competitors may have greater resources than we have and may be better established in the market than we are. We cannot be certain which other companies may have already decided to or may in the future choose to enter our markets. For example, consumer electronics products companies may invest substantial resources in wireless power or other recharging technologies and may decide to enter our target markets. Successful developments of competitors that result in new approaches for recharging could reduce the attractiveness of our products and technologies or render them obsolete.

Our future success will depend in large part on our ability to establish and maintain a competitive position in current and future technologies. Rapid technological development may render our technology or future products based on our technology obsolete. Many of our competitors have more corporate, financial, operational, sales and marketing resources than we have, as well as more experience in research and development. We cannot assure you that our competitors will not develop or market technologies that are more effective or commercially attractive than our products or that would render our technologies and products obsolete. We may not have or the financial resources, technical expertise, marketing, distribution or support capabilities to compete successfully in the future. Our success will depend in large part on our ability to maintain a competitive position with our technologies.

Our competitive position also depends on our ability to:

- generate widespread awareness, acceptance and adoption by the consumer and enterprise markets of our technology under development and future products;
- design a product that may be sold at an acceptable price point;
- develop new or enhanced technologies or features that improve the convenience, efficiency, safety or perceived safety, and productivity of our technology under development and future products;

- properly identify customer needs and deliver new products or product enhancements to address those needs;
- limit the time required from proof of feasibility to routine production;
- limit the timing and cost of regulatory approvals;
- attract and retain qualified personnel;
- protect our inventions with patents or otherwise develop proprietary products and processes; and
- secure sufficient capital resources to expand both our continued research and development, and sales and marketing efforts.

If our technology does not compete well based on these or other factors, our business could be harmed.

***Our business is subject to data security risks, including security breaches.***

We collect, process, store and transmit substantial amounts of information, including information about our customers. We take steps to protect the security and integrity of the information we collect, process, store or transmit, but there is no guarantee that inadvertent or unauthorized use or disclosure will not occur or that third parties will not gain unauthorized access to this information despite such efforts. Security breaches, computer malware, computer hacking attacks and other compromises of information security measures have become more prevalent in the business world and may occur on our systems or those of our vendors in the future. Large Internet companies and websites have from time to time disclosed sophisticated and targeted attacks on portions of their websites, and an increasing number have reported such attacks resulting in breaches of their information security. We and our third-party vendors are at risk of suffering from similar attacks and breaches. Although we take steps to maintain confidential and proprietary information on our information systems, these measures and technology may not adequately prevent security breaches and we rely on our third-party vendors to take appropriate measures to protect the security and integrity of the information on those information systems. Because techniques used to obtain unauthorized access to or to sabotage information systems change frequently and may not be known until launched against us, we may be unable to anticipate or prevent these attacks. In addition, a party who is able to illicitly obtain a customer's identification and password credentials may be able to access the customer's account and certain account data.

Any actual or suspected security breach or other compromise of our security measures or those of our third-party vendors, whether as a result of hacking efforts, denial-of-service attacks, viruses, malicious software, break-ins, phishing attacks, social engineering or otherwise, could harm our reputation and business, damage our brand and make it harder to retain existing customers or acquire new ones, require us to expend significant capital and other resources to address the breach, and result in a violation of applicable laws, regulations or other legal obligations. Our insurance policies may not be adequate to reimburse us for direct losses caused by any such security breach or indirect losses due to resulting customer attrition.

We rely on email and other messaging services to connect with our existing and potential customers. Our customers may be targeted by parties using fraudulent spoofing and phishing emails to misappropriate passwords, payment information or other personal information or to introduce viruses through Trojan horse programs or otherwise through our customers' computers, smartphones, tablets or other devices. Despite our efforts to mitigate the effectiveness of such malicious email campaigns through product improvements, spoofing and phishing may damage our brand and increase our costs. Any of these events or circumstances could materially adversely affect our business, financial condition and operating results.

