

Edgar Filing: Resonant Inc - Form 10-Q

Resonant Inc  
Form 10-Q  
November 10, 2016  
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended September 30, 2016

or

Transition Report Pursuant Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_ .

Commission file number 001-36467

RESONANT INC.

(Exact name of registrant as specified in its charter)

Delaware 45-4320930

(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)

110 Castilian Drive, Suite 100

Goleta, California 93117

(Address of principal executive offices, zip code)

(805) 308-9803

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if smaller reporting company) Smaller reporting company

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 9, 2016, the issuer had 12,442,279 shares of common stock issued and outstanding.



Table of Contents

RESONANT INC.

TABLE OF CONTENTS

	Page No.
<u>PART I — FINANCIAL INFORMATION</u>	
<u>Item 1. Financial Statements (unaudited)</u>	
<u>Condensed Consolidated Balance Sheets</u>	<u>1</u>
<u>Condensed Consolidated Statements of Operations and Comprehensive Loss</u>	<u>2</u>
<u>Condensed Consolidated Statements of Stockholders' Equity</u>	<u>3</u>
<u>Condensed Consolidated Statements of Cash Flows</u>	<u>4</u>
<u>Notes to Condensed Consolidated Financial Statements</u>	<u>5</u>
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>20</u>
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>26</u>
<u>Item 4. Controls and Procedures</u>	<u>27</u>
<u>PART II — OTHER INFORMATION</u>	
<u>Item 1. Legal Proceedings</u>	<u>28</u>
<u>Item 1A. Risk Factors</u>	<u>28</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>29</u>
<u>Item 6. Exhibits</u>	<u>30</u>
<u>Signatures</u>	<u>31</u>

Table of Contents

## PART I: FINANCIAL INFORMATION

## Item 1. Financial Statements

## RESONANT INC.

Condensed Consolidated Balance Sheets  
(Unaudited)

	December 31, 2015	September 30, 2016
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2,501,000	\$ 2,719,000
Accounts receivable	—	53,000
Prepaid expenses and other current assets	138,000	171,000
Investments held-to-maturity	3,006,000	10,002,000
<b>TOTAL CURRENT ASSETS</b>	<b>5,645,000</b>	<b>12,945,000</b>
<b>PROPERTY AND EQUIPMENT</b>		
Property and equipment, gross	1,664,000	2,062,000
Less: Accumulated depreciation and amortization	(672,000 )	(1,114,000 )
<b>PROPERTY AND EQUIPMENT, NET</b>	<b>992,000</b>	<b>948,000</b>
<b>OTHER NONCURRENT ASSETS</b>		
Patents and domain names, net	815,000	1,032,000
Restricted cash	100,000	100,000
Goodwill	—	836,000
Intangible assets, net	—	148,000
Other assets	15,000	15,000
<b>TOTAL OTHER NONCURRENT ASSETS</b>	<b>930,000</b>	<b>2,131,000</b>
<b>TOTAL ASSETS</b>	<b>\$ 7,567,000</b>	<b>\$ 16,024,000</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 518,000	\$ 814,000
Accrued expenses	60,000	312,000
Accrued salaries and payroll related expenses	467,000	384,000
Deferred revenue	—	235,000
Deferred rent, current portion	34,000	28,000
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,079,000</b>	<b>1,773,000</b>
<b>LONG-TERM LIABILITIES</b>		
Deferred rent	20,000	—
<b>TOTAL LIABILITIES</b>	<b>1,099,000</b>	<b>1,773,000</b>
Commitments and contingencies (Note 8)	0	0
<b>STOCKHOLDERS' EQUITY</b>		

Edgar Filing: Resonant Inc - Form 10-Q

Common stock, \$0.001 par value, 47,000,000 authorized and 7,241,949 outstanding as of December 31, 2015, and 12,329,114 outstanding as of September 30, 2016	7,000	12,000
Preferred stock, \$0.001 par value, 3,000,000 authorized and none outstanding as of December 31, 2015 and September 30, 2016	—	—
Additional paid-in capital	37,373,000	55,193,000
Accumulated other comprehensive income	—	(1,000 )
Accumulated deficit	(30,912,000 )	(40,953,000 )
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>6,468,000</b>	<b>14,251,000</b>
 <b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	 <b>\$ 7,567,000</b>	 <b>\$ 16,024,000</b>

See Accompanying Notes to Condensed Consolidated Financial Statements

Table of Contents

## RESONANT INC.

Condensed Consolidated Statements of Operations and Comprehensive Loss  
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2016	2015	2016
REVENUES	\$—	\$25,000	\$—	\$115,000
OPERATING EXPENSES				
Research and development	1,167,000	1,459,000	3,258,000	3,978,000
General and administrative	1,584,000	2,346,000	3,654,000	5,685,000
Depreciation and amortization	127,000	201,000	354,000	502,000
TOTAL OPERATING EXPENSES	2,878,000	4,006,000	7,266,000	10,165,000
OPERATING LOSS	(2,878,000 )	(3,981,000 )	(7,266,000 )	(10,050,000 )
OTHER INCOME				
Interest and investment income	7,000	4,000	23,000	10,000
TOTAL OTHER INCOME	7,000	4,000	23,000	10,000
LOSS BEFORE PROVISION FOR INCOME TAXES	(2,871,000 )	(3,977,000 )	(7,243,000 )	(10,040,000 )
Provision for income taxes	—	—	(1,000 )	(1,000 )
NET LOSS	\$(2,871,000)	\$(3,977,000)	\$(7,244,000)	\$(10,041,000)
Foreign currency translation adjustment, net of tax		\$(1,000 )		\$(1,000 )
COMPREHENSIVE LOSS	\$(2,871,000)	\$(3,978,000)	\$(7,244,000)	\$(10,042,000)
NET LOSS PER SHARE - BASIC AND DILUTED	\$(0.40 )	\$(0.39 )	\$(1.01 )	\$(1.14 )
Weighted average shares outstanding — basic and diluted	7,179,178	10,095,395	7,139,657	8,772,582

See Accompanying Notes to Condensed Consolidated Financial Statements

Table of Contents

RESONANT INC.  
Condensed Consolidated Statements of Stockholders' Equity  
For The Nine Months Ended September 30, 2016  
(Unaudited)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Stockholders' Equity
	Shares	Amount				
Balance, December 31, 2015	7,241,949	\$7,000	\$37,373,000	\$(30,912,000)	\$ —	\$6,468,000
Issuance of common stock for compensation	222,043	—	—	—	—	—
Stock issued to consultants for services	8,549	—	17,000	—	—	17,000
Stock-based compensation	—	—	1,465,000	—	—	1,465,000
Sales of common stock, net of offering costs	4,711,880	5,000	15,793,000	—	—	15,798,000
Issuance of common stock in the acquisition of business assets	125,000	—	545,000	—	—	545,000
Exercise of warrants, cashless	19,693	—	—	—	—	—
Net loss	—	—	—	(10,041,000 )	—	(10,041,000 )
Other comprehensive income	—	—	—	—	(1,000 )	(1,000 )
Balance, September 30, 2016	12,329,114	\$12,000	\$55,193,000	\$(40,953,000)	\$ (1,000 )	\$14,251,000

See Accompanying Notes to Condensed Consolidated Financial Statements

Table of Contents

RESONANT INC.  
Condensed Consolidated Statements of Cash Flows  
(Unaudited)

	Nine Months Ended September 30,	
	2015	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Loss	\$(7,244,000)	\$(10,041,000)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	354,000	502,000
Stock-based compensation	1,297,000	1,350,000
Non-cash investment income	(16,000)	(2,000)
Non-cash patent write-off	—	14,000
Changes in assets and liabilities:		
Accounts receivable	—	(16,000)
Prepays and other current assets	(10,000)	(18,000)
Accounts payable	160,000	274,000
Accrued expenses	(96,000)	123,000
Accrued salaries and payroll related expenses	417,000	49,000
Deferred revenue	—	208,000
Deferred rent	(27,000)	(26,000)
Net cash used in operating activities	(5,165,000)	(7,583,000)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(377,000)	(375,000)
Expenditures for patents and domain names	(266,000)	(176,000)
Payment for acquisition of business assets, net of acquired cash	—	(452,000)
Purchase of restricted cash investment	(100,000)	—
Redemption of investments held-to-maturity	13,000,000	5,255,000
Purchase of investments held-to-maturity	(9,989,000)	(12,249,000)
Net cash provided by (used in) investing activities	2,268,000	(7,997,000)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net proceeds from the sale of common stock from private placement offering	—	5,177,000
Net proceeds from the sale of common stock from underwritten public offering	—	10,621,000
Payment of tax withholdings on net issuance of common stock for compensation	(45,000)	—
Net cash provided by (used in) financing activities	(45,000)	15,798,000
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(2,942,000)</b>	<b>218,000</b>
<b>CASH AND CASH EQUIVALENTS — Beginning of period</b>	<b>5,803,000</b>	<b>2,501,000</b>
<b>CASH AND CASH EQUIVALENTS — End of period</b>	<b>\$2,861,000</b>	<b>\$2,719,000</b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest	\$—	\$—
Taxes Paid	\$1,000	\$1,000
<b>SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITIES</b>		
Issuance of common stock in settlement of liability	\$—	\$110,000
Issuance of common stock in the acquisition of business assets	\$—	\$545,000
Accrued consideration for acquisition of business assets	\$—	\$61,000



See Accompanying Notes to Condensed Consolidated Financial Statements

4

---

Table of Contents

RESONANT INC.

Notes to Condensed Consolidated Financial Statements

NOTE 1—ORGANIZATION AND DESCRIPTION OF BUSINESS

Overview

Resonant Inc. is a late-stage development company located in Goleta, California. We were incorporated in Delaware in January 2012 as a wholly owned subsidiary of Superconductor Technologies Inc., or STI, but had not conducted any operations through June 16, 2013. Resonant LLC, a limited liability company, was formed in California in May 2012. We commenced business on July 6, 2012 with initial contributions from our founders and STI. We changed our form of ownership from a limited liability company to a corporation in an exchange transaction in June 2013. We are the successor of Resonant LLC. We completed our initial public offering, or IPO, on May 29, 2014. We acquired all of the issued and outstanding capital stock of GVR Trade S.A, or GVR, on July 6, 2016. GVR is a wholly owned subsidiary of Resonant Inc. The condensed consolidated statements of operations presented in our condensed consolidated financial statements represent the activities of Resonant Inc. for the three and nine months ended September 30, 2015 and September 30, 2016. The condensed consolidated balance sheets presented in the consolidated financial statements represent the activities of Resonant Inc. as of December 31, 2015 and September 30, 2016.

We are creating an innovative software, intellectual property, or IP, and services platform that we believe has the ability to increase designer efficiency, reduce the time to market and lower unit costs in the design of filters for radio frequency, or RF, front-ends for the mobile device industry. The RF front-end, or RFFE, is the circuitry in a mobile device responsible for analog signal processing and is located between the device's antenna and its digital baseband. The platform we are developing is based on fundamentally new technology that we call Infinite Synthesized Networks®, or ISN®, to configure and connect resonators, the building blocks of RF filters. Filters are a critical component of the RF front-end used to select desired radio frequency signals and reject unwanted signals. Our ISN® platform allows us to develop unique, custom designs that address the increasing complexity of the RFFE due to carrier aggregation, or CA, by both reducing the size of the filter and improving performance. Our goal is to utilize our ISN® platform to support our customers in reducing their time to develop complex filter designs, to access new classes of filter designs, and to do it more cost effectively.

We are validating and commercializing our technology through the creation of filter designs that address the problems in the high growth RFFE industry created by the growing number of frequency bands in mobile devices. We are developing a series of single-band surface acoustic wave, or SAW, filter designs for frequency bands presently dominated by larger and more expensive bulk acoustic wave, or BAW, filters. We are also developing multiplexer filter designs for two or more bands to address the CA requirements of our customers. Finally, we are developing unique filter designs, enabled by ISN®, to replace multiple filters and associated componentry for many bands, with higher performance. Our design development agreements with our customers generally include up-front payments to assist in covering a portion of the development costs of the designs, as well as additional milestone payments upon completion of the design. In order to succeed, we must convince our customers that our filter designs can significantly reduce the size and cost of their products.

