UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2020

OR

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

Commission File Number 001-38907

Sonim Technologies, Inc.

(Exact name of Registrant as specified in its Charter)

Delaware	**94-3336783**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

6836 Bee Cave Road Building 1, Suite 279

Austin, TX, 78746

(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code: (650) 378-8100

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.001 per share	SONM	The Nasdaq Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES NO ☐X

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. YES - NO x

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

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

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
Emerging growth company	☒		

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant, based on the closing price of the shares of common stock on The NASDAQ Stock Market on June 30, 2020 was approximately $52,801,187.

At March 5, 2021, 66,317,949 shares of Common Stock, par value $0.001, of the registrant were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Certain information required by Part III, Items 10-14 of this Form 10-K is incorporated by reference to the Registrant's definitive Proxy Statement for the 2021 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this Form 10-K, provided that if such Proxy Statement is not filed within such period, such information will be included in an amendment to this Form 10-K to be filed within such 120-day period.

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DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K for Sonim Technologies, Inc. (the “Company,” “we” or “us”) contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities and Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995, including the discussion contained in Item 7, "Management’s Discussion and Analysis of Financial Condition and Results of Operations." We have based these forward-looking statements on our current expectations and projections about future events or future financial performance, which include successfully implementing our business strategy and realizing planned cost-savings, achieving profitability and continuing as a going concern developing and introducing new technologies, obtaining, maintaining and expanding market acceptance of the technologies we offer, and competition in our markets.

In some cases, these forward-looking statements can be identified by terminology such as “may,” “will,” “should,” “expect,” “plan,” “anticipate,” “believe,” “estimate,” “future,” “predict,” “potential,” “intend,” or “continue,” and similar expressions. These statements are based on the beliefs and assumptions of our management and on information currently available to our management. Our actual results, performance and achievements may differ materially from the results, performance and achievements expressed or implied in such forward-looking statements. For a discussion of some of the factors that might cause such a difference, see the "Risk Factors" contained in Part I, Item 1A. of this Annual Report on Form 10-K. All forward looking statements in this Form 10-K are based on information available to us as of the date hereof, such information may be limited or incomplete, and except as required by law, we specifically disclaim any obligation to update such forward-looking statements. The following discussion should be read in conjunction with our consolidated financial statements and the accompanying notes contained in this Form 10-K.

PART I

Summary of Risk Factors

The following is a summary of some of the risks and uncertainties as of the date of the filing of this Annual Report on Form 10-K that could materially adversely affect our business, financial condition and results of operations. You should read this summary together with the more detailed description of each risk factor contained below in the section titled "Risk Factors."

- We have not been profitable in recent years and may not achieve or maintain profitability in the future;
- We rely on our channel partners to generate a substantial majority of our revenues;
- A small number of customers account for a significant portion of our revenue;
- We are materially dependent on some customer relationships that are characterized by product award letters and the loss of such relationships could harm our business and operating results;
- Our business is difficult to evaluate because we have a limited operating history in our markets;
- We continue to restructure and transform our business;
- Our quarterly results may vary significantly from period to period;
- We rely primarily on third-party contract manufacturers and partners;
- If our products contain defects or errors, we could incur significant unexpected expenses, experience product returns and lost sales, experience product recalls, suffer damage to our brand and reputation, and be subject to product liability or other claims;
- We are required to undergo a lengthy customization and certification process for each wireless carrier customer;
- We may not be able to continue to develop solutions to address user needs effectively in an industry characterized by ongoing change and rapid technological advances;
- Our dependence on third-party suppliers for key components of our products could delay shipment of our products and reduce our sales;
- We are dependent on the continued services and performance of a concentrated group of senior management and other key personnel;
- We face risks related to health epidemics, pandemics and other outbreaks, including the COVID-19 pandemic;
- Changes in laws and regulations concerning the use of telecommunication bandwidth could increase our costs and adversely impact our business;
- If we are unable to successfully protect our intellectual property, our competitive position may be harmed;
- Others may claim that we infringe on their intellectual property rights, which may result in costly and time-consuming litigation and could delay or otherwise impair the development and commercialization of our products;
- We have identified one material weakness in our internal control over financial reporting which, if not remediated, could result in material misstatements in our financial statements; and

We have failed, and may continue to fail, to meet the listing standards of Nasdaq, and as a result our common stock may become delistedOther factors not discussed below or elsewhere in this Annual Report on Form 10-K could also adversely affect our businesses, results of operations and financial condition. Therefore, the risk factors below should not be considered a complete list of potential risks that we may face.

Any risk factor described in this Annual Report on Form 10-K or in any of our other SEC filings could by itself, or together with other factors, materially adversely affect our liquidity, competitive position, business, reputation, results of operations, capital position or financial condition, including by materially increasing our expenses or decreasing our revenues, which could result in material losses.

Item 1. Business.

Introduction

Sonim Technologies, Inc. was incorporated in the state of Delaware on August 5, 1999 and is headquartered in Austin, Texas. Unless otherwise indicated, the terms "we," "us," "our," "Company" and "Sonim" refer to Sonim Technologies, Inc. and its wholly owned and consolidated subsidiaries.

Overview

We are a leading U.S. provider of ultra-rugged mobile devices, including phones, barcode scanners and accessories designed specifically for task workers physically engaged in their work environments, often in mission-critical roles. We currently sell our ruggedized mobile phones and accessories to the three largest wireless carriers in the United States — AT&T, T-Mobile (which acquired Sprint in 2020) and Verizon—as well as the three largest wireless carriers in Canada—Bell, Rogers and Telus Mobility. We also sell our ruggedized phones, barcode scanners and accessories through distribution channels in North America, South America and Europe. Our devices and accessories connect workers with voice, data and workflow applications in two end markets: industrial enterprise and public sector.

Task workers in these end markets have historically been limited to pen and paper, older radio technology and/or single-purpose electronic devices, such as barcode scanners, location-tracking devices and sensors, to accomplish specific tasks. These single-purpose devices have historically run on proprietary networks, such as Land Mobile Radio 94or LMR networks that enable Push-to-Talk or PTT services for voice communications. We provide communication devices that consolidate and integrate multiple functions including PTT, into a single ruggedized solution running on commercial wireless networks at a total cost of ownership that we believe is significantly lower with improved productivity and safety of task workers.

Our solutions include ultra-rugged mobile phones based on the Android platform which are capable of attaching to both public and private wireless networks, industrial-grade accessories that meet the requirements of specific applications, and software applications and cloud-based tools that provide management and deployment services to our customers. We tightly integrate PTT capabilities into both the hardware and software of our mobile phones, including a dedicated hard key that can initiate a PTT call even if the phone is in a sleep-state. End customers of our solutions include construction, energy and utility, hospitality, logistics, manufacturing, public sector and transportation entities that primarily purchase our devices and accessories through their wireless carriers. The key attributes of our solutions are specifically tailored for the needs of our end users, including impact resistance, waterproof, chemical resistant, and dustproof construction, extended battery life and extra loud audio, supported by a three-year comprehensive warranty. All of our devices run on the Android operating system, providing a familiar and intuitive user interface, and our smartphones have access to a library of millions of applications available through the Google Play Store. We have also implemented dozens of application programming interfaces, or APIs, specific to our mobile phones and have partnered with third-party application developers to create a purpose-built experience for our end users using these applications on our mobile phones. This includes working with the leading providers of PTT and mission-critical-PTT, or MCPTT applications to deliver a seamless instant communications experience.