***We depend upon our strategic relationship with Dialog Semiconductor, a provider of electronics products, and there can be no assurance that we will achieve the expected benefits of this relationship.***

We have entered into a strategic alliance agreement with Dialog Semiconductor, a provider of electronics products, pursuant to which we licensed our WattUp technology to Dialog and it became the exclusive provider of our technology. We intend to leverage Dialog's sales and distribution channels and its operational capabilities to accelerate market adoption of our technology, while we focus our resources on research and development of our technology. There can be no assurance that Dialog will promote our technology successfully, or that it will be successful in producing and distributing related products to our customers' specifications. Dialog may have other priorities or may encounter difficulties in its own business that interfere with the success of our relationship. If this strategic relationship does not work as we intend, then we may be required to seek an arrangement with another strategic partner, or to develop internal capabilities, which will require a commitment of management time and our

financial resources to identify a replacement strategic partner, or to develop our own production and distribution capabilities. As a result, we may be unable without undue expense to replace this agreement with one or more new strategic relationships to promote and provide our technology which could increase our costs and delay revenues.

### **Risks Related to Our Intellectual Property and Other Legal Risks**

*It is difficult and costly to protect our intellectual property and our proprietary technologies, and we may not be able to ensure their protection.*

Our success depends significantly on our ability to obtain, maintain and protect our proprietary rights to the technologies used in products incorporating our technologies. Patents and other proprietary rights provide uncertain protections, and we may be unable to protect our intellectual property. For example, we may be unsuccessful in defending our patents and other proprietary rights against third party challenges. If we do not have the resources to defend our intellectual property, the value of our intellectual property and our licensed technology will decline. In addition, some companies that integrate our technology into their products may acquire rights in the technology that limit our business or increase our costs. If we are not successful in protecting our intellectual property effectively, our financial results may be adversely affected and the price of our common stock could decline.

*We depend upon a combination of patent, trade secrets, copyright and trademark laws to protect our intellectual property and technology.*

We rely on a combination of patents, trade secrets, copyright and trademark laws, nondisclosure agreements and other contractual provisions and technical security measures to protect our intellectual property rights. These measures may not be adequate to safeguard our technology. If they do not protect our rights adequately, third parties could use our technology, and our ability to compete in the market would be reduced. Although we are attempting to obtain patent coverage for our technology where available and where we believe appropriate, there are aspects of the technology for which patent coverage may never be sought or received. We may not possess the resources to or may not choose to pursue patent protection outside the United States or any or every country other than the United States where we may eventually decide to sell our future products. Our ability to prevent others from making or selling duplicate or similar technologies will be impaired in those countries in which we would have no patent protection. Although we have patent applications on file in the United States and elsewhere, the patents might not issue, might issue only with limited coverage, or might issue and be subsequently successfully challenged by others and held invalid or unenforceable.

Similarly, even if patents are issued based on our applications or future applications, any issued patents may not provide us with any competitive advantages. Competitors may be able to design around our patents or develop products that provide outcomes comparable or superior to ours. Our patents may be held invalid or unenforceable as a result of legal challenges or claims of prior art by third parties, and others may challenge the inventorship or ownership of our patents and pending patent applications. In addition, if we secure protection in countries outside the United States, the laws of some foreign countries may not protect our intellectual property rights to the same extent as do the laws of the United States. In the event a competitor infringes upon our patent or other intellectual property rights, enforcing those rights may be difficult and time consuming. Even if successful, litigation to enforce our intellectual property rights or to defend our patents against challenge could be expensive and time consuming and could divert our management's attention. We may not have sufficient resources to enforce our intellectual property rights or to defend our patents against a challenge.

Our strategy is to deploy our technology into the market by licensing patent and other proprietary rights to third parties and customers. Disputes with our licensees may arise regarding the scope and content of these licenses. Further, our ability to expand into additional fields with our technologies may be restricted by existing licenses or licenses we may grant to third parties in the future.

The policies we use to protect our trade secrets might not be effective in preventing misappropriation of our trade secrets by others. In addition, confidentiality agreements executed by our customers, employees, consultants and advisors might not be enforceable or might not provide meaningful protection for our trade secrets or other proprietary information in the event of unauthorized use or disclosure. Litigating a trade secret claim is expensive and time consuming, and the outcome is unpredictable. Moreover, our competitors may independently develop equivalent knowledge methods and know-how. If we are unable to protect our intellectual property rights, we may be unable to prevent competitors from using our own inventions and intellectual property to compete against us, and our business may be harmed.