As part of our plans to further expand our IP portfolio of licensable solutions, we continue to optimize the performance of our reconfigurable filter that supports two bands, and we are also continuing development of a filter reconfigurable between three bands. We currently have over 100 patents issued or pending.

We believe licensing our solutions is the most direct and effective means of delivering our solutions to the market. Our target customers make part or all of the RF front-end. We intend to retain ownership of our solutions, and we expect to be compensated through license fees and royalties based on sales of RF front-end filters that incorporate our solutions. We currently do not intend to manufacture or sell any physical products. In addition, we are exploring the possibility of licensing portions of our ISN® suite to designers and manufacturers of RF products in the mobile industry.

### Capital Resources and Liquidity

We have earned minimal revenues since inception, and our operations have been funded with initial capital contributions and proceeds from the sale of equity securities and debt. At December 31, 2015 and September 30, 2016, we had incurred accumulated losses of \$30.9 million and \$41.0 million, respectively, and we had cash and cash equivalents of \$2.5 million and \$2.7 million, respectively. Additionally, as of December 31, 2015 and September 30, 2016, we had \$3.0 million and \$10.0 million dollars in short-term investments, respectively. Our losses are primarily the result of research and development costs associated with commercializing our technology, combined with start-up, financing and public company

Table of Contents

costs. We expect to continue to incur substantial costs for commercialization of our technology on a continuous basis because our business model involves developing and licensing custom filter designs.

Our condensed consolidated financial statements account for the continuation of our business as a going concern. We are subject to the risks and uncertainties associated with a new business. Our principal source of liquidity as of September 30, 2016 consists of existing cash and cash equivalents and investment balances of \$12.7 million. In the third quarter of 2016, we used approximately \$2.7 million in cash for operations, excluding capital expenditures and senior executive transition costs. Due to these conditions, substantial doubt exists as to our ability to continue as a going concern. We believe our current resources will provide sufficient funding for planned operations through the end of 2017. If necessary, we will seek to raise additional capital from the sale of equity securities or the incurrence of indebtedness to allow us to continue operations beyond 2017. There can be no assurance that additional financing will be available to us on acceptable terms, or at all. Additionally, if we issue additional equity securities to raise funds, whether to potential customers or other investors, the ownership percentage of our existing stockholders would be reduced. New investors may demand rights, preferences or privileges senior to those of existing holders of common stock. Additionally, we may be limited as to the amount of funds we can raise pursuant to SEC rules and the continued listing requirements of NASDAQ. If we cannot raise needed funds, we might be forced to make substantial reductions in our operating expenses, which could adversely affect our ability to implement our business plan and ultimately our viability as a company. These condensed consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or amounts and classification of liabilities that might result from this uncertainty.

We have a Form S-3 universal shelf registration statement on file with the SEC. The universal shelf registration statement on Form S-3 permits us to sell, in one or more public offerings, shares of our common stock, shares of preferred stock or debt securities, or any combination of such securities and warrants to purchase securities, for proceeds in an aggregate amount of up to \$35.0 million, subject to limitations on the amount of securities we may sell in any twelve month period. As of September 30, 2016, we have raised a total of \$11.5 million of gross proceeds from the sale of 2,715,000 shares of our common stock, leaving approximately \$23.5 million of securities available for the issuance pursuant to the Form S-3. The Form S-3 will expire in May 2019.

The accompanying condensed consolidated financial statements at September 30, 2016 and for the three and nine months ended September 30, 2015 and 2016 are unaudited, but include all adjustments, consisting of normal recurring entries, that management believes to be necessary for a fair presentation of the periods presented. Prior period figures have been reclassified, wherever necessary, to conform to current presentation. Interim results are not necessarily indicative of results for a full year. Balance sheet amounts as of December 31, 2015 have been derived from our audited consolidated financial statements as of that date.

The condensed consolidated financial statements included herein have been prepared by us pursuant to the rules and regulations of the SEC. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America, or U.S. GAAP, have been condensed or omitted pursuant to such rules and regulations. The financial statements should be read in conjunction with our audited consolidated financial statements contained in our Annual Report on Form 10-K for the year ended December 31, 2015. Our operating results will fluctuate for the foreseeable future. Therefore, period-to-period comparisons should not be relied upon as predictive of the results in future periods.

**NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation and Use of Estimates**—The accompanying condensed financial statements have been prepared in accordance with U.S. GAAP. In the opinion of management, all adjustments (consisting of normal accruals) considered for a fair presentation have been included. Significant estimates made in preparing these financial

statements include (a) assumptions to calculate the fair values of financial instruments, derivatives, warrants and equity instruments and other liabilities and the deferred tax asset valuation allowance and (b) the useful lives for depreciable and amortizable assets. Actual results could differ from those estimates. In the opinion of management, all adjustments, including normal recurring accruals considered necessary for a fair presentation, have been included.

Reclassifications—Certain amounts in the condensed consolidated statement of operations for the three and nine months ended September 30, 2015 have been reclassified to conform to the current year presentation.

Restricted Cash—Restricted cash at December 31, 2015 and September 30, 2016 represents cash held within a certificate of deposit with a financial institution, which serves as collateral for our corporate credit cards. The restriction on the cash will lapse in conjunction with the expiration of the use of the corporate credit cards.

Table of Contents

Investments—Securities held-to-maturity: Management determines the appropriate classification of debt securities at the time of purchase and reevaluates such designation as of each balance sheet date. Investment/Debt securities are classified as held-to-maturity when we have the positive intent and ability to hold the securities to maturity. Held-to-maturity securities are stated at amortized cost, adjusted for amortization of premiums and accretion of discounts to maturity computed under the effective interest method. Such amortization is included in investment income. Interest on securities classified as held-to-maturity is included in investment income.

With respect to debt securities, when the fair value of a debt security classified as held-to-maturity or available for sale is less than its amortized cost, management assesses whether or not: (i) we have the intent to sell the security or (ii) it is more likely than not that we will be required to sell the security before its anticipated recovery. If either of these conditions is met, we must recognize an other-than-temporary impairment for the difference between the debt security's amortized cost basis and its fair value, and includes such amounts in net securities gains (losses).

For debt securities that do not meet the above criteria and are not expected to be recovered at the amortized cost basis, the security is considered other-than-temporarily impaired. For these debt securities, we separate the total impairment into the credit loss component and the amount of the loss related to other factors. In order to determine the amount of the credit loss for a debt security, we calculate the recovery value by performing a discounted cash flow analysis based on the current cash flows and future cash flows management expects to recover. The discount rate is the effective interest rate implicit in the underlying debt security. The amount of the total other-than-temporary impairment related to credit loss is recognized in earnings and is included in net securities gains (losses). The amount of the total other-than-temporary impairment related to other factors is recognized in other comprehensive income. For debt securities that have recognized as other-than-temporary impairment through earnings, if through subsequent evaluation there is a significant increase in the cash flow expected, the difference between the amortized cost basis and the cash flows expected to be collected is accreted as interest income.

From January through September 2016, we invested in commercial papers and certificates of deposit that we have classified as held-to-maturity as we currently meet the criteria for this investment classification. As of September 30, 2016 the amortized cost value and fair value are \$10.0 million with zero unrealized gain or loss. The commercial papers, totaling \$6.0 million, mature as follows: \$2.0 million in December 2016; \$3.0 million in January 2017; and \$1.0 million in February 2017. The remaining \$4.0 million in held-to-maturity investments are in federally insured certificates of deposit that mature in increments of approximately \$250,000 from October, 2016 through March, 2017. We have not recognized an other-than-temporary impairment gain or loss or a comprehensive gain or loss to-date. We recorded investment income of \$7,000 and \$4,000 for the three months ended September 30, 2015 and 2016, respectively, and we recorded investment income of \$23,000 and \$10,000 for the nine months ended September 30, 2015 and 2016, respectively, associated with investments.

Fair Value of Financial Instruments—We measure certain financial assets and liabilities at fair value based on the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. The carrying amounts of our financial instruments, including cash equivalents, accounts payable, and accrued liabilities, approximate fair value due to their short maturities.

Cash and Cash Equivalents—We consider all liquid instruments purchased with a maturity of three months or less to be cash equivalents.

Concentration of Credit Risk—We maintain checking accounts at one U.S. financial institution. The U.S. bank accounts are insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000 per account owner. GVR Trade S.A., our wholly owned Swiss-based subsidiary maintains checking accounts at one major national financial

institution. Management believes we are not exposed to significant credit risk due to the financial position of the depository institutions in which our deposits are held.

**Property and Equipment**—Property and equipment consists of leasehold improvements associated with our new corporate office, software purchased during the normal course of business, computer equipment and office furniture and fixtures, all of which are recorded at cost. Depreciation and amortization is recorded using the straight-line method over the respective useful lives of the assets ranging from three to five years. Leasehold improvements are amortized over the lease term. Long-lived assets, including software are reviewed for impairment whenever events or circumstances indicate that the carrying amount of these assets may not be recoverable.

**Business Combinations**—We record business combinations using the acquisition method of accounting and, accordingly, allocate the fair value of purchase consideration to the assets acquired and liabilities assumed based on their fair

## Table of Contents

values at the acquisition date. The excess of the fair value of the purchase consideration over the fair value of the assets acquired and liabilities assumed is recorded as goodwill. The results of operations of the business acquired are included in our consolidated results of operations beginning on the date of acquisition.

**Intangible Assets Subject to Amortization**—At December 31, 2015 and September 30, 2016, intangible assets subject to amortization include patents, customer lists, trademarks and a domain name purchased for use in operations.

Intangible assets are reviewed for impairment whenever events or circumstances indicate that the carrying amount of these assets may not be recoverable.

**Goodwill**—At September 30, 2016, goodwill represents the difference between the price paid to acquire GVR Trade S.A. and the fair value of the assets acquired, net of assumed liabilities. Goodwill is reviewed for impairment annually and whenever events or circumstances indicate that the carrying amount of these assets may not be recoverable.

**Revenue Recognition**—Revenue consists primarily of fees received in connection with filter design projects with customers. Contracts may involve upfront non-refundable fees, intended to support our initial engineering product development efforts, as well as milestone payments based upon the successful completion of certain deliverables. In relation to the upfront non-refundable fees, we recognize revenue in accordance with the Financial Accounting Standards Board, or FASB, Accounting Standards Codification, or ASC, Topic 605, Revenue Recognition. We recognize revenue as the services are performed over the initial engineering filter design development period and when all of the following criteria have been met: persuasive evidence of an arrangement exists, services have been rendered, collection of the revenue is reasonably assured, and the fees are fixed or determinable. We record the expenses related to these projects, generally included in research and development expense, in the periods incurred.

In addition to the upfront non-refundable payments, the filter design projects include certain milestone payments upon successful filter design or a design stage completion. These filter design projects are associated with complex technology development, and as such we do not have certainty about our ability to achieve the program milestones. Achievement of the milestone is generally dependent on the filter design specifications and the milestone typically needs to be accepted by the customer. The payment associated with achieving the milestone is generally commensurate with our effort or the value of the deliverable and is generally non-refundable. We record revenue associated with the milestone payments in accordance with ASC, Topic 605-28 Milestone Method whereby we record revenue upon successful completion of the related milestone and when collection of the revenue is reasonably assured. We record the expenses related to these projects, generally included in research and development expense, in the periods incurred.

During the three and nine months ended September 30, 2016, we recorded revenue of \$25,000 and \$115,000, respectively, related to the development of filter designs. As of September 30, 2016, we have recorded \$235,000 in deferred revenue related primarily to our filter design development projects, which are expected to be recognized by June 30, 2017.

**Research and Development**—Costs and expenses that can be clearly identified as research and development are charged to expense as incurred in accordance with ASC, Topic 730-10, Research and Development.