We currently have stocked phone and accessory products with the three largest U.S. wireless carriers: AT&T, T-Mobile (which acquired Sprint in 2020) and Verizon, meaning that these carriers test and certify our mobile phones on their networks and maintain inventory in their warehouses that they then sell through their enterprise and retail sales teams to end customers, often on a subsidized or financed basis. Our full product portfolio has also been stocked with the three largest Canadian wireless carriers since 2015. In 2020, we sold approximately 33,000 mobile phones in Canada and 205,000 in the United States.

We enter into master sales arrangements with carriers (including channel partners contributing over 90% of our total revenues for the year ended December 31, 2020) under which our partners purchase our solutions for distribution on a purchase order basis. Under these arrangements, we and the channel partners determine sales channel distribution in connection with pricing (including any discounts and price protection) and market positioning of each particular mobile phone product. We also offer our channel partners channel marketing and other promotional incentives, such as sales volume incentives, in exchange for retail price reductions. We may also offer Non-Recurring Engineering, or NRE services in the form of third-party design services relating to the design of materials and software licenses used in the manufacturing of our products. In the years ended December 31, 2020 and 2019, approximately 77% and 69%, respectively, of our revenues, were derived from our top three and four customers, respectively. We expect our revenues to continue to be heavily concentrated among our top customers, and the loss of, or significant reduction in orders from, any of these customers could significantly reduce our revenues and adversely impact our operating result.

In 2020, we announced that we would be entering the ruggedized barcode scanner business and began shipping our first device in 2021. Our barcode scanner devices, as well as our ruggedized phones and accessories, are sold through distributors in North America, South America and Europe.

For the years ended December 31, 2020 and 2019, our revenues were $64.0 million and $116.3 million, respectively. For the years ended December 31, 2020 and 2019, our net loss was $30.0 million and $25.8 million, respectively. For the years ended December 31, 2020 and 2019, revenues from our top four and three customers were $49 million and $80 million, respectively.

COVID-19 Pandemic

On March 11, 2020, the World Health Organization declared the COVID-19 outbreak a pandemic. The COVID-19 pandemic has negatively impacted the global economy, disrupted global supply chains and work force participation and created significant volatility and disruption in financial markets. The onset of the COVID-19 pandemic initially impacted our supply chain partners and resulted in a shutdown of our manufacturing operations in China, in the first quarter of 2020. In the middle of March 2020, the majority of our offices worldwide had enacted shelter-in-place measures, with employees being mandated to work from home.

Our Industry

Communication, data collection, productivity and safety among task workers has always been a central requirement in business-critical and mission-critical environments. Organizations with remote and disparate workers—from police and firefighters to construction, oil rig, logistics and manufacturing workers—need an extremely durable solution that provides reliable and secure voice, data and workflow applications. Historically, task workers had limited options, and in many cases resorted to using pen and paper. In the 1930s, public safety organizations introduced LMR networks that enabled PTT services, allowing workers to instantly and reliably initiate communications. In the 1970s, proprietary bar code scanners and other proprietary single-purpose tools were introduced to assist task workers in accomplishing specific tasks. In addition, in the mid-1990s, Nextel's iDEN service provided organizations the benefits of PTT without the upfront equipment and infrastructure investments required with LMR. The advent and proliferation of LTE and advancements in smartphone technologies led to the start of the decommissioning of the Nextel iDEN network in the United States by Sprint in 2013. These developments paved the way for commercial wireless carriers to deliver mobility solutions that enhance the speed, reliability and durability of those offered by traditional LMR networks and other proprietary devices and applications.

The global market for rugged handhelds and rugged smartphones is expected to reach $5.5 billion and over 10 million device unitby 2023 according to VDC Research Group, Inc., or VDC. The market opportunity is larger when you consider, the use of consumer phones in line-of-business applications. Ruggedized mobile phones are well- suited for industrial enterprise and other critical infrastructure applications due to their durability and functionality in a range of environments. Equipping workers with smarter mobile phones also helps enable more efficient communication with and between field employees and enhance the information that decision-makers use to deploy resources within their organizations. The PTT over cellular network market, such as rugged phones on LTE with integrated PTT functions, has been steadily growing, in part as a replacement for aging LMR systems. VDC estimates the installed base of PTT users will reach 20 million by 2023 with a CAGR of 8.5% from 2020 to 2023. The rugged handheld device market and rugged smartphone market are seeing significant crossover as Android becomes the primary platform for these devices, with the only significant difference being the inclusion of an integrated barcode scanner. The migration of a large base of legacy Windows-based handheld devices to Android continues to be a growth driver for rugged handhelds.

Industrial Enterprise Market Opportunity

Within the industrial enterprise market, we primarily focus on providing our solutions for business-critical tasks. We estimate that in the United States and Canada in 2018, there were 37.6 million task workers across verticals in our industrial enterprise end market, including transportation and logistics, construction, manufacturing, facilities management and energy and utility, who could benefit from our products. The extreme durability, and enhanced voice and text communication capabilities of our devices, enable these workers to be stationed in remote and hazardous environments, while remaining connected to their central command center at all times.

The functionality and durability requirements for workers in the industrial enterprise market significantly differ from that provided by a consumer-focused mobile device. Our solutions provide enterprises with the ability to centrally manage, and control device functions and data stored on the phone remotely. Enterprises seeking to reduce their operating expenses by optimizing workflows can enhance their workers' productivity by leveraging specialized, purpose-built rugged platforms with functions such as PTT, location tracking, barcode scanning and extra-loud audio. These features are especially crucial for business-critical applications across the industrial enterprise.

Public Sector Market Opportunities

Historically, U.S. public safety agencies and other critical infrastructure entities like utilities and municipalities have utilized rugged two-way radios running on proprietary LMR networks to ensure reliable and immediate communication. As these closed networks were locally funded, built and controlled, they were designed not to be interoperable across cities and states and other agencies. Over time, these users have incrementally augmented their LMR radios with mobile devices running on commercial wireless networks. These mobile devices enabled public-safety officers to gather real-time information, collected across multiple systems, and to respond and react to changing circumstances.

On September 11, 2001, many firefighters perished in part due to the lack of interoperability between the LMR systems of the multiple responding agencies in New York City and surrounding areas. Additionally, commercial cellular communications were halted due to the significant increase in call volumes. Based on the 9/11 Commission Report's recommendations, Congress passed legislation in 2012 to establish the First Responder Network Authority under the Department of Commerce, which was tasked with deploying a nationwide public safety broadband network.