***Terms of our existing or new development and license agreements could limit our ability to license our technology in specific markets.***

The terms of our current development and license agreement with a tier-one consumer electronics company could limit our ability to do business in some industry verticals through December 2020, which could cause some potential customers not to choose, or delay using, our technology in their products, which could have a negative impact on our revenue opportunities and financial results.

***We may be subject to patent infringement or other intellectual property lawsuits that could be costly to defend.***

Because our industry is characterized by competing intellectual property, we may become involved in litigation based on claims that we have violated the intellectual property rights of others. Determining whether a product infringes a patent involves complex legal and factual issues, and the outcome of patent litigation actions is often uncertain. No assurance can be given that third party patents containing claims covering our products, parts of our products, technology or methods do not exist, have not been filed, or could not be filed or issued. Because of the number of patents issued and patent applications filed in our technical areas or fields (including some pertaining specifically to wireless charging technologies), our competitors or other third parties may assert that our products and technology and the methods we employ in the use of our products and technology are covered by United States or foreign patents held by them. In addition, because patent applications can take many years to issue and because publication schedules for pending applications vary by jurisdiction, there may be applications now pending which may result in issued patents that our technology under development or other future products would infringe. Also, because the claims of published patent applications can change between publication and patent grant, there may be published patent applications that may ultimately issue with claims that we infringe. There could also be existing patents that one or more of our technologies, products or parts may infringe and of which we are unaware. As the number of competitors in the market for wire-free power and alternative recharging solutions increases, and as the number of patents issued in this area grows, the possibility of patent infringement claims against us increases. Some of our competitors may be able to sustain the costs of complex patent litigation more effectively than we can because they have substantially greater resources. In addition, any uncertainties resulting from the initiation and continuation of any litigation could have a material adverse effect on our ability to raise the funds necessary to continue our operations.

If we become subject to a patent infringement or other intellectual property lawsuit and if the relevant patents or other intellectual property were upheld as valid and enforceable and we were found to infringe or violate the terms of a license to which we are a party, we could be prevented from selling any infringing products of ours unless we could obtain a license or were able to redesign the product to avoid infringement. If we were unable to obtain a license or successfully redesign, we might be prevented from selling our technology under development or other future products. If there is a determination that we have infringed the intellectual property rights of a competitor or other person, we may be required to pay damages, pay a settlement, or pay ongoing royalties, or be enjoined. In these circumstances, we may be unable to sell our products or license our technology at competitive prices or at all, and our business and operating results could be harmed.

***We could become subject to product liability claims, product recalls, and warranty claims that could be expensive, divert management's attention and harm our business.***

Our business exposes us to potential liability risks that are inherent in the marketing and sale of products used by consumers. We may be held liable if our technology causes injury or death or is found otherwise unsuitable. While we believe our technology is safe, users could allege or possibly prove defects (some of which could be alleged or proved to cause harm to users or others) because we design our technology to perform complex functions involving RF energy, possibly in close proximity to users. A product liability claim, regardless of its merit or eventual outcome, could result in significant legal defense costs. The coverage limits of our insurance policies we may choose to purchase to cover related risks may not be adequate to cover future claims. If sales of products incorporating our technology increase or we suffer future product liability claims, we may be unable to maintain product liability insurance in the future at satisfactory rates or with adequate amounts. A product liability claim, any product recalls or excessive warranty claims, whether arising from defects in design or manufacture or otherwise, could negatively affect our sales or require a change in the design or manufacturing process, any of which could harm our reputation and business, harm our relationship with licensors of our products, result in a decline in revenue and harm our business.

In addition, if a product that we or a strategic partner design is defective, whether due to design or manufacturing defects, improper use of the product or other reasons, we or our strategic partner may be required to notify regulatory authorities and/or to recall the product. A required notification to a regulatory authority or recall could result in an investigation by regulatory authorities of products incorporating our technology, which could in turn result in required recalls, restrictions on the sale of such products or other penalties. The adverse publicity

resulting from any of these actions could adversely affect the perception of our customers and potential customers. These investigations or recalls, especially if accompanied by unfavorable publicity, could result in our incurring substantial costs, losing revenues and damaging our reputation, each of which would harm our business.