**Stock-Based Compensation**—We account for employee stock options in accordance with ASC Topic 718, Compensation-Stock Compensation. For stock options issued to employees and directors we use the Black-Scholes option valuation model for estimating fair value at the date of grant. For stock options issued for services rendered by non-employees, we recognize compensation expense in accordance with the requirements of ASC Topic 505-50, Equity, or ASC 505-50, as amended. Non-employee option grants that do not vest immediately upon grant are recorded as an expense over the vesting period. At the end of each financial reporting period prior to performance, the value of these options, as calculated using the Black-Scholes option valuation model, is determined, and compensation



expense recognized or recovered during the period is adjusted accordingly. Since the fair market value of options granted to non-employees is subject to change in the future, the amount of the future compensation expense is subject to adjustment until the common stock options or warrants are fully vested.

We account for restricted stock units issued to employees at fair value, based on the market price of our stock on the date of grant, net of estimated forfeitures. Compensation expense is recognized for the portion of the award that is ultimately expected to vest over the period during which the recipient renders the required services to the Company generally using the straight-line single option method. The fair value of non-employee restricted stock units awarded are remeasured as the awards vest, and the resulting increase or decrease in fair value, if any, is recognized as an increase or decrease to compensation expense in the period the related services are rendered.

Table of Contents

Stock-based compensation expense is included in research and development expenses and general and administrative expenses.

Earnings Per Share, or EPS—EPS is computed in accordance with ASC Topic 260, Earnings per Share, and is calculated using the weighted average number of common shares outstanding during each period. Diluted EPS assumes the conversion, exercise or issuance of all potential common stock equivalents unless the effect is to reduce a loss or increase the income per share. Potential common shares consist of the incremental common shares issuable upon the exercise of stock options (using the treasury stock method), the exercise and/or conversion of our convertible notes and warrants (using the if-converted method).

The following table presents the number of shares excluded from the calculation of diluted net loss per share attributable to common stockholders for the periods below:

	Nine Months Ended	
	September 30,	
	2015	2016
Common stock warrants	804,463	3,017,159
Common stock options	566,300	753,114
Total shares excluded from net loss per share attributable to common stockholders	1,370,763	3,770,273

Income Taxes—We account for income taxes in accordance with ASC Topic 740, Income Taxes, or ASC 740, which requires the recognition of deferred tax assets and liabilities for the future consequences of events that have been recognized in our condensed consolidated financial statements or tax returns. The measurement of the deferred items is based on enacted tax laws. In the event the future consequences of differences between financial reporting bases and the tax bases of our assets and liabilities result in a deferred tax asset, ASC 740 requires an evaluation of the probability of being able to realize the future benefits indicated by such asset. A valuation allowance related to a deferred tax asset is recorded when it is more likely than not that some portion or the entire deferred tax asset will not be realized. As part of the process of preparing our consolidated financial statements, we are required to estimate our income tax expense in each of the jurisdictions in which we operate. We also assess temporary differences resulting from differing treatment of items for tax and accounting differences. We record a valuation allowance to reduce the deferred tax assets to the amount of future tax benefit that is more likely than not to be realized. For the period when we were organized as a limited liability company, we were treated as a partnership for federal and state income tax purposes under the entity classification domestic default rules. As of December 31, 2015 and September 30, 2016, no liability for unrecognized tax benefits was required to be reported. We recognize interest and penalties related to income tax matters in income taxes, and there were none for the three and nine months ended September 30, 2015 and September 30, 2016, respectively.

We have filed, or are in the process of filing, tax returns that are subject to audit by the respective tax authorities. Although the ultimate outcome would be unknown, we believe that any adjustments that may result from tax return audits are not likely to have a material, adverse effect on our condensed consolidated results of operations, financial position or cash flows.

Foreign Currency Remeasurement—The Swiss Franc has been determined to be the functional currency for the net assets of our Swiss-based subsidiary. We translate the assets and liabilities to U.S. dollars at each reporting period using exchange rates in effect at the balance sheet date. The effects of foreign currency translation are included in other comprehensive income.

## Recent Accounting Pronouncements

Presentation of Financial Statements—Going Concern - In August 2014, the FASB, issued Accounting Standards Update, or ASU, No. 2014-15, Presentation of Financial Statements - Going Concern (Subtopic 205-40):Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern. ASU 2014-15 is intended to define management’s responsibility to evaluate whether there is substantial doubt about an organization's ability to continue as a going concern and to provide related footnote disclosures. The amendment is effective for annual periods ending after December 15, 2016, and interim periods within annual periods beginning after December 15, 2016. Early application is permitted for annual or interim reporting periods for which the financial statements have not previously been issued. We are establishing guidelines as detailed in the ASU and expect that implementation will not have a significant impact on information currently disclosed. We plan to adopt the ASU once it becomes effective.

Table of Contents

Revenue from Contracts with Customers—In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606). The new revenue recognition standard provides a five-step analysis of transactions to determine when and how revenue is recognized. The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In August 2015, the FASB issued ASU No. 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date, which defers the effective date of ASU No. 2014-09 for all entities by one year to annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. This ASU shall be applied either retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. Early adoption is permitted but not before the annual periods beginning after December 15, 2016, including interim periods within that reporting period. In March 2016, the FASB issued ASU No. 2016-08, Revenue from Contracts with Customers (Topic 606), Principal versus Agent Considerations (Reporting Revenue Gross versus Net). This ASU provides further guidance surrounding the recognition of revenue as well as guidance involving principal versus agent considerations. The effective date of this ASU is the same as ASU 2014-09. In April 2016, the FASB issued ASU No. 2016-10, Revenue from Contracts with Customers (Topic 606), Identifying Performance Obligations and Licensing. This amendment provides clarification surrounding the identification of performance obligations and offers licensing implementation guidance. The effective date of this ASU is the same as ASU 2014-09. In May 2016, the FASB issued ASU No. 2016-12, Revenue from Contracts with Customers (Topic 606), Narrow-Scope Improvements and Practical Expedients, which provides further guidance surrounding certain aspects of ASU 2014-09. The effective date of this ASU is the same as ASU 2014-09. We have not yet selected a transition method, nor have we determined the effect of ASU 2014-09 on our financial position, results of operations, cash flows, or presentation thereof. However, we continue to monitor our contracts with customers as related to the ASU as we believe they will be impacted by the revenue guidance.

Leases—In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), a comprehensive new leases standard that amends various aspects of existing accounting guidance for leases. It will require recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The main difference between previous U.S. GAAP and the amended standard is the recognition of lease assets and lease liabilities by lessees on the balance sheet for those leases classified as operating leases under previous U.S. GAAP. The accounting applied by a lessor is largely unchanged from that applied under previous U.S. GAAP. As a result, we will have to recognize a liability to make lease payments (the lease liability) and a right-of-use asset representing our right to use the underlying asset for the lease term on the balance sheet. The guidance is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted. We are currently evaluating the effects of the new guidance on our consolidated financial statements and disclosures but we do not expect it to have a material impact on our consolidated financial statements.

Compensation-Stock Compensation—In March 2016, the FASB issued ASU No. 2016-09, Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-based Payment Accounting. This ASU is intended to simplify several aspects of the accounting for share-based transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. For public companies, the amendments in this update are effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Early adoption is permitted for any entity in any interim or annual period. We are evaluating the potential impact of the adoption of ASU No. 2016-09 and plan to adopt once it becomes effective.

## NOTE 3—ACQUISITION OF GVR TRADE S.A.

On July 6, 2016, we acquired from Dr. Victor Plessky all of the issued and outstanding capital stock of GVR Trade S.A., for a purchase price consisting of \$661,000 in cash and 125,000 shares of our common stock with a fair value of \$545,000, based on a per share price of \$4.36 as of the date of acquisition, for a total purchase price of approximately \$1.2 million. We incurred approximately \$80,000 of acquisition related expenses which are included in general and

administrative expenses for the three and nine months ended September 30, 2016. GVR is now a wholly owned direct subsidiary of Resonant.

Table of Contents

The fair value estimates for the assets acquired and liabilities assumed were based upon preliminary calculations and valuations which are subject to change as we obtain additional information during the measurement period (up to one year from the acquisition date). The purchase price was preliminarily allocated based on the fair values of assets and liabilities as follows:

Assets acquired	
Cash and cash equivalents	\$ 148,000
Other current assets	52,000
Property and equipment	23,000
Intangible assets	
Customer relationships	143,000
Developed technology	88,000
Trademarks and other	31,000
Total assets acquired	\$485,000
Liabilities assumed	
Current liabilities	\$(88,000 )
Deferred revenue, current	(27,000 )
Total liabilities assumed	\$(115,000)
Net value of assets acquired and liabilities assumed	370,000
Total purchase price	1,206,000
Excess of purchase price over fair value of assets acquired and liabilities assumed - recorded as Goodwill	\$836,000

For book purposes we review goodwill for impairment annually and whenever events or circumstances indicate that the carrying amount of the assets may not be recoverable. For income tax purposes we amortize the value of goodwill on a straight-line basis over 15 years.

The acquisition was not material to our condensed consolidated financial statements and we have included the financial results of the business acquisition in our condensed consolidated financial statements from the date of acquisition. Our condensed consolidated statements of operations include \$108,000 of expenses of GVR for the three and nine months ended September 30, 2016, which includes \$33,000 of depreciation and amortization expenses and \$75,000 of research and development expenses. Pro forma historical results of operations of this business acquisition during the three and nine months ended September 30, 2016 have not been presented as it is not material to our condensed consolidated statements of operations.

## NOTE 4—WARRANTS

From time to time, we have issued warrants to purchase shares of common stock. These warrants have been issued in connection with the financing transactions and consulting services. Our warrants are subject to standard anti-dilution provisions applicable to shares of our common stock.

## Investor Relations Warrants

In August 2014 and October 2014, we entered into agreements with our investor relations firm, or IR Firm, and an IR consultant to provide us with investor relations services. Pursuant to the IR Firm agreement, in addition to monthly cash compensation of \$8,500 per month, we issued to the IR Firm a 3-year consulting warrant, or IR Consulting Warrant, for the purchase of 42,000 shares of common stock that became fully vested on July 21, 2015. The IR Consulting Warrant has an exercise price of \$8.31 and expires on July 17, 2017. We estimated the fair value of the IR Consulting Warrant at issuance date to be \$119,000 using the Black-Scholes option valuation model with the

following assumptions: market price of the stock of \$6.91 per share, time to maturity of 3.0 years, volatility of 69.7%, zero expected dividend rate and risk free rate of 0.88%. In September, 2015 we amended the agreement with the IR Firm and adjusted the monthly cash compensation to \$3,000 per month. In August, 2016 we further amended the agreement with the IR Firm and adjusted the monthly cash compensation to \$5,000 per month.

Pursuant to our agreement with the IR consultant, in addition to monthly cash compensation of \$5,000 per month, we issued to the IR consultant a 4 year consulting warrant, or IR Warrant, for the purchase of 6,000 shares of common stock that

Table of Contents

vested monthly over twelve months. The IR Warrant has an exercise price of \$6.50 and expires on September 30, 2018. Since the IR Warrant vested monthly, we estimated the fair value of the IR Warrant at the date of each vesting period over the three and nine month periods ending September 30, 2015 using the Black-Scholes option valuation model with the following assumptions: market prices of the stock of \$2.98 - \$11.62 per share, time to maturity of 3.8 to 3.3 years, volatility of 60% to 81.8%, zero expected dividend rate and risk free rate range of 0.91% to 1.5%.

We recorded an increase of \$4,000 and a reduction of \$26,000 for stock-based compensation related to the IR warrants during the three and nine months ended September 30, 2015 which was included in general and administrative expense. There was no expense recorded for the three and nine months ended September 30, 2016 as the warrants had become fully vested as of December 31, 2015.