In March 2017, the Department of Commerce and the First Responder Network Authority awarded AT&T a contract to build, maintain and operate a nationwide high-speed broadband network for public safety, or FirstNet, for 25 years. The contract provided AT&T with 20 MHz of spectrum and $7 billion in funding to support this network and established subscriber targets, milestone buildouts and disincentive fees to help ensure that AT&T fulfills its commitments to public safety. The contract provides AT&T a 25-year lease of FirstNet Band 14 spectrum subject to AT&T enlisting a minimum number of emergency responders across the United States. As of December 2020, FirstNet (Built with AT&T) had signed approximately 14,000 public safety agencies, representing approximately 1.7M FirstNet connections.

Due to AT&T's focus on growing its number of public safety users, other major U.S. wireless carriers including T-Mobile and Verizon have been focused on establishing and defending their market positions, creating a highly competitive market for public safety users among the major U.S. wireless carriers.

We introduced our first devices that supported FirstNet XP8 and XP5s, in the first quarter of 2018, and XP3 the second quarter of 2019. Through our partnerships with wireless carriers that provide FirstNet and similar networks, as well as wireless carriers seeking to obtain market share through other dedicated cellular networks, we believe we are in a strong position to provide our ruggedized solutions through these channel partners to the public safety market as these competing public safety networks mature. We intend to continue to leverage our access to end customers and end users on public safety networks to increase brand awareness and become the favored provider for ruggedized solutions across the public safety market generally. We believe that the general momentum to convert to cellular based systems from LMR, either dedicated or prioritized for public safety, is a global trend as Western European countries and Australia are considering similar wireless networks.

Our Ruggedized Solution

- ***Durability and reliability.*** Our mobile phones and barcode scanners can withstand a variety of harsh environments and are supported by our industry-leading three-year comprehensive manufacturer's warranty, which includes physical damage. Key features of our rugged devices include:
  - *Puncture, shock, pressure and drop and impact resistance.* Durable rubber and Gorilla Glass construction to protect against damage from sharp objects, falls, vigorous movements and compression by heavy weights.
  - *Waterproof and dustproof construction.* Reinforced seals and waterproof mesh membranes to prevent potential damage caused by moisture and debris.
  - *Multi-shift battery life.* Replaceable battery designed to provide sufficient power to last through a dual eight-hour shift in most real-world conditions.
  - *Extra-loud audio*. Produces high sound quality at high volumes and uses noise cancellation technology for loud background noise environments.
  - *Glove-friendly design.* Screens and buttons responsive to touch through gloves and water.
  - *Operational in and resistant to extreme temperatures*. Protective exterior prevents damage to our devices' hardware from very cold and hot temperatures.
  - *Chemical resistance.* Ability to effectively sterilize and sanitize, regardless of potential contaminants.

- ***Increased communication and visibility through an enterprise.*** Our solutions are used to track locations, update and manage various tasks and enable communication with and between task workers. For example, location tracking and data analytics enable fleet optimization, help enterprises make asset allocation and deployment decisions and ensure that fleets are at the right place at the right time. In addition, our solutions are specifically designed to capture, store and analyze multiple data types for enterprise needs, enabling them to make decisions. For example, by leveraging this data, task workers such as first responders can more strategically plan their logistics resulting in decreased response times. Finally, by providing a reliable mode of communication between employees, supervisors and command centers, those not in the field have crucial insight into the status and performance of task workers in the field. This can also result in improved safety for employees that work in high-risk environments.
- ***Enhanced functionality through software and hardware configurations.*** Our solutions allow end customers and task workers to customize our mobile phones using Android-based applications and vertical- specific accessories to address their varying needs. Enterprises and agencies can leverage the millions of applications available on the Google Play Store, our dozens of device-specific APIs, and our industrial accessories to create a purpose-built solution to meet the specific use cases of their task workers. For example, school bus operators can combine our ruggedized phones, an industrial mounting kit, a PTT application that leverages our APIs and a location-tracking application to ensure that they have a solution that enables constant communication with dispatchers that is compliant with the U.S. Department of Transportation's hands-free driving regulations and that can also automatically alert parents of route delays. The ability for enterprises and agencies to customize their solutions allows their task workers to use a single device for tasks that would previously require multiple and often more costly devices.
- ***Ease of use.*** Our devices are designed to look and function similarly to the latest generation of consumer-focused mobile phones with additional features for various enterprise-specific purposes, and also run on the Android operating system which has a familiar and intuitive interface. They provide familiar characteristics to many single-purpose devices, such as dedicated physical buttons for PTT and barcode scanning and offer a simplified user interface which helps minimize the learning curve for task workers who are transitioning from LMR or data capture devices. Furthermore, all of our mobile phones come equipped with our SonimWare software, which helps IT administrators more quickly provision and deploy our devices to task workers, reducing the cost and effort associated with converting to our solutions.
- ***Consolidation of devices.*** A large number of devices can lead to excess bulk carried by task workers and can inhibit their mobility in the field. These specialized devices can also be expensive and typically require full replacement after end-of-life, which can be a cumbersome and costly process. By combining commonly used applications and functionality into one ruggedized device with the option for add-ons, enterprises can reduce the need for multiple, single-purpose devices. We believe that replacing outdated single-purpose devices with a Sonim device can enhance fleets' mobility and economically streamline equipment updates or replacements.

As a result of these key attributes, we believe that our ruggedized, purpose-built mobile phones can increase the productivity of task workers and significantly reduce total cost of ownership for entities deploying our solutions.

Our Strategy

- ***Reorganize Company to achieve growth and profitability.*** Since November 2019, our management team has endeavored to reorganize the company into a leaner, lower cost organization focused on a path to growth and profitability. The Company has reduced its global headcount from approximately 500 employees at year end 2019 to headcount of 317 of which 263 are full time employees and 54 contractors as of December 31, 2020. Additionally, we have outsourced substantially all of our manufacturing functions, software development and quality control functions to third parties, transferring the employees who previously performed this work. During 2020, we decided to proceed with future product co-development and manufacturing with Original Design Manufacturing, or ODM partners. To ensure the efficient manufacturing of our legacy products through this transition, we outsourced our final assembly to a supply chain partner and transferred employees to that partner to enhance their efficiency in taking over our production work. We have also relocated our headquarters from San Mateo, California to Austin, Texas, a lower cost location. These actions resulted in a run-rate savings of approximately 29% (or $15 million) from the Company's 2019 operating expense run-rate, excluding one-time IPO related costs, legal settlements and related fees. We believe that restructuring the company positions us to stabilize its operations and invest for future growth.
- ***Invest in sales channel partnerships and brand marketing to drive sales.*** Our channel partners are leading global wireless carriers, communications system integrators and electronics resellers. These channel partners have large sales forces who sell our solutions to end customers in our target markets. They enable us to cost-effectively scale our business without employing a large direct sales force of our own. We intend to continue to invest in expanding our distribution and channel partnerships to further penetrate the public sector and industrial enterprise markets we target. We believe that our investment in marketing the Sonim brand and our solutions to end customers in target markets helps to raise brand awareness, deepen existing channel partnerships, and acquire and retain new channel and end customers of our solutions.