***If we are not able to secure advantageous license agreements for our technology, our business and results of operations will be adversely affected.***

We pursue the licensing of our technology as a primary means of revenue generation. Creating a licensing business relationship often takes a substantial effort, as we expect to have to convince the counterparty of the efficacy of our technology, meet design and manufacturing requirements, satisfy marketing and product needs, and comply with selection, review and contracting requirements. There can be no assurance that we will be able to gain access to potential licensing partners, or that they will ultimately decide to integrate our technology with their products. We may not be able to secure license agreements with customers on advantageous terms, and the timing and volume of revenue earned from license agreements will be outside of our control. If the license agreements we enter into do not prove to be advantageous to us, our business and results of operations will be adversely affected.

#### **Risks Related to Regulation of Our Business**

***Domestic and international regulators may deny approval for our technology, and future legislative or regulatory changes may impair our business.***

Our charging technology involves power transmission using radio frequency (RF) energy, which is subject to regulation by the Federal Communications Commission in the United States and by comparable regulatory agencies worldwide. It may also be subject to regulation by other agencies. Regulatory concerns include whether human exposure to radio frequency emissions are below specified thresholds. Higher levels of exposure require separate approval. For example, transmitting more power over a certain distance or transmitting power over a greater distance may require separate regulatory approvals. In addition, we design our technology to operate in a RF band that is also used for Wi-Fi routers and other wireless consumer electronics, and we also design it to operate at different frequencies as demanded for some customer applications. Applications at different frequencies may require separate regulatory approvals. Efforts to obtain regulatory approval for devices using our technology is costly and time consuming, and there can be no assurance that requisite regulatory approvals will be forthcoming. If approvals are not obtained in a timely and cost-efficient manner, our business and operating results could be materially adversely affected. In addition, legal or regulatory developments could impose additional restrictions or costs on us that could require us to redesign our technology or future products, or that are difficult or impracticable to comply with, all of which would adversely affect our revenues and financial results.

#### **Risks Related to Personnel**

***We are subject to risks associated with our utilization of engineering consultants.***

To improve productivity and accelerate our development efforts while we build out our own engineering team, we may use experienced consultants to assist in selected development projects. We take steps to monitor and regulate the performance of these independent third parties. However, arrangements with third party service providers may make our operations vulnerable if these consultants fail to satisfy their obligations to us as a result of their performance, changes in their own operations, financial condition, or other matters outside of our control. Effective management of our consultants is important to our business and strategy. The failure of our consultants to perform as anticipated could result in substantial costs, divert management's attention from other strategic activities, or create other operational or financial problems for us. Terminating or transitioning arrangements with key consultants could result in additional costs and a risk of operational delays, potential errors and possible control issues as a result of the termination or during the transition.

***We are highly dependent on key members of our executive management team. Our inability to retain these individuals could impede our business plan and growth strategies, which could have a negative impact on our business and the value of your investment.***

Our ability to implement our business plan depends, to a critical extent, on the continued efforts and services of a very small number of key executives. If we lose the services of any of these persons, we could be required to expend significant time and money in the pursuit of replacements, which may result in a delay in the implementation of our business plan and plan of operations. If necessary, we can give no assurance that we could find satisfactory replacements for these individuals on terms that would not be unduly expensive or burdensome to us. We do not currently carry any key-person life insurance that would help us recoup our costs in the event of the death or disability of any of these executives.



***Our success and growth depend on our ability to attract, integrate and retain high-level engineering talent.***

Because of the highly specialized and complex nature of our business, our success depends on our ability to attract, hire, train, integrate and retain high-level engineering talent. Competition for such personnel is intense because we compete for talent against many large profitable companies and our inability to adequately staff our operations with highly qualified and well-trained engineers could render us less efficient and impede our ability to develop and deliver a commercial product. Such a competitive market could put upward pressure on labor costs for engineering talent. We may incur significant costs to attract and retain highly qualified talent, and we may lose new employees to our competitors or other technology companies before we realize the benefit of our investment in recruiting and training them. Volatility or lack of performance in our stock price may also affect our ability to attract and retain qualified personnel.