## Private Placement Warrants

In April 2016, we issued warrants to purchase 1,996,880 shares of our common stock at an exercise price of \$2.86 in connection with our private placement sale of 1,996,880 shares of common stock. The warrants are exercisable for a period commencing 6 months and ending 36 months after the closing of the financing on April 25, 2016. We also issued to the placement agents in the financing, warrants to purchase an aggregate of 99,844 shares of our common stock at an exercise price of \$2.86 for a period commencing 6 months and ending 36 months after the closing. We refer to these warrants as Private Placement Warrants. We estimated the fair value of the Private Placement Warrants at \$2.5 million using the Black-Scholes option valuation model with the following assumptions: market prices of the stock of \$2.90 per share, time to maturity of 3 years, volatility of 60%, zero expected dividend rate and risk free rate of 0.97%. The allocation of the fair value of these warrants was included in additional paid-in capital on the condensed consolidated balance sheet.

## Underwriting Warrants

In September 2016, we issued warrants to purchase 135,750 shares of our common stock at an exercise price of \$4.25 to the underwriter of our public offering of 2,715,000 shares of common stock. The warrants are exercisable for a 2 year period commencing September 9, 2017. We refer to these warrants as Underwriting Warrants - Public Offering 2016. We estimated the fair value of the Underwriting Warrants -Public Offering 2016 at \$475,000 using the Black-Scholes option valuation model with the following assumptions: market prices of the stock of \$6.54 per share, time to maturity of 3 years, volatility of 60%, zero expected dividend rate and risk free rate of 0.90%. The allocation of the fair value of these warrants was included in additional paid-in capital on the condensed consolidated balance sheet.

A roll-forward of warrant share activity from January 1, 2015 to September 30, 2015 is shown in the following table:

	Issued and Outstanding Warrants as of January 1, 2015	Warrants Issued	Warrants Exercised/ Expired	Issued and Outstanding Warrants as of September 30, 2015
Bridge Warrants	249,999	—	—	249,999
Consulting Warrants	222,222	—	(104,444 )	(1) 117,778
Financing Warrants	208,763	—	(130,577 )	(1) 78,186
Underwriting Warrants	310,500	—	—	310,500
IR Consulting Warrants	48,000	—	—	48,000
	1,039,484	—	(235,021 )	804,463



(1) During the nine months ended September 30, 2015, there were 235,021 common stock warrants that were exercised through a cashless exercise which resulted in 208,184 shares being issued.

12

---

Table of Contents

A roll-forward of warrant share activity from January 1, 2016 to September 30, 2016 is shown in the following table:

	Issued and Outstanding Warrants as of January 1, 2016	Warrants Issued	Warrants Exercised/ Expired	Issued and Outstanding Warrants as of September 30, 2016
Bridge Warrants	249,999	—	—	249,999
Consulting Warrants	117,778	—	(19,778 ) <sup>(1)</sup>	98,000
Financing Warrants	78,186	—	—	78,186
Underwriting Warrants	310,500	—	—	310,500
IR Consulting Warrants	48,000	—	—	48,000
Private Placement Warrants	—	2,096,724	—	2,096,724
Underwriting Warrants - Public Offering 2016	—	135,750	—	135,750
	804,463	2,232,474	(19,778 )	3,017,159

(1) During the nine months ended September 30, 2016, there were 19,778 common stock warrants that were exercised through cashless exercises which resulted in 19,693 shares being issued.

## NOTE 5—STOCKHOLDERS' EQUITY

## Common Stock

Pursuant to our amended and restated certificate of incorporation, we are authorized to issue 47,000,000 shares of common stock. Holders of our common stock are entitled to dividends as and when declared by the Board of Directors, subject to rights and holders of all classes of stock outstanding having priority rights to dividends. There have been no dividends declared to date. Each share of common stock is entitled to one vote.

On April 25, 2016, we completed the private placement sale of 1,996,880 units at a price of \$2.985 per unit to institutional and individual investors, which included existing investors, executives and board members. Each unit consists of one share of our common stock and one warrant to purchase one share of our common stock at an exercise price of \$2.86 for a period commencing 6 months and ending 36 months after the closing of the financing. We also issued to the placement agents in the financing, warrants to purchase an aggregate of 99,844 shares of our common stock at an exercise price of \$2.86 for a period commencing 6 months and ending 36 months after the closing. Gross proceeds were \$6.0 million with net proceeds of \$5.2 million after deducting placement agent fees and offering expenses. We registered for resale by the investors the shares of common stock, and the shares of common stock issuable upon exercise of the warrants, purchased by the investors in the financing pursuant to a registration statement that was declared effective by the SEC in May 2016.

On September 14, 2016, we completed the sale of 2,715,000 shares of common stock at a price of \$4.25 per share in an underwritten public offering. We also issued to the underwriter warrants to purchase 135,750 shares of our common stock at an exercise price of \$4.25 exercisable for a two year period commencing September 9, 2017. Gross proceeds were \$11.5 million with net proceeds of \$10.6 million after deducting underwriter fees and offering expenses. The shares were issued pursuant to a shelf registration statement that we filed with the SEC, which became effective on May 27, 2016.

We have a Form S-3 universal shelf registration statement on file with the SEC. The universal shelf registration statement on Form S-3 permits us to sell, in one or more public offerings, shares of our common stock, shares of preferred stock or debt securities, or any combination of such securities and warrants to purchase securities, for

proceeds in an aggregate amount of up to \$35.0 million, subject to limitations on the amount of securities we may sell in any twelve month period. As of September 30, 2016, we have raised a total of \$11.5 million of gross proceeds from the sale of 2,715,000 shares of our common stock, leaving approximately \$23.5 million of securities available for the issuance pursuant to the Form S-3. The Form S-3 will expire in May 2019.

#### Preferred Stock

Pursuant to our amended and restated certificate of incorporation, we are authorized to issue 3,000,000 shares of preferred stock. The Board of Directors has the authority, without action by our stockholders, to designate and issue shares of preferred stock in one or more series and to fix the rights, preferences, privileges and restrictions thereof. To-date, no preferred shares have been issued.

Table of Contents

## NOTE 6— STOCK-BASED COMPENSATION

## 2014 Omnibus Incentive Plan

In January 2014, our board of directors approved the 2014 Omnibus Incentive Plan and amended and restated the plan in March 2014. Our stockholders approved the Amended and Restated 2014 Omnibus Incentive Plan, or the 2014 Plan, in March 2014. Our 2014 Plan permits for the issuance of equity based instruments covering up to an initial total of 1,400,000 shares of common stock. In June 2016, our board of directors and stockholders approved an increase of 1,300,000 shares of common stock bringing the total shares allowed under the plan to 2,700,000.

## Option Valuation

We have computed the fair value of options granted to employees and non-employees using the Black-Scholes option valuation model. The compensation costs of non-employee arrangements are subject to re-measurement at each reporting period over the vesting terms as earned. Option forfeitures are estimated at the time of valuation and reduce expense ratably over the vesting period. This estimate will be adjusted periodically based on the extent to which actual option forfeitures differ, or are expected to differ, from the previous estimate, when it is material. The expected term used for options issued to non-employees is the contractual life and the expected term used for options issued to employees is the estimated period of time that options granted are expected to be outstanding. We have estimated the expected life of our employee stock options using the “simplified” method, whereby, the expected life equals the arithmetic average of the vesting term and the original contractual term of the option due to our lack of sufficient historical data. For consultants we use an estimated expected life of the remaining term of the stock option grant, which is initially ten years. Since our stock has not been publicly traded for a sufficiently long period of time, we are utilizing an expected volatility figure based on a review of the historical volatilities, over a period of time, equivalent to the expected life of the instrument being valued, of similarly positioned public companies within our industry. The risk-free interest rate was determined from the implied yields from U.S. Treasury zero-coupon bonds with a remaining term consistent with the expected term of the instrument being valued.

## Stock Options to Employees and Consultants

During the three and nine months ended September 30, 2015, we granted incentive stock options for the purchase of 7,500 and 77,500 shares, respectively, of our common stock to our employees. The stock options have an exercise price range of \$3.83 per share to \$12.98 per share with a term of 10 years. The stock options vest quarterly over sixteen quarters. The options granted had an aggregate grant date fair value of \$17,000 and \$384,000 for the three and nine months ended September 30, 2015, respectively, utilizing the Black-Scholes option valuation model.

During the three and nine months ended September 30, 2016, we granted incentive and non-qualified stock options for the purchase of 55,000 and 291,500 shares, respectively, of our common stock to our employees and consultants. The stock options granted during the nine month period have an exercise price range of \$1.93 per share to \$5.26 per share with a term of 10 years. The stock options vest quarterly over sixteen quarters. The stock options granted had an aggregate grant date fair value of \$166,000 and \$467,000 for the three and nine months ended September 30, 2016, respectively, utilizing the Black-Scholes option valuation model.

We estimated the fair value of stock options awarded during the nine months ended September 30, 2015 and 2016 using the Black-Scholes option valuation model. The fair values of stock options granted for the period were estimated using the following assumptions:

	Stock Option Grants Awarded During the Nine Months Ended September 30, 2015	Stock Option Grants Awarded During the Nine Months Ended September 30, 2016
Stock Price	\$3.83 to \$12.98	\$1.93 to \$5.26

Edgar Filing: Resonant Inc - Form 10-Q

Dividend Yield	0.00%	0.00%
Expected Volatility	60%	60%
Risk-free interest rate	1.44% - 1.86%	1.30% - 1.78%
Expected Life	7 years	7 years

Stock-based compensation expense related to stock options for employees was \$213,000 and \$157,000 for the three months ended September 30, 2015 and 2016, respectively, and was \$450,000 and \$420,000 for the nine months ended September 30, 2015 and 2016, respectively. We are also required to estimate forfeitures at the time of grant, and revise those

Table of Contents

estimates in subsequent periods if actual forfeitures differ from our estimates. We use historical data to estimate pre-vesting option forfeitures and record stock-based compensation expense only for those awards that are expected to vest. To the extent that actual forfeitures differ from our estimates, the difference is recorded as a cumulative adjustment in the period the estimates were revised. For the three and nine months ended September 30, 2015 we applied a forfeiture rate of zero as there had been minimal forfeitures to date. Beginning July 1, 2016, we applied a forfeiture rate of six percent which is reflected in our stock-based compensation expense related to stock options for the three and nine months ended September 30, 2016.

In August 2016, we modified certain stock options previously granted to a former executive. The modification was made in connection with the executive's termination. The modification included accelerated vesting of stock options to purchase 26,876 shares of common stock as well as an extension of the exercise period for all vested shares, including stock options to purchase 43,438 shares of common stock. As a result of the modification, additional stock compensation expense of \$48,000 was recognized for the three and nine months ended September 30, 2016.

For stock options paid in consideration of services rendered by non-employees, we recognize compensation expense in accordance with the requirements of ASC 505-50. Non-employee stock option grants that do not vest immediately upon grant are recorded as an expense over the vesting period. At the end of each financial reporting period prior to performance, the value of these stock options, as calculated using the Black-Scholes option valuation model, is determined, and compensation expense recognized or recovered during the period is adjusted accordingly. Since the fair market value of stock options granted to non-employees is subject to change in the future, the amount of the future compensation expense is subject to adjustment until the common stock options are fully vested. Stock-based compensation expense related to stock options for consultants was \$22,000 and \$10,000 for the three months ended September 30, 2015 and 2016, respectively, and was \$39,000 and \$24,000 for the nine months ended September 30, 2015 and 2016, respectively.