- ***Position Sonim as the leading solution for the public sector.*** We believe that we are at the forefront of a public safety market that has a current need for dedicated cellular networks, such as AT&T's FirstNet, prioritized networks, such as those provided by Verizon, and the devices that enable their use. We intend to leverage the deployment of our solutions over dedicated and prioritized LTE cellular in the public safety market to further position us as a trusted global solution. As public safety agencies continue to shift to these dedicatedcellular networks, we intend to deliver mobility solutions to increase security, safety and efficiency.
- ***Position Sonim as a leading solution for industrial workers and logistics.*** Workers need reliable communications and data collection tools. We believe that our devices will provide not only the functionality that workers need, but also the ruggedness to ensure uptime and reduce loss of productivity due to device breakage. As businesses see the increasing productivity that mobile devices provide for their workers, we believe that they will further value rugged devices as a means of ensuring the ongoing benefit of computerization.
- ***Expand our software products and services.*** We intend to expand our cloud-based software platform, SonimWare to provide functionality and device management tools that enhance user and, in particular, organizational preference for our devices. As the suite of solutions grows, we intend to target revenue opportunities by creating subscription options for portions of our SonimWare suite of solutions.
- ***Expand internationally.*** The transition from existing LMR network infrastructure to LTE-based replacements for public safety and commercial enterprises has commenced outside of the United States and Canada. We are exploring public safety and commercial infrastructure projects in Australia and Europe. In addition, there is a very large industrial market internationally that our current and future devices are well-positioned to address. We will look for ways to expand our sales reach, especially through distribution and channel partners to address these market opportunities.

Our Target Markets

We believe our solutions can improve communication reliability, operational efficiency and safety for end customers and task workers in both commercial and public sectors. Our ruggedized mobility solutions target two end markets: industrial enterprise and public sector.

Industrial Enterprise

Transportation and Logistics. Enterprises and fleet workers across supply chain, delivery services and field management rely on mobile devices to operate safely and efficiently in environments that are often susceptible to inclement weather. For enterprises looking to improve supply chain functionality, our mobile resource management applications such as location tracking, mileage tracking, and job dispatch can help businesses monitor operations more efficiently. We believe that a weather-resistant and long-battery ruggedized device, combined with productivity applications and services like Sonim Scan—which, in addition to powering our dedicated barcode scanners, integrates a barcode scanning engine with the native camera on our XP8 smartphone—provides reliable communication options for transportation and logistics workers. In addition, our solutions reduce the number of devices and tools that these task workers would need to carry in the field by consolidating the functionality of multiple single-purpose devices into one purpose-built mobile device.

Construction. We offer workers in the construction industry crush-, puncture-, scratch- and impact-resistant devices, which we believe to be crucial in environments where there is a high risk of such occurrences. Jobsites also value the PTT capabilities that are tightly integrated into Sonim devices. Additionally, we believe our phones, scanners and related accessories help promote worker safety and productivity, with support for lone-worker safety applications and with features such as extended battery life and extra loud-speakers. For business decision-makers, we offer devices with consolidated functionality, which enables a total cost of ownership that we believe is significantly lower versus comparable offerings that enable real-time reporting. This can help eliminate costly delays by capturing verbal, visual and location data from job sites more efficiently.

Manufacturing. As market demand and competition in the manufacturing sector require more nimble production lines, equipment for reliable communication and safety standard compliance are necessary to improve efficiency and keep workers safe. Our devices' PTT functionality and extra-loud speakerphones are designed to keep lines of communication open and functional in fast-changing and loud environments, while our glove-friendly touch screen displays allow for workers to have access to real-time data, thus reducing production down time. Additionally, our devices are designed to survive blunt force and can be sanitized and sterilized for safe use in food or medical processing facilities. We believe that these features can enhance the productivity of workers in the manufacturing industry.

Facilities Management. Service-based operations in large indoor and outdoor facilities require management of mobile teams. Our mobile phones consolidate radio, guard tour verification, panic button systems and scanners, which otherwise would require separate and single-purpose equipment. Our devices can improve business operations through functionalities such as automated work order dispatch and job completion verification tools delivered via proprietary third-party applications integrated with our devices.

Energy and Utility. The safety standards for mobile phones used in the energy and utility industry are more stringent due to the reactive characteristics of the natural resources being procured and serviced, as well as the potentially high-voltage or explosive environments. We believe we are uniquely positioned to serve these workers because a number of our devices are designed for use in potentially explosive or hazardous environments (rated Non-Incendive or Intrinsically Safe by either the CSA Group, ATEX or IECEx notified bodies), and their resistance to various chemicals and extreme temperatures. Reliable communication devices are often mission- critical for workers to stay safe while performing energy- and utility-related operations.

Public Sector

Public Safety. In the United States, AT&T's FirstNet network and Verizon's public safety prioritization provide optimized networks for this sector. Through our partnerships with all of the major wireless carriers, we believe we are in a strong position to provide mission-critical solutions to the public safety market as public safety networks mature. Through enhanced communication capabilities, we believe our devices can decrease the response time of first responders and help public safety workers stay safe and connected in hazardous, isolated or emergency conditions. We believe that the durability of our phones combined with their purpose-built functionality, provide a lower total cost of ownership compared to similar products, which is highly attractive to city and state decision-makers.

Federal Government. Whether during natural disasters or day-to-day operations, we believe our devices help provide functionality and reliability that is crucial for federal workers to protect and serve their nation. Our mobile solutions support purpose-built voice communications and data capture applications that allow federal workers to stay connected and quickly make more informed decisions while in the field.

Products and Technology

Features of Our Ruggedized Mobile Phones

Our mobile phones can withstand a variety of harsh environments and are supported by our industry-leading three-year comprehensive manufacturer's warranty. We developed our devices to meet industry standards for protection from the ingress of water and/or micro-particles (IEC standard 60529). Our devices are rated a minimum of IP-68, allowing them to be submersed in up to six and a half feet of water for up to 30 minutes, and our XP8 smartphone has been further tested and certified to withstand sprays of high-pressure streams (up to 1,450 PSI) of hot (80°C) water (IPx9K). We have additionally designed and manufactured our devices to withstand repeated drops to concrete across all angles and faces, attaining MIL-STD-810G ratings and, in 2011, earning the Sonim XP3300 the title of World's Toughest Phone by the Guinness Book of World Records after surviving a fall from 82 feet 11.7 inches to concrete. Engineered with a protective glass lens that is up to three times thicker than that of other cellular devices in the market and a unique blend of plastic and rubber used in the housings, our ultra-rugged mobile phones are designed to be resistant to punctures caused by impacts from external objects up to 2J on the display lens and 4J on the housing. Furthermore, we understand that the jobs of our end users often take them into extreme environments. As a result, we have designed our devices to operate from -4°F to +131°F, be usable while wearing work gloves (glove-friendly touch display, large physical buttons), be audible in noisy environments with loud 100+ dB loudspeakers and multiple microphone noise-cancellation technology, and, for our XP5s and XP8 phones to last throughout an average day based on ordinary use without needing to be recharged with large, extended-life batteries. We have also designed, manufactured and certified our devices to be safe for use in potentially hazardous or explosive environments.