**Risks Related to Ownership of Our Common Stock**

***We are a “smaller reporting company,” and the reduced disclosure requirements applicable to smaller reporting companies could make our common stock less attractive to investors.***

We are a “smaller reporting company,” meaning that we are not an investment company, an asset-backed issuer, or a majority-owned subsidiary of a parent company that is not a “smaller reporting company,” and have either: (i) a public float of less than \$250 million or (ii) annual revenues of less than \$100 million during the most recently completed fiscal year and a public float of less than \$700 million. As a “smaller reporting company,” we are subject to reduced disclosure obligations in our SEC filings compared to other issuers, including with respect to disclosure obligations regarding executive compensation in our periodic reports and proxy statements. Until such time as we cease to be a “smaller reporting company,” such reduced disclosure in our SEC filings may make it harder for investors to analyze our operating results and financial prospects.

If some investors find our common stock less attractive as a result of any choices to reduce future disclosure we may make, there may be a less active trading market for our common stock and our stock price may be more volatile.

***If we are unable to maintain effective internal control over financial reporting, investors may lose confidence in the accuracy of our financial reports.***

As a public company, we are required to maintain internal control over financial reporting and to report any material weaknesses in such internal controls. Although our management has determined that our internal control over financial reporting was effective as of September 30, 2020, we cannot assure you that we will not identify any material weakness in our internal control in the future.

While we are no longer an emerging growth company and we included an attestation report on the effectiveness of our internal control over financial reporting of our independent registered public accounting firm in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019, it is possible that we will qualify as a “smaller reporting company” under new SEC rules such that an auditor attestation report will no longer be required.

If we experience a material weakness in our internal controls, we may fail to detect errors in our financial accounting, which may require a financial statement restatement or otherwise harm our operating results, cause us to fail to meet our SEC reporting obligations or Nasdaq listing requirements, adversely affect our reputation, cause our stock price to decline or result in inaccurate financial reporting or material misstatements in our annual or interim financial statements. Further, if there are material weaknesses or failures in our ability to meet any of the requirements related to the maintenance and reporting of our internal controls over financial reporting, investors may lose confidence in the accuracy and completeness of our financial reports and that could cause the price of our common stock to decline. We could become subject to investigations by Nasdaq, the SEC or other regulatory authorities, which could require additional management attention and which could adversely affect our business.

In addition, our internal control over financial reporting will not prevent or detect all errors and fraud. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud will be detected.

***You might lose all of your investment.***

Investing in our common stock involves a high degree of risk. As an investor, you might never recoup all, or even part of, your investment and you may never realize any return on your investment. You must be prepared to lose all your investment.

***Our stock price is likely to continue to be volatile.***

The market price of our common stock has fluctuated significantly since our initial public offering in 2014. Our common stock has experienced an intra-day trading high of \$4.58 per share and a low of \$0.61 per share on The Nasdaq Stock Market over the last 52 weeks, as of November 2, 2020. The price of our common stock is likely to continue to fluctuate significantly in response to many factors that are beyond our control, including:

- regulatory announcements;
- actual or anticipated variations in operating results;
- general economic conditions and perceptions of future economic growth prospectus in the economy at large, including as a result of the impact of the COVID-19 pandemic;
- the limited number of holders of our common stock;
- changes in the economic performance and/or market valuations of other technology companies;
- our announcements of significant strategic partnerships, regulatory developments and other events;
- announcements by other companies in our industry;
- articles published or rumors circulated by third parties regarding our business, technology or development partners;
- additions or departures of key personnel; and
- sales or other transactions involving our capital stock.

***We have not paid dividends in the past and have no immediate plans to pay dividends.***

We plan to reinvest all of our earnings, to the extent we have earnings, in order to market our products and technology and to cover operating costs and to otherwise become and remain competitive. We do not plan to pay any cash dividends with respect to our securities in the foreseeable future. We cannot assure you that we would, at any time, generate sufficient surplus cash that would be available for distribution to the holders of our common stock as a dividend.