## Stock Option Award Activity

The following is a summary of our stock option activity during the nine months ended September 30, 2016:

	Number of Stock Options	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value	Weighted Average Remaining Life In Years
Outstanding, January 1, 2016	565,050	\$ 6.57	\$ 4.25	7.84
Granted	291,500	2.69	1.60	8.50
Exercised	—	—	—	—
Forfeited	(103,436 )	4.97	3.25	—
Outstanding, September 30, 2016	753,114	\$ 5.29	\$ 3.36	7.77

	Number of Stock Options	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value	Weighted Average Remaining Life In Years
Exercisable, January 1, 2016	302,415	\$ 6.25	\$ 4.11	7.07
Vested	140,183	5.44	3.49	5.98
Exercised	—	—	—	—
Forfeited	(56,251 )	5.87	3.87	—

Exercisable, September 30, 2016 386,347 \$ 6.01 \$ 3.92 6.61

Table of Contents

The following table presents information related to stock options outstanding and exercisable at September 30, 2016:

Exercise Price	Stock Options Outstanding	Stock Options Exercisable	
		Weighted Average Remaining Life In Years	Exercisable Number of Stock Options
\$1.93 – \$2.00	194,314	6.69	33,318
\$3.83 – \$4.35	35,000	8.85	5,939
\$5.06 – \$6.00	349,000	6.12	269,623
\$6.49 – \$7.20	60,000	7.90	30,639
\$7.54 – \$7.55	77,300	8.15	32,289
\$8.06 – \$12.98	37,500	8.35	14,539
	753,114	6.61	386,347

As of September 30, 2016, there was \$948,000 of unrecognized compensation expense related to unvested employee stock options, which is expected to be recognized over a weighted-average period of approximately 2.5 years. The aggregate intrinsic value of outstanding stock options and vested stock options as of September 30, 2016 were \$747,000 and \$124,000, respectively, which represent options whose exercise price was less than the closing fair market value of our common stock on September 30, 2016 of \$5.30 per share.

#### Restricted Stock Units Activity

We account for restricted stock units issued to employees at fair value, based on the market price of our stock on the date of grant, net of estimated forfeitures. The fair value of non-employee restricted stock units awarded are remeasured as the awards vest, and the resulting increase in fair value, if any, is recognized as expense in the period the related services are rendered. During the three and nine months ended September 30, 2015 we recorded \$215,000 and \$636,000, respectively, of stock-based compensation related to the restricted stock unit shares that had been issued to-date. During the three and nine months ended September 30, 2016, we recorded \$375,000 and \$912,000 respectively, of stock-based compensation related to restricted stock units. Shares vested during the three months ended September 30, 2015 and 2016 were 10,161 and 45,653 respectively, of which no shares, were surrendered by the employees for payment of payroll tax withholding liabilities. Shares vested during the nine months ended September 30, 2015 and 2016 were 37,080 and 222,043 respectively, of which 4,341 shares and no shares, respectively, were surrendered by the employees for payment of payroll tax withholding liabilities.

In August 2016, we modified certain restricted stock units previously granted to a former executive. The modification was made in connection with the executive's termination. The modification included accelerated vesting of 6,611 units which resulted in additional stock compensation expense of \$859 for the three and nine months ended September 30, 2016.

In August 2016, we granted 250,000 performance-based restricted stock units to an executive. The restricted stock units are subject to performance-based vesting requirements, measured quarterly, based on the average of (a) the average high daily trading price of our common stock for each trading day during the last month of the applicable calendar quarter and (b) the average low daily trading price of our common stock for each trading day during the last month of the applicable calendar quarter, each as reported by The Nasdaq Stock Market, LLC. The restricted stock units are eligible to be earned on a quarterly basis based on a linear interpolation of the applicable share price, or in the case of a liquidation event, on the day of (or in connection with) such liquidation event based on the applicable transaction price. Once earned, the restricted stock units vest 50% on the date such restricted stock units become



earned and 50% on September 30, 2019. We recognize compensation expense for restricted stock units with performance conditions using a graded vesting model, based on the probability of the performance condition being met, net of estimated pre-vesting forfeitures. The share price on the date of issuance was \$5.06 per share. For the three and nine months ended September 30, 2016, we recognized \$10,000 of stock compensation expense in connection with this award, which is included in general and administrative expenses.

A summary of restricted stock unit activity for the nine months ended September 30, 2016 is as follows:

16

---

Table of Contents

	Number of Restricted Share Units	Weighted- Average Grant-Date Fair Value
Outstanding at January 1, 2016	375,629	\$ 6.16
Granted	734,238	3.50
Vested	(222,043 )	4.47
Forfeited	(13,749 )	7.83
Outstanding at September 30, 2016	874,075	\$ 4.28

As of September 30, 2016, there was \$3.2 million of unrecognized compensation expense related to unvested employee restricted stock unit agreements which is expected to be recognized over a weighted-average period of approximately 2.5 years. For restricted stock unit awards subject to graded vesting, we recognize compensation cost on a straight-line basis over the service period for the entire award.

## Performance Awards

In 2015, we put in place a performance based bonus program which identified five specific performance objectives to be accomplished during 2015 for all employees. The awards contained a combination of service conditions and performance conditions based on the achievement of specified performance thresholds approved by the board. The performance bonus amounts were based on each individual's salary paid during the year multiplied by the bonus multiplier percentage ranging from 6.67% to 13.34% per objective plus an additional 10% bonus for non-executive employees and a multiplier percentage ranging from 16.67% to 25% per objective for executive employees. We granted 90,265 restricted stock unit awards in February 2016, of which 45,140 shares vested on the issuance date and the remaining shares vest on January 1, 2017. The number of shares granted to each employee was determined based on the performance bonus amount divided by the 10-day average stock price prior to December 31, 2015 which was \$2.68. For the three and nine months ended September 30, 2015, we recorded \$85,000 and \$281,000 of stock-based compensation in connection with the 2015 performance plan, respectively. For the three months ended September 30, 2016, we recognized stock-based compensation of \$25,000 related to the 90,265 restricted stock units granted, which is included in the restricted stock unit expense discussed under "Restricted Stock Units Activity" above. During the nine months ended September 30, 2016 we recognized stock-based compensation of \$149,000 related to the 90,265 restricted stock units granted, of which \$99,000 was recorded against the accrued liability balance at December 31, 2015, and the remainder was recognized as stock compensation expense and is included in the restricted stock unit expense discussed under "Restricted Stock Units Activity" above.

For 2016, we have put in place a performance based bonus program which identifies five specific performance objectives to be accomplished during 2016 for all employees. The awards contain a combination of service conditions and performance conditions based on the achievement of specified performance thresholds approved by the board. The performance bonus amounts will be based on each individual's salary paid during the year multiplied by the bonus multiplier percentage ranging from 6.67% to 20% per objective plus an additional 10% bonus for non-executive employees and a multiplier percentage ranging from 16.67% to 50% per objective for executive employees. Additionally, the performance bonus is subject to the achievement of certain stock price thresholds for the ten trading days ending on the last trading day of 2016. The performance bonus will be paid in the form of cash or restricted stock units which will vest in full on the tenth business day following grant. The number of shares granted to each employee will be determined based on the performance bonus amount divided by the 10-day average stock price prior December 31, 2016. The grant date is expected to be in the first quarter of 2017. We recognize stock-based compensation expense for restricted stock units with performance conditions based on the probability of the performance condition being met, net of estimated pre-vesting forfeitures. For the three and nine months ended September 30, 2016, we did not record any stock-based compensation expense related to the 2016 performance

awards as the achievement of the performance conditions was not considered probable.

#### Common Stock Issued for Services

In September 2015 we issued a total of 33,000 shares of our common stock to two consultants in exchange for business and corporate development services provided both in Asia and in the United States. We recorded \$156,000 in stock compensation expense related to these stock issuances for the three and nine months ended September 30, 2015, which represents the fair value of the stock on the date of issuance.

In February 2016, we issued 3,000 shares of our common stock to a consultant in exchange for employment recruiting services. In April 2016, we issued 5,549 shares of common stock to a previous employee in connection with a separation

Table of Contents

agreement. We recorded \$0 and \$6,000 in stock compensation expense related to the stock issuances for the three and nine months ended September 30, 2016, respectively. The amount of compensation expense related to the consultant shares issued represents the fair value of the stock on the dates of issuance. There was no expense recorded during the three and nine months ended September 30, 2016 related to the shares issued to our previous employee as the value of those shares had been accrued at the time of separation in 2015.

Total equity-based compensation costs recorded in the condensed consolidated statements of operations is allocated as follows:

	Three Months Ended September 30, 2015	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2016
Research and development				
Employees	\$ 213,000	\$ 172,000	\$ 640,000	\$ 497,000
Non-employees	13,000	5,000	31,000	18,000
Total research and development	226,000	177,000	671,000	515,000
General and administrative				
Employees and directors	206,000	281,000	508,000	705,000
Non-employees	264,000	94,000	358,000	130,000
Total general and administrative	470,000	375,000	866,000	835,000
Total equity-based compensation	\$ 696,000	\$ 552,000	\$ 1,537,000	\$ 1,350,000

## NOTE 7—RELATED PARTY TRANSACTION

In August 2016, we entered into a consulting agreement with a member of our board of directors. Under the agreement, the board member will provide engineering design and fabrication advisory services for an hourly rate, with total payments not to exceed \$120,000 during any twelve month period. During the three and nine months ended September 30, 2016, we incurred expenses of \$20,000 in connection with the consulting agreement.

## NOTE 8— COMMITMENTS AND CONTINGENCIES

Commitments—In October 2013, we signed a lease for new office space for our corporate headquarters, and moved into the new location in the first quarter of 2014. The lease had a term of 38 months and a rental cost of approximately \$5,000 per month, increasing 3% annually after the first fourteen months. In addition, our share of building operating costs were estimated to be \$2,000 per month. In April 2014, we amended the lease to add additional space which increased our rent to \$8,000 per month beginning August 1, 2014 plus estimated monthly operating costs of \$3,000 and extended the lease term through July, 2017. We have a renewal option for an additional three year term. The original lease included a tenant improvement allowance of \$72,000 and the amended lease included an additional tenant improvement allowance of \$38,000. The allowances were used to construct our office build-out and have been capitalized as leasehold improvements and construction-in-process as of December 31, 2015 and as leasehold improvements as of September 30, 2016 as construction has been completed. The capitalized costs are being amortized over the amended lease term through July 2017. In June 2016, we amended the lease to include additional space on a month-to-month basis. The monthly rent related to the additional space is \$2,325.

Edgar Filing: Resonant Inc - Form 10-Q

In November 2013, we signed a lease for our satellite development office in Burlingame, CA. The lease had a two-year term, and rental costs of approximately \$4,000 per month. In May 2015, we renewed the lease for a one year period expiring November 30, 2016 with rental costs of \$5,000 per month.

Rent expense related to our facilities and equipment for the three months ended September 30, 2015 and 2016 was \$45,000 and \$57,000, respectively, and for the nine months ended September 30, 2015 and 2016, was \$121,000 and \$152,000, respectively.

Legal Proceedings—We are occasionally involved in legal proceedings and other matters arising from the normal course of business.

Table of Contents

Beginning on March 17, 2015, three putative class action lawsuits were filed in the United States District Court for the Central District of California, naming us, Terry Lingren and John Philpott as defendants. The three lawsuits were consolidated into a single putative class action, In re Resonant Inc. Securities Litigation, Case No. 15-cv-01970 SJO (MRWx), and the court appointed co-lead plaintiffs. On September 26, 2015, the plaintiffs filed a consolidated amended complaint purporting to assert claims under the federal securities laws against us, Terry Lingren, John Philpott, and the underwriter of our May 29, 2014 IPO. On February 8, 2016, the court granted our motion to dismiss with leave to amend. On February 23, 2016, the plaintiffs filed a consolidated second amended complaint. In the consolidated second amended complaint, the plaintiffs purport to be acting on behalf of a class consisting of purchasers or acquirers of our common stock between November 6, 2014 and April 2, 2015, as well as a class of persons or entities who purchased or acquired our shares in (or traceable to) our IPO. The plaintiffs alleged that, as a result of the defendants' allegedly false and/or misleading statements and/or omissions concerning our business, operations, prospects and performance, our common stock traded at artificially inflated prices between November 6, 2014 and April 2, 2015. The plaintiffs seek compensatory damages and fees and costs, among other relief, but have not specified the amount of damages being sought in the action. On March 22, 2016, we filed a motion to dismiss the consolidated second amended complaint. On July 11, 2016, the court entered an order granting in part and denying in part our motion to dismiss. The court granted our motion to dismiss with respect to plaintiffs' claims under Section 11 of the Securities Act of 1933 and Section 20(a) of the Securities Exchange Act of 1934. The court also granted our motion to dismiss plaintiffs' claims under Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder to the extent those claims are premised on alleged misstatements made on February 26, 2015. The court denied our motion to dismiss with respect to plaintiffs' claims under Section 15 of the Securities Act of 1933, and with respect to plaintiffs' claims under Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder to the extent those claims are premised on alleged misstatements made in November and December of 2014 and January of 2015. As a result of the court's order, there are no remaining claims pending against the underwriter of our May 29, 2014 IPO. On October 26, 2016, the court issued an order clarifying its July 11, 2016 order on our motion to dismiss, making clear that the court's actual intent was to grant the motion to dismiss with respect to the claims under Section 15 of the Securities Act of 1933, while denying the motion to dismiss with respect to the claims under Section 20(a) of the Securities Exchange Act of 1934. On August 8, 2016, we filed a motion asking the court to certify for immediate appeal its order denying our motion to dismiss, and to stay the proceedings pending any such appeal. The court denied that motion on September 6, 2016. We filed our answer to plaintiffs' second consolidated amended complaint on August 12, 2016. The parties are currently engaged in discovery, and the court has set a trial date of September 19, 2017.