In addition, our devices provide a wide range of connectivity options for our end customers (including LTE, 3G, GSM, WiFi, NFC, location tracking and Bluetooth for certain of our devices), and our phones support a wide range of global frequencies allowing them to be used almost anywhere in the world where there is cellular coverage. Our phones are certified to work on multiple mobile network operators and come equipped with LTE Band 14 to support FirstNet (built with AT&T). We continue to explore how and when to best support the latest technologies, including 5G, and we plan to incorporate them into our product roadmap when our end market segments require such functionality, and the technology has reached a reasonable level of maturity.

Our Devices

<u>Mobile Phone Products</u>

Sonim XP8. The Sonim XP8 is an Android-based LTE smartphone that is certified as Android Enterprise Recommended by Google. The Sonim XP8 comes equipped with a five-inch durable, glove-friendly display, an ultra-rugged exterior, physical programmable buttons (including a large PTT button), and unique accessory ports and connectors that enable modular capabilities and functionality.

Sonim XP5s. The Sonim XP5s is a purpose-built LTE feature phone designed for task workers who have a “no frills” attitude about their communications tool. It comes equipped with a 2.64-inch non-touch display, dual front-facing loudspeakers, a large PTT button, and the same XP and SecureAudio connector ports, enabling full access to our complete ecosystem of industrial accessories.

Sonim XP3. The Sonim XP3 is an LTE feature phone in a clamshell form factor that offers our customers a cost-effective voice and/or PTT solution without distracting end users from doing their jobs with things like an application store or email. Built with an over-sized PTT button, a physical numeric keypad and a loud front-facing speaker, the Sonim XP3 delivers a reliable voice-centric experience to those who operate in these industrial environments.

Rapid Deployment Kit (RDK). The RDK is an all-in-one portable communications system. Easily deployed in minutes, the RDK contains an internal 15.6 Ah battery, 4 Sonim XP8 smartphones, built-in cellular, GPS and WiFi antenna, an optional satellite backup, and an integrated LTE router/modem to ensure a team can stay connected in multiple situations in multiple locations. An optional configuration has integrated LMR interoperability ensuring communications across LTE and LMR devices.

SmartScanner Products

Sonim RS60. The Sonim RS60 is an Android-based handheld computer and LTE device that is certified as Android Enterprise Recommended by Google. The Sonim RS60 comes equipped with a six-inch durable, glove-friendly display, an ultra-rugged exterior, physical programmable buttons, a large multi-shift battery and an integrated barcode scanner module.

Sonim RS80. The Sonim RS80 is an Android-based tablet that is certified as Android Enterprise Recommended by Google. The Sonim RS80 comes equipped with an eight-inch durable, glove-friendly display, an ultra-rugged exterior, physical programmable buttons, a large multi-shift battery and an integrated barcode scanner module.

Accessories

Our portfolio of industrial-grade accessories extends beyond the traditional consumer cellular ecosystem of wall chargers and cases. We work with a number of accessory manufacturers and design partners to deliver innovative purpose-built accessories that enhance the functionality and usability of our devices. Our audio accessories take advantage of our SecureAudio Connector, which allows for accessories, like a Remote Speaker Microphone, or RSM, to be physically secured to the device via a screw mechanism that prevents accidental disconnection. Our multi-bay charging accessories allow for enterprises and agencies to charge multiple devices at once via a single unit, ensuring that at the start of a shift, the device is fully charged and ready to go. We also support a wide range of in-vehicle solutions that enable hands-free voice communications for those end users who work from the road.

SonimWare Software

In addition to the ecosystem of Android developers and their applications, which are supported on our devices, we provide a suite of applications and tools that help customers manage, deploy and support their Sonim devices. The capabilities of these software applications differentiate us from many rugged vendors that only focus on hardware. Current capabilities include:

- Sonim Setup Wizard allows provisioning teams to rapidly customize and deploy large number of devices with less manual work and fewer errors.
- Sonim SafeGuard lets user administrators block usage of selected apps and features, ensuring only those critical to job related functions and cost requirements are used.
- Sonim Kiosk Mode lets user administrators configure devices with the minimum required functionality, a critical customer need in hazardous environments or anywhere that user safety is paramount.
- Scout App Updater lets administrators control when and where updates are sent to users’ phones.
- Sonim Scan supports the integrated barcode scanners in the RS60 and RS80 devices and implements a barcode scanning engine with the native camera on the Sonim XP8, allowing end users to scan 1D or 2D barcode.
- Sonim SOS provides emergency alert capabilities for users of Sonim devices to help ensure worker and job-site safety.

Sales and Marketing

As of December 31, 2020, our sales and marketing team consisted of 26 professionals located in the United States, Canada and Europe. We sell our products directly to wireless carriers, through distributors and resellers and directly to end customers. Our marketing efforts consist of product marketing, channel partner/carrier marketing and corporate marketing. Product marketing focuses on ensuring that carrier requirements related to product specifications are in-line with our brand requirements. Channel partner marketing focuses on go-to-market strategy as well as developing supplemental sales tools, carrier and non-carrier marketing campaigns, industry trade show materials and brand awareness. Corporate marketing consists of public relations, social and digital marketing and lead generation operations.

Manufacturing

Prior to January 2021, we directly managed the procurement of all final assembly materials used in our products, which include LCDs, housings, camera modules and antennas. In addition, we completed the final assembly of our devices in our Shenzhen, China facility. During 2020, we decided to proceed with future product co-development and manufacturing with ODM partners. To ensure the efficient manufacturing of our legacy products through this transition, we outsourced our final assembly to a supply chain partner and transferred employees to that partner to enhance their efficiency in taking over our production work.

In our final assembly facility and our manufacturing partner's facility, devices are assembled and undergo quality assurance procedures across three production lines. The assembly of each of our products requires over 800 components, primarily related to mounting components onto circuit boards, and requires multiple custom components for ruggedization of the device, which includes housing, display and glass lens, printed circuit board assembly, camera function, battery, speakers and unique accessory ports, among others. Some of the components used to assemble our products are custom-made and obtained through single-source suppliers.

The Company is closely monitoring the impact of the COVID-19 global outbreak and its resulting impact on our manufacturing operations and supply chain, withits top priority being the health and safety of its employees, customers, partners, and communities. During 2020, our manufacturing lines were closed for four weeks due toCOVID-19 protocols established by the Chinese government. Since that time, we have had no material interruptions of production.

Competition

We operate in a highly competitive environment serving end customers in the industrial enterprise and public sector markets. These markets are highly fragmented, evolving and increasingly competitive. Competition in our industry is intense and has been characterized by rapidly changing technologies, evolving industry standards, significant barriers to entry in the form of carrier certification requirements, frequent new product introductions, annual operating system changes and rapid changes in end user requirements.