***We expect to continue to incur significant costs as a result of being a public reporting company and our management will be required to devote substantial time to meet our compliance obligations.***

As a public reporting company, we incur significant legal, accounting and other expenses. We are subject to reporting requirements of the Securities Exchange Act of 1934 and rules subsequently implemented by the Securities and Exchange Commission that require us to establish and maintain effective disclosure controls and internal controls over financial reporting, as well as some specific corporate governance practices. Our management and other personnel are expected to devote a substantial amount of time to compliance initiatives associated with our public reporting company status. Those costs can be expected to increase as we emerged from emerging growth company status and will increase significantly if we no longer qualify as a smaller reporting company.

***Concentration of ownership among our existing executive officers, directors and significant stockholders may prevent new investors from influencing significant corporate decisions.***

All decisions with respect to the management of our company are made by our board of directors and our officers, who beneficially own approximately 5.4% of our common stock collectively as of October 30, 2020. As a result, these stockholders will be able to exercise a significant level of control over all matters requiring stockholder approval, including the election of directors, amendment of our certificate of incorporation and approval of significant corporate transactions. This control could have the effect of delaying or preventing a change of control of our company or changes in management and will make the approval of certain transactions difficult or impossible without the support of these stockholders.

***We may be subject to securities litigation, which is expensive and could divert management attention.***

Our stock price has fluctuated in the past, reacting to news such as our past announcements of FCC approvals and it may be volatile in the future. In the past, companies that have experienced volatility in the market price of their securities have been subject to securities class action litigation, and we may be the target of litigation of this sort in the future. Securities litigation is costly and can divert management attention from other business concerns, which could seriously harm our business and the value of your investment in our company.

***An active trading market for our common stock may not be maintained.***

Our stock is currently traded on The Nasdaq Stock Market, but we can provide no assurance that we will be able to maintain an active trading market on The Nasdaq Stock Market or any other exchange in the future, including if we no longer meet the applicable listing standards of Nasdaq. If an active market for our common stock is not maintained, or if we no longer qualify to be listed on Nasdaq, it may be difficult for our stockholders to sell or purchase shares on such a national securities exchange, or otherwise. An inactive market may also impair our ability to raise capital to continue to fund operations by selling shares and impair our ability to acquire other companies or technologies by using our shares as consideration.

***If securities or industry analysts do not publish research or reports about our business, or publish negative reports about our business, our stock price and trading volume could decline.***

The trading market for our common stock will depend in part on the research and reports that securities or industry analysts publish about us or our business. We do not have any control over these analysts. There can be no assurance that analysts will continue to cover us or provide favorable coverage. If one or more of the analysts who cover us downgrade our stock or change their opinion of our stock, our stock price would likely decline. If one or more of these analysts cease coverage of our company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which could cause our stock price or trading volume to decline.

***Our ability to use Federal net operating loss carry forwards to reduce future tax payments may be limited if our taxable income does not reach sufficient levels.***

As of December 31, 2019, we had a Federal net operating loss (“NOL”) carryforward of approximately \$169,405,000. Under the U.S. Tax Code, NOLs arising in tax years ending on or before December 31, 2017 can generally be carried forward to offset future taxable income for a period of 20 years, and NOLs arising in tax years ending after December 31, 2017 can generally be carried forward indefinitely. Our ability to use our NOLs will be dependent on our ability to generate taxable income, and the NOLs that arose in tax years ending on or before December 31, 2017 could expire before we generate sufficient taxable income to take advantage of the NOLs. As of December 31, 2019, based on our history of operating losses it is possible that a portion of our NOLs will not be fully realizable.

***Our charter documents and Delaware law may inhibit a takeover that stockholders consider favorable.***

Provisions of our certificate of incorporation and bylaws, and applicable Delaware law, may delay or discourage transactions involving an actual or potential change in control or change in our management, including transactions in which stockholders might otherwise receive a premium for their shares, or transactions that our stockholders might otherwise deem to be in their best interests. The provisions in our certificate of incorporation and bylaws:

- authorize our board of directors to issue preferred stock without stockholder approval and to designate the rights, preferences and privileges of each class; if issued, such preferred stock would increase the number of outstanding shares of our capital stock and could include terms that may deter an acquisition of us;
- limit who may call stockholder meetings;
- do not permit stockholders to act by written consent;
- do not provide for cumulative voting rights; and
- provide that all vacancies may be filled by the affirmative vote of a majority of directors then in office, even if less than a quorum.