On September 24, 2015, a purported shareholder derivative action was filed in the United States District Court for the Central District of California, and is pending before the same federal district court judge to whom the putative class action has been assigned. In the derivative action, the plaintiffs allege that certain of our officers and directors breached their fiduciary duties to us, including by allegedly violating the federal securities laws and exposing us to possible financial liability. On November 16, 2015, the court entered an order staying the proceedings in the shareholder derivative action pending certain further developments. The court held a status conference in the shareholder derivative action on October 24, 2016, and ordered that the stay of the action remain in place for an additional 90 days. The court set another status conference to take place on January 23, 2017.

We have directors' and officers' liability insurance, which will be utilized in the defense of these matters. The liability insurance may not cover all of the future liabilities we may incur in connection with the foregoing matters, and we expect to incur some costs to defend these suits in the future. As of September 30, 2016, we have incurred total legal expenses of approximately \$786,000 and expect to incur additional costs to defend these suits in the future. The liability insurance may not cover all of the future liabilities we may incur in connection with the foregoing matters. Legal fees and other costs associated with such actions are expensed as incurred. We assess, in conjunction with our legal counsel, the need to record a liability for litigation and contingencies. Litigation accruals are recorded when and if it is determined that a loss related matter is both probable and reasonably estimable. Material loss contingencies that are reasonably possible of occurrence, if any, are subject to disclosure. With respect to the litigation referred to above,

we estimate that we are insured for all or substantially all of the amount of possible loss that might result from an adverse judgment or a settlement of these matters. We will evaluate developments in legal proceedings and other matters on a quarterly basis. As of September 30, 2015 and September 30, 2016, there was no litigation or contingency with at least a reasonable possibility of a material loss. No losses have been recorded during the nine months ended September 30, 2015 and September 30, 2016, respectively, with respect to litigation or loss contingencies.

NOTE 9—SUBSEQUENT EVENTS

We evaluated subsequent events through November 10, 2016, the date of issuance of the condensed consolidated financial statements for the three and nine months ended September 30, 2016.

Table of Contents

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

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. The words "believe," "may," "will," "potentially," "estimate," "continue," "anticipate," "intend," "could," "would," "project," "plan," "expect" and similar expressions convey uncertainty of future events or outcomes are intended to identify forward-looking statements. These forward-looking statements include, but are not limited to, statements concerning the following:

- the status of filter designs under development;
- the prospects for licensing filter designs upon completion of development;
- plans for other filter designs not currently in development;
- potential customers for our designs;
- the timing and amount of future royalty streams;
- our plans regarding the use of proceeds from our capital raises and the expected duration of our capital resources;
- our plans regarding future financings;
- our hiring plans;
- the impact of our designs on the mobile device market;
- our business strategy;
- our intentions, expectations and beliefs regarding anticipated growth, market penetration and trends in our business;
- the timing and success of our plan of commercialization;
- our dependence on growth in our customers' businesses;
- the effects of market conditions on our stock price and operating results;
- our ability to maintain our competitive technological advantages against competitors in our industry and the related costs associated with defending intellectual property infringement and other claims;
- our ability to timely and effectively adapt our existing technology and have our technology solutions gain market acceptance;
- our ability to introduce new filter designs and bring them to market in a timely manner;
- our ability to maintain, protect and enhance our intellectual property;
- our expectations concerning our relationships with our customers and other third parties and our customers' relationships with their manufacturers;
- the attraction and retention of qualified employees and key personnel;
- future acquisitions of or investments in complementary companies or technologies; and
- our ability to comply with evolving legal standards and regulations, particularly concerning requirements for being a public company and United States export regulations.

These forward-looking statements speak only as of the date of this Form 10-Q and are subject to uncertainties, assumptions and business and economic risks. As such, our actual results could differ materially from those set forth in the forward-looking statements as a result of the factors set forth below in Part II, Item 1A, "Risk Factors," and in our other reports filed with the Securities and Exchange Commission. Moreover, we operate in a very competitive and rapidly changing environment, and new risks emerge from time to time. It is not possible for us to predict all risks, nor can we assess the impact



## Table of Contents

of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Form 10-Q may not occur, and actual results could differ materially and adversely from those anticipated or implied in our forward-looking statements.

You should not rely upon forward-looking statements as predictions of future events. Although we believe that the expectations reflected in our forward-looking statements are reasonable, we cannot guarantee that the future results, levels of activity, performance or events and circumstances described in the forward-looking statements will be achieved or occur. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of the forward-looking statements. We undertake no obligation to update publicly any forward-looking statements for any reason after the date of this Form 10-Q to conform these statements to actual results or to changes in our expectations, except as required by law.

The following discussion should be read in conjunction with our unaudited condensed consolidated financial statements and notes thereto appearing elsewhere in this Quarterly Report on Form 10-Q with the understanding that our actual future results, levels of activity, performance and events and circumstances may be materially different from what we expect.

### Overview

Resonant is a late-stage development company that is creating an innovative software, intellectual property, or IP, and services platform that has the ability to increase designer efficiency, reduce the time to market and lower unit costs in the designs of filters for radio frequency, or RF, front-ends for the mobile device industry. The RF front-end, or RFFE, is the circuitry in a mobile device responsible for analog signal processing and is located between the device's antenna and its digital baseband. The platform we are developing is based on fundamentally new technology that we call Infinite Synthesized Networks®, or ISN®, to configure and connect resonators, the building blocks of RF filters. Filters are a critical component of the RF front-end used to select desired radio frequency signals and reject unwanted signals. Our ISN® platform allows us to develop unique, custom designs that address the increasing complexity of the RFFE due to carrier aggregation, or CA, by both reducing the size of the filter and improving performance. Our goal is to utilize our ISN® platform to support our customers in reducing their time to develop complex filter designs, to access new classes of filter designs, and to do it more cost effectively.

Our inception date is May 29, 2012. We commenced business on July 6, 2012 and completed our initial public offering, or IPO, on May 29, 2014.

We are validating and commercializing our technology through the creation of filter designs that address the problems in the high growth RFFE industry created by the growing number of frequency bands in mobile devices. The worldwide adoption of Long Term Evolution (LTE) as the global standard, and the use of mobile devices to access the Internet, has resulted in massive proliferation of frequency bands which, when combined with CA for higher data rates, has resulted in ever-increasing number and complexity of filters in the RFFE. We are developing a series of single-band surface acoustic wave, or SAW, filter designs for frequency bands presently dominated by larger and more expensive bulk acoustic wave, or BAW, filters. We are also developing multiplexer filter designs for two or more bands to address the CA requirements of our customers. Finally, we are developing unique filter designs, enabled by ISN®, to replace multiple filters and associated componentry for many bands, with higher performance. In order to succeed, we must convince RF front-end suppliers that our filter designs can significantly reduce the size and cost of their products.

During the third quarter of 2016, we continued to make progress in the development of our technology in all areas of RF filter design. We began the third quarter with license agreements with two customers covering the design of five filter products. We received up-front payments to assist in covering a portion of the development costs of these designs and can earn additional milestone payments throughout the project. During the third quarter of 2016, we

expanded our filters under design with our existing customers and signed joint development agreements, or JDAs, with two new customers, bringing our total customer engagements to four and our total filters under design to 16. We expect these new development agreements to have a similar trajectory as we have described previously; six to nine month development cycles before they would be eligible for conversion to a licensing agreement.

During the third quarter, we continued to expand the ISN<sup>®</sup> technology platform to design multiplexers to address the complexities of CA, and have commenced the initial design for our first quadplexer under license. We began development of unique, custom designs, enabled by ISN<sup>®</sup>, that address the increasing complexity of the RFFE due to CA, by both reducing the size of the filter and improving performance. We also expanded our portfolio of IP and now have over 100 patents issued or pending.

## Table of Contents

In July 2016, we acquired from Dr. Victor Plessky all of the issued and outstanding capital stock of GVR Trade S.A., or GVR, for a purchase price consisting of \$661,000 in cash and 125,000 shares of our common stock, for a total purchase price of approximately \$1.2 million. GVR is a Swiss-based company specializing in the consultation and design of SAW and BAW devices. We believe the acquisition is a logical extension to the existing long-term cooperation between our two companies and will further expand our ability to support licensing agreements for both current and future partners and customers. GVR is now a wholly owned direct subsidiary of Resonant.

We believe licensing our designs is the most direct and effective means of validating our ISN<sup>®</sup> platform and related IP libraries to address this rapidly growing market. Our target customers make part or all of the RF front-end. We intend to retain ownership of our designs, and we expect to be compensated through license fees and royalties based on sales of RF front-end filters that incorporate our designs. We currently do not intend to manufacture or sell any physical products or operate as a contract design company developing designs for a fee.

We anticipate a significant delay between the start of a design and the start of royalty payments under a particular license. In some cases, we may grant the customer a limited period of exclusivity on a specific design or frequency band to enable the customer to be the first to market with the design. We do not expect any of these exclusivity provisions to have any long-term duration nor prevent us from concurrently working on filter designs in other bands for other customers.

We plan to continue to pursue filter design projects with existing and potential customers and other strategic partners. These types of arrangements may subsidize the expansion of our IP libraries and further the development of our ISN<sup>®</sup> platform, as well as offer complementary technology and market intelligence. We also intend to investigate the potential of licensing part or all of our ISN<sup>®</sup> software design suite to potential customers in the RFFE industry. However, we intend to retain ownership of our technology, software, designs and related improvements. Our goal is to establish and leverage alliances with new and existing customers, who will help grow the market for our designs by integrating them with their own proprietary technology and products, or by using our software products for their own designs, thus combining their own particular strengths with ours to provide an extensive array of solutions.

We are using the net proceeds from our IPO and subsequent financings for product development to commercialize our technology, research and development, the development of our patent strategy and expansion of our patent portfolio, maturing and commercializing our ISN<sup>®</sup> tools, as well as for working capital and other general corporate purposes. Our costs include employee salaries and benefits, compensation paid to consultants, capital costs for research and other equipment, costs associated with development activities including travel and administration, legal expenses, sales and marketing costs, general and administrative expenses, and other costs associated with a late-stage, publicly-traded technology company. However, our costs are dependent on the nature of our development efforts and our success in commercialization. We anticipate adding employees for research and development, as well as general and administrative functions, to support our efforts. We expect to incur consulting expenses related to technology development and other efforts as well as legal and related expenses to protect our intellectual property.

The amounts that we actually spend for any specific purpose may vary significantly and will depend on a number of factors including, but not limited to, our expected cash resources, the pace of progress of our commercialization and development efforts, actual needs with respect to product testing, development and research, market conditions, and changes in or revisions to our marketing strategies. In addition, we may invest in complementary products, technologies or businesses.

As of September 30, 2016, we have 32 employees and use the services of several outside consultants. Of our employees, 23 are engaged in research and development and 9 in general and administrative activities. Our patent portfolio at September 30, 2016 is comprised of more than 100 issued and pending patents.