Non-rugged mobile device manufacturers have not historically created devices specifically to compete in the industrial enterprise and public sector markets. These manufactures typically focus on a different consumer audience and the requirements to manufacture ruggedized phones differ significantly from their core products. Nevertheless, we face competition from manufacturers of non-rugged mobile phones such as Apple Inc. and Samsung Electronics Co. Ltd, or Samsung. to the extent end users decide to purchase traditional devices and add a rugged case for use in environments that we believe are better suited for purpose built ruggedized mobile phones. We also face competition from manufacturers of rugged mobile phones such as Samsung, Bullitt Mobile Ltd. and Kyocera Corporation as well as from large system integrators and manufacturers of private and public wireless network equipment and devices. Competitors in this space include Harris Corporation, JVC KENWOOD Corporation, Motorola Solutions, Inc. and Tait International Limited. For the Data Capture and RFID portion of our product offerings, competitors include companies that provide a broad portfolio of barcode scanning products that are suitable for the majority of global market applications, such as Datalogic USA, Inc., Honeywell International Inc., Panasonic Corporation, Socket Mobile and Zebra Technologies Corporation.

We believe the principal competitive factors affecting the market for our products are the products' performance, features (including security features), quality, design innovation, reliability, price, customer service, reputation in the industry, brand loyalty and a strong third-party software and accessories ecosystem. We believe that our strongest competitive advantages are our products' durability and reputation in the industry, as well as the push to talk capabilities not available in all competitive devices. Additionally, we believe our XP8 rugged smartphone is one of the most rugged smartphones made anywhere in the world and it is consequently able to be fully sterilized and cleaned. In order to compete, we will be required to continue to respond promptly and effectively to the challenges of technological changes and our competitors' innovations.

With regard to competition from LMR providers, traditional LMR providers have chosen to not fully enter the LTE market primarily to avoid harming their significant existing LMR business. For example, certain major LMR providers have historically achieved over $3.0 billion in annual revenues from device sales. Further, these LMR providers typically do not have stocked products with major U.S. and Canadian wireless carriers. Achieving stocked product status with the wireless carriers requires that a manufacturer incur substantial cost and maintain technical know-how regarding carrier certification requirements. Stocking products at the wireless carriers may also result in competition against existing dealers for LMR providers, with certain such providers transacting with over 700 dealers in North America.

Intellectual Property

Our competitiveness and future success are dependent on our ability to protect our own proprietary technology and to access other important intellectual property. We protect our freedom to operate in the markets and mitigate intellectual property costs by proactively securing licenses with key patent holders, filing our own patents, trademarks, and copyrights and participating in defensive patent pools. As of January 1, 2021, we held 22 utility and design patents in the United States and 11 outside the United States and have filed 1 utility and design patent applications in the United States and one outside the United States. We also have contractual rights to standard essential patents for 2G, 3G, 4G and 5G wireless technologies, some of which require significant royalty payments. In addition, as of January 1, 2021, we held 15 trademarks in the United States and 17 trademarks outside the United States and have filed 10 trademark applications in the United States and 21 outside the United States. We opportunistically negotiate licenses with other patent holders where appropriate for our technology.

Our products are built to conform to wireless standards which are covered by numerous essential patents held by third parties. Our wireless carriers require us to provide patent indemnification for the products we sell to them, and in turn we secure intellectual property indemnification from our suppliers.

We do not believe that our products infringe on the proprietary rights of any third parties. There can be no assurance, however, that third parties will not claim such infringement by us or our channel partners and end customers with respect to current or future products. In the past, we have had third parties assert exclusive patent or other intellectual property rights to technologies that are important to our business. Any such claims, with or without merit, could be time consuming, result in costly litigation, cause product shipment delays or require us to enter into a royalty or licensing agreement, any of which could delay the development and commercialization of our products.

Our devices use the Android operating system based on the Android Open Source Project. We additionally integrate third-party licensed software on commercially reasonable terms. Several Android-based apps and extension enablers of Android are developed internally by our employees.

Certain License Agreements

In September 2008, we entered into a multi-year patent license agreement, as amended in January 2019, or the Nokia Agreement, with Nokia Corporation, or Nokia, pursuant to which Nokia granted us a license to certain Nokia-owned cellular standard essential patents for our devices that include such cellular standard technology. The Nokia Agreement is currently effective and contains customary termination clauses.

In January 2017, we entered into an amended and restated global patent license agreement, as amended in December 2018, or the Ericsson Agreement, with Telefonaktiebolaget LM Ericsson (Publ), or Ericsson, pursuant to which Ericsson granted us a license under certain Ericsson patents to manufacture and sell mobile phones that comply with certain telecommunications standards. Under the agreement, we made a one-time payment to Ericsson to partially settle royalty arrears and are obligated to pay Ericsson (i) single-digit U.S. dollar amounts per unit, which amounts are based on the particular product sold and the standards with which such products are compliant, and (ii) quarterly payments to cover the remaining royalty arrears. The Ericsson Agreement continues until January 1, 2024, unless terminated earlier by the parties. Ericsson has the right to terminate in the event (i) we materially breach the agreement and do not cure such breach within 30 days, or (ii) in the event of a change of control of our company, where the successor does not agree to the terms of the agreement. Further, Ericsson may terminate certain rights under the agreement with respect to third-party manufacturers if a third-party manufacturer files an infringement suit relating to any patents owned by Ericsson.

Legislation and Regulation

Wireless communication devices use radio spectrum, which is regulated by government agencies throughout the world. In the United States, use of spectrum is regulated by the Federal Communications Commission, or FCC, and the National Telecommunications and Information Administration, or NTIA, for non-federal government entities and federal government entities, respectively. The FCC and NTIA allocate spectrum for various uses, including commercial wireless services and public safety services, and regulate the use of that spectrum and the devices, such as our products, that operate on that spectrum. The FCC and NTIA also adopt requirements that affect wireless equipment, such as limits on radio emissions and rules requiring that handsets have specified capabilities, such as providing location information to 911 operators. The FCC also regulates the testing and certification for the import and/or sale of certain wireless devices.

Other countries also have regulatory bodies that define and implement the rules for using radio spectrum, pursuant to their respective national laws and international coordination under the International Telecommunications Union. Our ability to manufacture and sell products in other countries could be affected by such rules. In addition, any significant variations between the rules in the United States and rules in other countries, including differences in available spectrum bands for wireless communication, could increase the costs of designing and manufacturing our products.

Research and Development

We allocate significant resources and funds to developing robust and innovative solutions for the end users of our products and ensuring that these solutions meet their exacting requirements for functionality and reliability. Our research and development initiatives are led by our internal teams and are supported by third-party original design manufacturers as needed. Our product management team and our sales and marketing team spend their time interacting with a combination of end users and IT administrators in our target markets, wireless carriers and application and accessory ecosystem partners to better understand the market requirements for our solution. Once defined, our engineering organization develops and tests the solution against these requirements and works to achieve technical certification and approval from the wireless carriers which allows the solutions to be sold to our end users.

Employees

The Company has reduced its global headcount from approximately 500 employeesat year end 2019 to headcount of 317, of which 263 are full time employees and 54 contractors as of December 31, 2020.

The Company has also relocated its headquarters from San Mateo, California to Austin, Texas, a lower cost location. At the beginning of 2021, we outsourced substantially all of our software development to a third-party and transferred 105 employees to support the work to be performed. Additionally, in the beginning of 2021, we outsourced our manufacturing work to a supply chain partner and expect to ultimately transfer or eliminate 22 employees as part of this solution.