In addition, Section 203 of the Delaware General Corporation Law may limit our ability to engage in any business combination with a person who beneficially owns 15% or more of our outstanding voting stock unless certain conditions are satisfied. This restriction lasts for a period of three years following the share acquisition. These provisions may have the effect of entrenching our management team and may deprive you of the opportunity to sell your shares to potential acquirers at a premium over prevailing prices. This potential inability to obtain a control premium could reduce the price of our common stock.

**Item 2. Sales of Unregistered Securities; Use of Proceeds**

Not applicable.

**Item 3. Defaults Upon Senior Securities**

Not applicable.

**Item 4. Mine Safety Disclosures**

Not applicable.

**Item 5. Other Information**

Not applicable.

**Item 6. Exhibits**

The exhibits required to be filed as a part of this report are listed in the Exhibit Index.

## EXHIBIT INDEX

Exhibit Number	Description
10.1	<a href="#"><u>Amendment No. 1 to At Market Issuance Sales Agreement, dated October 11, 2019, dated September 14, 2020, by and among B. Riley Securities, Inc., Roth Capital Partners, LLC and Ladenburg Thalmann &amp; Co., Inc. (incorporated by reference to Exhibit 1.3 to the Registration Statement on Form S-3 (Registration No.: 333-248832) filed on September 15, 2020)</u></a>
10.2	<a href="#"><u>Non-Employee Director Compensation Policy, as amended October 9, 2020 (filed herewith)</u></a>
31.1	<a href="#"><u>Certification of Periodic Report by Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14a (filed herewith)</u></a>
31.2	<a href="#"><u>Certification of Periodic Report by Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14a (filed herewith)</u></a>
32.1	<a href="#"><u>Certification of Periodic Report by Chief Executive Officer and Chief Financial Officer pursuant to U.S.C. Section 1350 (furnished herewith)</u></a>
101.INS	Inline XBRL Instance Document (filed herewith)
101.SCH	Inline XBRL Taxonomy Extension Schema Document (filed herewith)
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document (filed herewith)
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document (filed herewith)
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document (filed herewith)
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document (filed herewith)
104	Cover Page Interactive Data File (formatted as inline XBRL with applicable taxonomy extension information contained in Exhibits 101)

+ This certification shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) or otherwise subject to the liability of that Section, nor shall it be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended or the Exchange Act.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) 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.

**ENERGOUS CORPORATION**  
(Registrant)

Date: November 9, 2020

By: /s/ Stephen R. Rizzone  
Name: Stephen R. Rizzone  
Title: President, Chief Executive Officer and Director  
(Principal Executive Officer)

Date: November 9, 2020

By: /s/ Brian Sereda  
Name: Brian Sereda  
Title: Senior Vice President and Chief Financial Officer  
(Principal Financial and Accounting Officer)

**Energous Corporation**  
**Non-Employee Director Compensation Policy**

Members of the Board of Directors (the “Board”) of Energous Corporation (the “Company”) who are not employees of the Company or any subsidiary of the Company (“Directors”) shall be paid the following amounts in consideration for their service on the Board.

**Initial Compensation**

Upon his or her initial election to the Board (the “Appointment Date”), each Director shall receive an initial restricted stock unit (“RSU”) representing a number of shares equal to \$100,000 divided by the Fair Market Value of the Common Stock on the Appointment Date (the “Initial RSU”). The maximum number of shares subject to an Initial RSU will be limited to 50,000 shares. The Initial RSU shall vest in equal installments on the first three anniversaries of the Appointment Date.

**Annual Compensation**

**Cash Compensation**

Each Director shall be paid an annual cash retainer of \$35,000 for service as a member of the Board, and the following annual amounts for the listed categories of service on the Board. All cash compensation shall be prorated for partial years and paid quarterly in arrears.