We have earned minimal revenues since inception, and our operations have been funded with initial capital contributions and proceeds from the sale of equity securities and debt. We have incurred accumulated losses totaling \$41.0 million from inception through September 30, 2016. Our losses are primarily the result of research and development costs associated with commercializing our technology, combined with start-up and operating costs including those related to financings and being a public company. We expect to continue to incur substantial costs for commercialization of our technology on a continuous basis because our business model involves developing and licensing custom filter designs.

Our condensed consolidated financial statements account for the continuation of our business as a going concern. We are subject to the risks and uncertainties associated with a new business. Our principal source of liquidity as of September 30, 2016 consists of existing cash and cash equivalents and investment balances of \$12.7 million. In the third quarter of 2016, we used approximately \$2.7 million in cash for operations, excluding capital expenditures and senior executive transition costs. Due to these conditions, substantial doubt exists as to our ability to continue as a going concern. We believe our current resources will provide sufficient funding for planned operations through the end of 2017. If necessary, we will seek to raise additional capital from the sale of equity securities or the incurrence of indebtedness to allow us to continue operations beyond

## Table of Contents

2017. There can be no assurance that additional financing will be available to us on acceptable terms, or at all. Additionally, if we issue additional equity securities to raise funds, whether to potential customers or other investors, the ownership percentage of our existing stockholders would be reduced. New investors may demand rights, preferences or privileges senior to those of existing holders of common stock. Additionally, we may be limited as to the amount of funds we can raise pursuant to SEC rules and the continued listing requirements of NASDAQ. If we cannot raise needed funds, we might be forced to make substantial reductions in our operating expenses, which could adversely affect our ability to implement our business plan and ultimately our viability as a company. These condensed consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or amounts and classification of liabilities that might result from this uncertainty.

## Critical Accounting Policies and Estimates

Our discussion and analysis of financial condition and results of operations is based upon our condensed consolidated financial statements, which have been prepared in conformity with accounting principles generally accepted in the United States of America. Certain accounting policies and estimates are particularly important to the understanding of our financial position and results of operations and require the application of significant judgment by our management or can be materially affected by changes from period to period in economic factors or conditions that are outside of our control. As a result, they are subject to an inherent degree of uncertainty. In applying these policies, our management uses their judgment to determine the appropriate assumptions to be used in the determination of certain estimates. Those estimates are based on our historical operations, our future business plans and projected financial results, the terms of existing contracts, our observance of trends in the industry, information provided by our customers and information available from other outside sources, as appropriate.

A description of our critical accounting policies that represent the more significant judgments and estimates used in the preparation of our financial statements was provided in the Management's Discussion and Analysis of Financial Condition and Results of Operations section of our Annual Report on Form 10-K for the year ended December 31, 2015. There have been no material changes in these critical accounting policies since December 31, 2015.

## Recently Issued and Adopted Accounting Pronouncements

**Presentation of Financial Statements—Going Concern** - In August 2014, the FASB issued ASU, No. 2014-15, Presentation of Financial Statements - Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern. ASU 2014-15 is intended to define management's responsibility to evaluate whether there is substantial doubt about an organization's ability to continue as a going concern and to provide related footnote disclosures. The amendment is effective for annual periods ending after December 15, 2016, and interim periods within annual periods beginning after December 15, 2016. Early application is permitted for annual or interim reporting periods for which the financial statements have not previously been issued. We are establishing guidelines as detailed in the ASU and expect that implementation will not have a significant impact on information currently disclosed. We plan to adopt the ASU once it becomes effective.

**Revenue from Contracts with Customers**—In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606) . The new revenue recognition standard provides a five-step analysis of transactions to determine when and how revenue is recognized. The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In August 2015, the FASB issued ASU No. 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date , which defers the effective date of ASU No. 2014-09 for all entities by one year to annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. This ASU shall be applied either retrospectively to

each period presented or as a cumulative-effect adjustment as of the date of adoption. Early adoption is permitted but not before the annual periods beginning after December 15, 2016, including interim periods within that reporting period. In March 2016, the FASB issued ASU No. 2016-08, Revenue from Contracts with Customers (Topic 606), Principal versus Agent Considerations (Reporting Revenue Gross versus Net). This ASU provides further guidance surrounding the recognition of revenue as well as guidance involving principal versus agent considerations. The effective date of this ASU is the same as ASU 2014-09. In April 2016, the FASB issued ASU No. 2016-10, Revenue from Contracts with Customers (Topic 606), Identifying Performance Obligations and Licensing. This amendment provides clarification surrounding the identification of performance obligations and offers licensing implementation guidance. The effective date of this ASU is the same as ASU 2014-09. In May 2016, the FASB issued ASU No. 2016-12, Revenue from Contracts with Customers (Topic 606), Narrow-Scope Improvements and Practical Expedients, which provides further guidance surrounding certain aspects of ASU 2014-09. The effective date of this ASU is the same as ASU 2014-09. We have not yet selected a transition method, nor have we determined the effect of ASU 2014-09 on our financial position, results of

## Table of Contents

operations, cash flows, or presentation thereof. However, we continue to monitor our contracts with customers as related to the ASU as we believe they will be impacted by the revenue guidance.

**Leases**—In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), a comprehensive new leases standard that amends various aspects of existing accounting guidance for leases. It will require recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The main difference between previous U.S. GAAP and the amended standard is the recognition of lease assets and lease liabilities by lessees on the balance sheet for those leases classified as operating leases under previous U.S. GAAP. The accounting applied by a lessor is largely unchanged from that applied under previous U.S. GAAP. As a result, we will have to recognize a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term on the balance sheet. The guidance is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted. We are currently evaluating the effects of the new guidance on our consolidated financial statements and disclosures but we do not expect it to have a material impact on our consolidated financial statements.

**Compensation-Stock Compensation**—In March 2016, the FASB issued ASU No. 2016-09, Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-based Payment Accounting. This ASU is intended to simplify several aspects of the accounting for share-based transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. For public companies, the amendments in this update are effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Early adoption is permitted for any entity in any interim or annual period. We are evaluating the potential impact of the adoption of ASU No. 2016-09 and plan to adopt once it becomes effective.

## Results of Operations

### Comparison of Three and Nine Months Ended September 30, 2015 and 2016

**Revenues.** Revenues consist of the recognized portion of amounts received from customers for the development of our filter designs. These amounts consist of upfront payments intended to support our initial engineering product development efforts and milestone payments based on the achievement of specific milestones specified within our contracts. The revenues related to upfront payments are recognized ratably over the estimated development period associated with that the upfront payment. For the three months ended September 30, 2016, we recognized \$25,000 of revenues related to upfront payments in connection with customer contracts. For the nine months ended September 30, 2016, we recognized \$105,000 of revenues related to upfront payments in connection with customer contracts and \$10,000 of revenues related to the achievement of milestones. There were no revenues recognized for the three and nine month periods in 2015. We expect revenues to continue to be recorded due to the \$235,000 of deferred revenue we have recorded as of September 30, 2016. We also believe that based on the potential future milestone payments and royalties from our license agreements, there may be future revenues recorded.

**Research and Development.** Research and development expenses consist of the direct engineering and other costs associated with the development and commercialization of our technology, including the development of filter designs for our customers. These consist primarily of the cost of employees and consultants, including stock-based compensation, and to a lesser extent costs for equipment, software and supplies. We also include the costs for our intellectual property development program under research and development. This program focuses on patent strategy and invention extraction. Research and development expenses increased \$292,000 from \$1.2 million in the third quarter of 2015 to \$1.5 million in the third quarter of 2016. For the nine month period, research and development expenses increased \$720,000, from \$3.3 million in the first nine months of 2015 to \$4.0 million in the first nine months of 2016. The increase in the three and nine month periods was the result of the increased payroll, benefit costs, consulting costs, travel and development costs related to increased activity on our various filter designs under

development.

General and Administrative Expenses. General and administrative expenses include salaries, stock-based compensation, taxes and employee benefits for the executives and administrative staff. It also includes expenses for corporate overhead such as rent for our facilities, travel expenses, telecommunications, investor relations, insurance, professional fees and business consulting fees. General and administrative expenses increased \$762,000, from \$1.6 million in the third quarter of 2015 to \$2.3 million in the third quarter of 2016. General and administrative expenses increased \$2.0 million, from \$3.7 million in the first nine months of 2015 to \$5.7 million in the first nine months of 2016. The increase in the three and nine month periods was due primarily to the cost associated with the hiring of two executives, travel expenses associated with business development efforts and increased legal fees in connection with legal proceedings. Also, during the third quarter of 2016 we incurred \$250,000 of senior executive transition costs and \$80,000 of business acquisition costs. We anticipate that our

24

---



## Table of Contents

general and administrative expenses will likely continue to increase as a result of planned growth. Additionally, we will continue to incur additional costs associated with the current securities litigation lawsuits filed against us.

**Depreciation and Amortization Expense.** Depreciation and amortization expense increased by \$74,000 from \$127,000 in the third quarter of 2015 to \$201,000 in the third quarter of 2016, and by \$148,000, from \$354,000 in the first nine months of 2015 to \$502,000 in the first nine months of 2016, primarily as a result of our increase in fixed assets and new equipment and software associated with the increase in employees and our product development efforts.

**Interest and Investment Income.** Interest income decreased by \$3,000 from \$7,000 in the third quarter of 2015 to \$4,000 in the third quarter of 2016 and by \$13,000, from \$23,000 in the first nine months of 2015 to \$10,000 in the first nine months of 2016, primarily due to decreased cash and investment balances. We expect interest income to fluctuate in proportion to our cash and investment balances.

**Income Taxes.** We have earned minimal revenues and are currently operating at a loss. Consequently, our only tax liabilities for both periods were for minimum taxes in the States where we conduct business.

## Liquidity and Capital Resources

### Financing Activities

We have earned minimal revenues since inception. Our operations have been funded with initial capital contributions and proceeds from the sale of equity securities and debt.

As of September 30, 2016, we have raised aggregate gross proceeds of \$45.6 million through the use of loans, convertible debt and equity through an IPO, private placement financing and secondary offering of our common stock. We had current assets of \$12.9 million and current liabilities of \$1.8 million at September 30, 2016, resulting in working capital of \$11.2 million. This compares to working capital of \$6.8 million at September 30, 2015 and \$4.6 million at December 31, 2015. The change in working capital is primarily the result of proceeds from the issuance of equity offset by the use of cash in our normal business operations.

Our condensed consolidated financial statements account for the continuation of our business as a going concern. We are subject to the risks and uncertainties associated with a new business. Our principal source of liquidity as of September 30, 2016 consists of existing cash and cash equivalents and investment balances of \$12.7 million. In the third quarter of 2016, we used approximately \$2.7 million in cash for operations, excluding capital expenditures and senior executive transition costs. Due to these conditions, substantial doubt exists as to our ability to continue as a going concern. We believe our current resources will provide sufficient funding for planned operations through the end of 2017. If necessary, we will seek to raise additional capital from the sale of equity securities or the incurrence of indebtedness to allow us to continue operations beyond 2017. There can be no assurance that additional financing will be available to us on acceptable terms, or at all. Additionally, if we issue additional equity securities to raise funds, whether to potential customers or other investors, the ownership percentage of our existing stockholders would be reduced. New investors may demand rights, preferences or privileges senior to those of existing holders of common stock. Additionally, we may be limited as to the amount of funds we can raise pursuant to SEC rules and the continued listing requirements of NASDAQ. If we cannot raise needed funds, we might be forced to make substantial reductions in our operating expenses, which could adversely affect our ability to implement our business plan and ultimately our viability as a company. These condensed consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or amounts and classification of liabilities that might result from this uncertainty.