None of our employees are represented by a labor union or covered by a collective bargaining agreement. We have not experienced any work stoppages, and we consider our relations with our employees to be good.

Our Annual Report on Form 10-K, quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to reports filed pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, are filed with the Securities Exchange Commission (the "SEC"). Our website provides a link to our SEC filings, which are available free of charge on the same day such filings are made. The specific location on the website where these reports can be found is https://ir.sonimtech.com/. Our website also provides a link to Section 16 filings which are available free of charge on the same day as such filings are made. Information contained on these websites is not a part of this Annual Report on Form 10-K.

Item 1A. Risk Factors.

Investing in our securities involves a great deal of risk. Careful consideration should be made of the following factors as well as other information included in this Annual Report on Form 10-K before deciding to purchase our securities. There are many risks that affect our business and results of operations, some of which are beyond our control. If any of the following risks actually occur, our business, financial condition or operating results could be significantly harmed. This could cause the trading price of our common stock to decline, and you may lose all or part of your investment. Additional risks that we do not yet know of or that we currently think are immaterial may also affect our business and results of operations.

Risks Related to Our Business

We have not been profitable in recent years and may not achieve or maintain profitability in the future.

We have incurred significant net losses since 2013 and have an accumulated deficit of $196.2 million as of December 31, 2020. We are not certain whether or when we will obtain a high enough volume of sales of our products to sustain or increase our growth or achieve or maintain profitability in the future. We also expect our costs to increase in future periods, which would negatively impact our future operating results if our revenues do not increase. In particular, we expect to continue to expend substantial financial and other resources on:

- research and development related to our solutions, including investments in our engineering and technical teams;
- expansion of our sales and marketing efforts;
- general and administrative expenses, including legal and accounting expenses related to being, a public company; and
- continued expansion of our business.

These investments may not result in increased revenues or growth in our business. Additionally, we have recently and may continue to encounter unforeseen operating expenses, difficulties, complications, delays and other unknown factors that may result in losses in future periods. If we are unable to increase our revenues at a rate sufficient to offset the expected increase in our costs, our business, operating results and financial position may be harmed, and we may not be able to achieve or maintain profitability over the long term or continue as a going concern. Our consolidated financial statements account for the continuation of our business as a going concern. We are subject to the risks and uncertainties associated with the development and release of new products. Our principal sources of liquidity as of December 31, 2020 consist of existing cash and cash equivalents totaling $22.1 million, which includes the approximately $25 million in net proceeds from our June 2020 public offering of common stock and redemption of approximately $10 million of note payable in June 2020, of which $4 million was paid out in cash and the balance settled with the issuance of common stock. During the twelve months of 2020, we used approximately $10.8 million of cash and cash equivalents for operating activities. The cost structure of the company has been significantly reduced and many aspects of product development and operational support have been outsourced to add additional spending flexibility if needed. Our audited consolidated financial statements account for the continuation of our business due to the $25 million in net proceeds from our public offering of common stock that closed in June 2020. This capital raise will allow the company to continue operations for at least the next twelve months. 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. 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 existing investors or others, 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 the Nasdaq Stock Market ("Nasdaq"). If we cannot grow our revenue run-rate or raise needed funds, we might be forced to make additional reductions in our operating expenses, which could adversely affect our ability to implement our business plan and ultimately our viability as a Company.

We rely on our channel partners to generate a substantial majority of our revenues. If these channel partners fail to perform or if we cannot enter into agreements with channel partners on favorable terms, our operating results could be significantly harmed.

A substantial majority of our revenues are generated through sales by our channel partners, which are primarily wireless carriers who sell our phones through their sales channels. To the extent our channel partners are unsuccessful in selling or do not promote our products, or we are unable to obtain and retain a sufficient number of high-quality channel partners, our business and operating results could be significantly harmed.

We enter into master sales arrangements with the majority of our channel partners (including channel partners contributing over 90% of our total revenues for the years ended December 31, 2020 and 2019) under which our partners purchase our products for distribution on a purchase order basis. While these arrangements are typically long term, they generally do not contain any firm purchase volume commitments. As a result, our channel partners are not contractually obligated to purchase from us any minimum quantity of products. We are generally required to satisfy any and all purchase orders delivered to us within specified delivery windows, with limited exceptions (such as orders significantly in excess of forecasts). If we are unable to efficiently manage our supply and satisfy purchase orders on a timely basis to our channel partners, we may be in breach of our sales arrangements and lose potential sales. Our sales arrangements also generally include technical performance standards for our mobile phones and accessories sold, which vary by channel partner. If a technical issue with any of our covered products exceeds certain preset failure thresholds for the relevant performance standard or standards, the channel partner typically has the right to cease selling the product, cancel open purchase orders and levy certain monetary penalties. If our products suffer technical issues or failures following sales to our channel partners, we may be subject to significant monetary impact and our channel partners may cease making purchase orders, which would significantly harm our business and results of operations. In addition, our channel partners retain sole discretion in which of their stocked products to offer their customers. While we may offer limited customer incentives, we generally have limited to no control over which products our channel partners decide to offer or promote, which directly impacts the number of products that our partners will purchase from us.

Our channel partners may be unsuccessful in marketing, selling and supporting our solutions. They may also market, sell and support solutions that are competitive with ours, and may devote more resources to the marketing, sales and support of such products. They may have incentives to promote our competitors' products in lieu of our products, particularly for competitors who do a large volume business with the channel partner. For example, during the summer of 2019, we expected, based on input from our US wireless carrier channel partners, for such channel partners to subsidize our new products following launch, to place new releases in retail locations and to sign up push-to-talk customers to our new generation phones. In each of these cases, there were significant delays and changes in the rollout of these efforts, which negatively impacted demand for our products and thus our profitability. In the event there is not sufficient demand for our products, our channel partners may stop selling our products completely. While we employ a small direct sales force, our channel partners have significantly larger sales teams who are not contractually obligated to promote any of our devices and often have multiple competing devices in stock to offer their customers. In addition, downstream sales by our channel partners often succeed due to attractive device prices and monthly rate plans, which we do not control. In certain cases, we may promote our own devices through customer incentives, typically in exchange for retail price reductions or contributions of funds for marketing purposes; however, there can be no assurance that any such incentives would contribute to increased purchases of our products. Further, given the impact of attractive pricing on ultimate sales, we generally must offer increased promotional funding or price reductions for our more expensive products. This promotional funding or price reductions operate to reduce our margins and significantly impact our profitability.

New sales channel partners, as well as sales of new products being sold by existing channel partners, may take several months or more to achieve significant sales. Our channel partner sales structure could subject us to lawsuits, potential liability and reputational harm if, for example, any of our channel partners misrepresents the functionality of our products or services to their customers or violate laws or our corporate policies. Additionally, some of our master agreements with our wireless carrier customers contain most "favored nation" clauses. These clauses typically provide that if we enter into an agreement with another wireless carrier or customer on more favorable terms, we must offer some of those terms to our existing wireless carrier customers. These provisions may obligate us to provide different, more favorable, terms to our existing wireless carrier customers, which could, if applied, result in lower revenues or otherwise adversely impact our business, financial condition and results of operations.