Chairman of the Board	\$25,000
Lead Independent Director	\$25,000
Audit Committee Chair	\$20,000
Audit Committee Member	\$10,000
Compensation Committee Chair	\$15,000
Compensation Committee Member	\$5,000
Corporate Governance and Nominating Committee Chair	\$10,000
Corporate Governance and Nominating Committee Member	\$5,000

**Equity Compensation**

On the first trading day of January 2021 and each subsequent year, each Director then serving will be awarded a RSU representing a number of shares of Common Stock equal to \$50,000 divided by the Fair Market Value of the Common Stock on the grant date (each, a “Refresh RSU”). The maximum number of shares subject to each Refresh RSU will be limited to

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25,000 shares. Each Refresh RSU shall vest in full on the first anniversary of its grant date. A Refresh RSU grant will be pro-rated if the Director was appointed to the Board less than 6 months before the grant date. The pro-rate fraction is the number of days served as a Director on the grant date divided by 365. A Director who was appointed to the Board 6 months or more prior to the grant date receives the full Refresh RSU grant.

On the first trading day of 2021 and each subsequent year, the Chairman of the Board, if independent, will be awarded a RSU representing 20,000 shares of Common Stock (each, a "Chairman RSU"). A newly-appointed Chairman of the Board, if independent, will receive a Chairman RSU pro-rated for the number of days remaining in the year. On the first trading day of 2021 and each subsequent year, the Chairman Emeritus, if any and if independent, shall be awarded a RSU for 5,000 shares of Common Stock (each, a "Chairman Emeritus RSU"). Each Chairman RSU and each Chairman Emeritus RSU shall vest in full on the first anniversary of its grant date.

"Fair Market Value" of the Common Stock means, respecting any RSU, the average of the closing trading prices of the Common Stock on the principal stock exchange for such Common Stock during the 30 consecutive trading days immediately preceding the date the RSU is granted.

### **Equity Award Terms**

Capitalized terms used herein and not otherwise defined shall have the meanings given to them in the Company's 2014 Non-Employee Equity Compensation Plan (the "Plan"). All RSUs granted under this Policy shall be made under and pursuant to the Plan.

If a Director dies or there is a Change in Control prior to the vesting in full of any RSU granted under this Policy, then any unvested portion of that RSU shall immediately become vested in full. If a Director ceases to serve on the Board for any reason other than death, then the vesting of all RSUs shall cease, and any unvested portion of the initial RSU shall be forfeited, as of the date of such termination of service. The Board, in its discretion, may elect to accelerate the vesting of a Director's equity awards upon retirement of the Director.

### **Expense Reimbursement**

The Company shall reimburse Directors for all out-of-pocket expenses they incur in attending meetings of the Board or its Committees.

### **Employee Directors**

Any Company employee who serves as a member of the Board or the board of directors of a subsidiary of the Company shall receive no additional compensation for such service.

### **Section 409A**

This Policy is intended to comply with Internal Revenue Code Section 409A to the extent subject thereto, and, accordingly, to the maximum extent permitted, the Policy shall be interpreted and administered to be in compliance therewith. Any payments described in this Policy that are due within the "short-term deferral period" as defined in Internal Revenue Code Section 409A shall not be treated as deferred compensation unless applicable laws require otherwise.

As amended October 9, 2020



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

I, Stephen R. Rizzone, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Energeous Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 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(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2020

/s/ Stephen R. Rizzone

Name: Stephen R. Rizzone

Title: President, Chief Executive Officer and Director

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

I, Brian Sereda, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Energeous Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 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(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2020

/s/ Brian Sereda

Name: Brian Sereda

Title: Senior Vice President and Chief Financial Officer

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

In connection with the Quarterly Report of Energen Corporation (the "Company") on Form 10-Q for the period ended September 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Stephen R. Rizzone, President and Chief Executive Officer of the Company, and Brian Sereda, Senior Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

A signed original of this written statement required by Section 906 has been provided to Energen Corporation and will be retained by Energen Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

/s/ Stephen R. Rizzone

Name: Stephen R. Rizzone  
Title: President, Chief Executive Officer and Director  
Date: November 9, 2020

/s/ Brian Sereda

Name: Brian Sereda  
Title: Senior Vice President and Chief Financial Officer  
Date: November 9, 2020