We have a Form S-3 universal shelf registration statement on file with the SEC. The universal shelf registration statement on Form S-3 permits us to sell, in one or more public offerings, shares of our common stock, shares of

preferred stock or debt securities, or any combination of such securities and warrants to purchase securities, for proceeds in an aggregate amount of up to \$35.0 million, subject to limitations on the amount of securities we may sell in any twelve month period. As of September 30, 2016, we have raised a total of \$11.5 million of gross proceeds from the sale of 2,715,000 shares of our common stock, leaving approximately \$23.5 million of securities available for the issuance pursuant to the Form S-3. The Form S-3 will expire in May 2019.

#### Cash Flow Analysis

Table of Contents

Operating activities used cash of \$5.2 million in the first nine months of 2015 and \$7.6 million in the first nine months of 2016. The increase is primarily the result of increased expenses related to payroll costs from the hiring of two executives and other technical staff, benefits and travel costs as we pursue our business development plan and legal costs associated with our legal proceedings.

Investing activities provided cash of \$2.3 million in the first nine months of 2015 and used cash of \$8.0 million in the first nine months of 2016. The cash provided in 2015 was primarily a result of redemptions of investments offset by purchases of investments, purchases of property and equipment, investments in patents and \$100,000 related to the restricted cash commitment attributable to our corporate credit cards. The use of cash in 2016 was primarily a result of the purchase of investments held to maturity offset by the redemption of investments, net payment of \$452,000 to acquire GVR Trade S.A., our wholly owned subsidiary, purchases of property and equipment and our investment in patents.

Financing activities used cash of \$45,000 in the first nine months of 2015 and provided \$15.8 million in the first nine months of 2016. For the 2015 period, cash used was a result of the payment of tax withholdings on the net issuance of common stock for compensation. There were no such transactions for 2016 as we no longer issue net shares on the issuance of common stock for compensation. The cash provided in 2016 was the result of the net proceeds from the sale of equity securities in our private placement financing and underwritten public offering.

Off-Balance Sheet Transactions

We do not have any off-balance sheet arrangements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not Applicable

Table of Contents

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The phrase “disclosure controls and procedures” refers to controls and procedures designed to ensure that information required to be disclosed in our reports filed or submitted under the Securities Exchange Act of 1934, as amended, or the Exchange Act, such as this Quarterly Report on Form 10-Q, is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the U.S. Securities and Exchange Commission, or SEC. Disclosure controls and procedures are also designed to ensure that such information is accumulated and communicated to our management, including our chief executive officer, or CEO, and chief financial officer, or CFO, as appropriate to allow timely decision regarding required disclosure.

Our management, with the participation of our CEO and CFO, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act), as of September 30, 2016, the end of the period covered by this Quarterly Report on Form 10-Q. Based on such evaluation, our CEO and CFO have concluded that as of September 30, 2016, our disclosure controls and procedures were designed at a reasonable assurance level and were effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the SEC, and that such information is accumulated and communicated to our management, including our CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Controls over Financial Reporting

There was no change in our internal control over financial reporting during the quarter ended September 30, 2016 that materially affected, or is reasonable likely to materially affect, our internal control over financial reporting.

Table of Contents

## PART II: OTHER INFORMATION

## Item 1. Legal Proceedings

Beginning on March 17, 2015, three putative class action lawsuits were filed in the United States District Court for the Central District of California, naming us, Terry Lingren and John Philpott as defendants. The three lawsuits were consolidated into a single putative class action, *In re Resonant Inc. Securities Litigation*, Case No. 15-cv-01970 SJO (MRWx), and the court appointed co-lead plaintiffs. On September 26, 2015, the plaintiffs filed a consolidated amended complaint purporting to assert claims under the federal securities laws against us, Terry Lingren, John Philpott, and the underwriter of our May 29, 2014 IPO. On February 8, 2016, the court granted our motion to dismiss with leave to amend. On February 23, 2016, the plaintiffs filed a consolidated second amended complaint. In the consolidated second amended complaint, the plaintiffs purport to be acting on behalf of a class consisting of purchasers or acquirers of our common stock between November 6, 2014 and April 2, 2015, as well as a class of persons or entities who purchased or acquired our shares in (or traceable to) our IPO. The plaintiffs alleged that, as a result of the defendants' allegedly false and/or misleading statements and/or omissions concerning our business, operations, prospects and performance, our common stock traded at artificially inflated prices between November 6, 2014 and April 2, 2015. The plaintiffs seek compensatory damages and fees and costs, among other relief, but have not specified the amount of damages being sought in the action. On March 22, 2016, we filed a motion to dismiss the consolidated second amended complaint. On July 11, 2016, the court entered an order granting in part and denying in part our motion to dismiss. The court granted our motion to dismiss with respect to plaintiffs' claims under Section 11 of the Securities Act of 1933 and Section 20(a) of the Securities Exchange Act of 1934. The court also granted our motion to dismiss plaintiffs' claims under Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder to the extent those claims are premised on alleged misstatements made on February 26, 2015. The court denied our motion to dismiss with respect to plaintiffs' claims under Section 15 of the Securities Act of 1933, and with respect to plaintiffs' claims under Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder to the extent those claims are premised on alleged misstatements made in November and December of 2014 and January of 2015. As a result of the court's order, there are no remaining claims pending against the underwriter of our May 29, 2014 IPO. On October 26, 2016, the court issued an order clarifying its July 11, 2016 order on our motion to dismiss, making clear that the court's actual intent was to grant the motion to dismiss with respect to the claims under Section 15 of the Securities Act of 1933, while denying the motion to dismiss with respect to the claims under Section 20(a) of the Securities Exchange Act of 1934. On August 8, 2016, we filed a motion asking the court to certify for immediate appeal its order denying our motion to dismiss, and to stay the proceedings pending any such appeal. The court denied that motion on September 6, 2016. We filed our answer to plaintiffs' second consolidated amended complaint on August 12, 2016. The parties are currently engaged in discovery, and the court has set a trial date of September 19, 2017.

On September 24, 2015, a purported shareholder derivative action was filed in the United States District Court for the Central District of California, and is pending before the same federal district court judge to whom the putative class action has been assigned. In the derivative action, the plaintiffs allege that certain of our officers and directors breached their fiduciary duties to us, including by allegedly violating the federal securities laws and exposing us to possible financial liability. On November 16, 2015, the court entered an order staying the proceedings in the shareholder derivative action pending certain further developments. The court held a status conference in the shareholder derivative action on October 24, 2016, and ordered that the stay of the action remain in place for an additional 90 days. The court set another status conference to take place on January 23, 2017.

We intend to continue to defend ourselves vigorously in these actions.

We are not party to any other legal proceedings. We may, from time to time, be party to litigation and subject to claims incident to the ordinary course of business. As our growth continues, we may become party to an increasing number of litigation matters and claims. The outcome of litigation and claims cannot be predicted with certainty, and the resolution of any future matters could materially affect our future financial position, results of operations or cash flows.

Item 1A. Risk Factors

This Quarterly Report on Form 10-Q contains forward-looking statements, which are subject to a variety of risks and uncertainties. Other actual results could differ materially from those anticipated in those forward-looking statements as a result of various factors, including those set forth in the risk factors relating to our business and common stock contained in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2015. There have been no material changes to such risk factors during the period ended September 30, 2016, except for the following:

If we choose to acquire new businesses, products or technologies, we may experience difficulty in the identification or integration of any such acquisition, and our business may suffer.

28

---

## Table of Contents

Our commercial success depends on our ability to continually enhance and broaden our product offerings in response to changing customer demands, competitive pressures and technologies. Accordingly, we may in the future pursue the acquisition of complementary businesses, products or technologies instead of developing them ourselves. We do not know if we will be able to identify or complete any future acquisitions, or whether we will be able to successfully integrate any acquired business, product or technology or retain key employees. Integrating any business, product or technology we acquire could be expensive and time consuming, disrupt our ongoing business and distract our management. Moreover, we may fail to realize the anticipated benefits of any acquisition. If we are unable to integrate any acquired businesses, products or technologies effectively, our business will suffer. In addition, any amortization or charges resulting from acquisitions could adversely affect our operating results.

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

#### MZ Group Company

On August 8, 2016, we issued a restricted stock unit, or MZ RSU, for an aggregate of 20,000 shares of common stock to MZHCI, LLC, an MZ Group Company, as partial consideration for investor relations advisory services to be rendered by MZ Group. Of the shares underlying the MZ RSU, 5,000 shares vested upon grant, 5,000 shares vested on October 1, 2016, and 5,000 shares will vest on each of January 1, 2017 and April 1, 2017 so long as MZ Group continues to provide investor relations advisory services to us. The issuance of the MZ RSU was exempt from the registration requirements of the Securities Act of 1933 by virtue of Section 4(a)(2) thereof as a transaction not involving a public offering. MZHCI, LLC represented its intention to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof. MZHCI, LLC had adequate access to information about Resonant, and the issuance of the securities was made without any general solicitation or advertising.

#### Underwriter's Warrant

On September 9, 2016, we entered into an underwriting agreement with National Securities Corporation, or NSC, relating to an underwritten public offering of 2,715,000 shares of common stock. Pursuant to the underwriting agreement, at the closing of the offering we issued to NSC a warrant to purchase 135,750 shares of our common stock. The warrant is exercisable at \$4.25 per share commencing on September 9, 2017 and expiring two years thereafter. The issuance of the warrant was exempt from the registration requirements of the Securities Act of 1933 by virtue of Section 4(a)(2) thereof as a transaction not involving a public offering. NSC represented its intention to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof. NSC had adequate access to information about Resonant, and the issuance of the warrant was made without any general solicitation or advertising.

#### Jeff Killian

In connection with his appointment as Chief Financial Officer of Resonant, effective as of his first day of employment on October 24, 2016, our board of directors awarded Jeff A. Killian a restricted stock unit, or Killian RSU, for 200,000 shares of common stock. The Killian RSU will vest over four years in equal quarterly installments, with the first installment vesting on January 2, 2017. The issuance of the Killian RSU was exempt from the registration requirements of the Securities Act of 1933 by virtue of Section 4(a)(2) thereof as a transaction not involving a public offering. Mr. Killian represented his intention to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof. Mr. Killian had adequate access to information about Resonant, and the issuance of the securities was made without any general solicitation or advertising.





Edgar Filing: Resonant Inc - Form 10-Q

Table of Contents

Item 6.		Exhibits				
Exhibit Number	Exhibit Description	Incorporated by Reference Form	File Number	Exhibit	Filing Date	Filed Herewith
2.1	Share Purchase Agreement, dated July 6, 2016, between the Registrant and Victor Plessky	8-K	001-36467	2.1	7/8/2016	
3.1	Amended and Restated Certificate of Incorporation of the Registrant	8-K	001-36467	3.1	6/5/2014	
3.2	Amended and Restated Bylaws of the Registrant	8-K	001-36467	3.2	6/5/2014	
4.1	Form of Underwriter's Warrant	8-K	001-36467	4.1	9/9/2016	
10.1*	Separation Agreement, dated July 28, 2016, between John Philpott and the Registrant					X
10.2*	Letter Agreement, dated July 26, 2016, between Bridgepoint Consulting and the Registrant					X
10.3*	Restricted Stock Unit Agreement, dated August 8, 2016, between the Registrant and George B. Holmes	8-K	001-36467	10.1	8/12/2016	
31.1	Certification of Principal Executive Officer Pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
31.2	Certification of Principal Financial Officer Pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
32.1#	Certification of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
101.INS	XBRL Instance Document					X
101.SCH	XBRL Taxonomy Extension Schema Document					X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document					X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document					X
101.LAB	XBRL Taxonomy Extension Label Linkbase Document					X

101.PRE XBRL Taxonomy Extension Presentation Linkbase  
Document

X

\*Each a management contract or compensatory plan or arrangement

# The information in this exhibit is furnished and deemed not filed with the Securities and Exchange Commission for purposes of section 18 of the Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of Resonant Inc. under the Securities Act of 1933, as amended, or the Exchange Act of 1934, as amended, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

30

---

Table of Contents

SIGNATURES

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

Date: November 10, 2016 Resonant Inc.

By: /s/ Jeff Killian  
Jeff Killian  
Chief Financial Officer  
(Principal Financial and Accounting Officer)