If we fail to effectively manage our existing or future sales channel partners, our channel partners fail to promote our products effectively, we are unable to meet our obligations under our sales arrangements or enter into future agreements with wireless carrier customers that have terms that are more favorable to the customer, our business and results of operations would be harmed.

In the years ended December 31, 2020 and 2019, approximately 77% and 69%, respectively, of our revenues, were derived from our top four and three customers, respectively. We expect our revenues to continue to be heavily concentrated among our top customers, and the loss of, or significant reduction in orders from, any of these customers could significantly reduce our revenues and adversely impact our operating results.

We currently rely on the three largest U.S. wireless carriers, and the three largest Canadian wireless carriers, for the majority of our revenue. We expect our revenues to remain heavily concentrated among these top wireless carriers, and we will be substantially dependent on these wireless carriers continuing to purchase and promote our products to their sales channels as well as customer demand for devices and services from these wireless carriers (factors over which we do not have any control). The communications industry is also experiencing rapid consolidation and realignment. As a result, our customers may consolidate or align with other entities in a manner that may delay orders or result in reduced demand compared to historical rates for our products. The loss of one or more of these significant customers, or reduced demand or purchases from these significant customers, would result in significant harm to our revenues and results of operations, and our growth could be limited.

We are materially dependent on some customer relationships that are characterized by product award letters and the loss of such relationships could harm our business and operating results.

We receive award letters or contracts from some of our customers that generally provide for the supply of a customer's requirements for a particular product, rather than for the purchase of a specific quantity of products. In addition, new program launches require a significant ramp up of costs; however, the sales related to these new programs generally are dependent upon the timing and success of the introduction of our products by our customers. The loss of business with respect to, or the lack of commercial success of, a particular product for which we are a supplier could reduce our sales and thereby adversely affect our financial condition, operating results and cash flows.

Our business is difficult to evaluate because we have a limited operating history in our markets.

We have a limited operating history based on which you can evaluate our present business and future prospects. Because of this limited operating history, we face challenges in predicting our business and evaluating its prospects which creates uncertainty in our ability to implement our business plan successfully. For example, we intend to launch new types of products in areas adjacent to existing products to end users other than wireless carrier customers. Our prospects must be considered in light of the risks, expenses and difficulties frequently encountered by newly public companies that have recently launched new products into a new market. If we are unsuccessful in addressing these risks and uncertainties, our business, results of operations and financial condition will be significantly harmed.

We continue to restructure and transform our business. The assumptions underlying these efforts may prove to be inaccurate, or we may fail to achieve the expected benefits from these efforts, and we may have to restructure or transform our business again in the future.

In order to be successful, we must have a competitive business model which brings innovative products and services to market in a timely way. We continue to restructure and transform our business in response to changes in industry and market conditions and to focus on business simplification, quality improvement, reduced direct and indirect costs, and new revenue growth. We must manage the potentially higher growth areas of our business, which entail higher operational and financial risks, as well as the non-core areas, in order for us to achieve improved results. Our assumptions underlying these actions may not be correct, we may be unable to successfully execute these plans, and even if successfully executed, our actions may not be effective or may not lead to the anticipated benefits. As a result, we may determine that further restructuring or business transformation will be needed, which could result in the need to record further special charges such as costs associated with workforce reductions and we may be unable to maintain or improve our market competitiveness or profitability.

In connection with the transformation of our business, we have made, and will continue to make, judgments as to whether we should outsource the development and manufacturing of our products. If any of these providers experience (i) difficulties in obtaining sufficient supplies of components, (ii) component prices significantly exceeding anticipated costs, (iii) an interruption in their operations, or (iv) otherwise suffers capacity constraints, we could experience a delay in production and shipping of these products, which would have a negative impact on our revenue. Should there be any disruption in services due to natural disaster, economic or political difficulties, transportation restrictions, acts of terror, quarantines or other restrictions associated with infectious diseases, or other similar events, or any other reason, such disruption could have a material adverse effect on our business. Operating in the international outsourcing environment exposes us to certain inherent risks, including unexpected changes in regulatory requirements and tariffs, and potentially adverse tax consequences, which could materially affect our results of operations. If these providers are unable to achieve greater operational efficiencies, delivery schedules for new product development and current product delivery could be negatively impacted. Currently, we have no second source of manufacturing for a portion of our products. In addition, switching from one provider to another is an expensive, difficult and a time-consuming process, with serious risks to our ability to successfully transfer our development and/or manufacturing operations. If overall demand of our devices increases in the future, we will need to expand our manufacturing capacity in a cost-efficient manner. Our operations, and consequently our revenues and profitability, could be materially adversely affected if we are forced to switch from any of our providers to another provider due to any of a number of factors, including financial difficulties faced by the manufacturer, disagreements in pricing negotiations between us and the manufacturer or organizational changes in the manufacturer.

Further, we have made, and will continue to make, judgments as to whether we should further reduce, relocate or otherwise change our workforce. For example, the Company has reduced its global headcount from approximately 500 employees at year end 2019 to headcount of 317 of which 263 are full time employees and 54 contractors as of December 31, 2020. Additionally, we have outsourced substantially all of our manufacturing functions, software development and quality control functions to third parties, transferring the employees who previously performed this work. We have also relocated our headquarters from San Mateo, California to Austin, Texas, a lower cost location, in early 2020. These reductions in force, and the attrition that may occur following these reductions, will result in the loss of institutional knowledge and expertise and the reallocation and combination of certain roles and responsibilities across the organization, all of which could adversely affect our operations. These restructuring and additional measures we might take to reduce costs could divert management attention, yield attrition beyond our intended reduction in force, reduce employee morale, or cause us to delay, limit, reduce or eliminate certain product development plans, each of which could have an adverse impact on our business, operating results and financial condition. Costs incurred in connection with workforce reduction efforts may be higher than estimated. Furthermore, our workforce efforts may impair our ability to achieve our current or future business objectives. Any further workforce efforts including reductions may not occur on the expected timetable and may result in the recording of additional charges.

We are materially dependent on the adoption of our solutions by both the industrial enterprise and public sector markets, and if end customers in those markets do not purchase our solutions, our revenues will be adversely impacted, and we may not be able to expand into other markets.

Our revenues have historically been in the industrial enterprise market, and we are materially dependent on the adoption of our solutions by both the industrial enterprise and public sector markets. End customers in the public sector market may remain, for reasons outside our control, tied to Land Mobile Radio ("LMR') solutions or other competitive alternatives to our phones. Sales of our products to these buyers may also be delayed or limited by these competitive conditions. If our products are not widely accepted by buyers in those markets, we may not be able to expand sales of our products into new markets, and our business, results of operations and financial condition may be adversely impacted.

Our quarterly results may vary significantly from period to period, which could make our future results difficult to predict and could cause our operating results to fall below investor, analyst or our expectations.

Our quarterly results and, in particular, [our revenue, gross margins, operating expenses, operating margins and net income (loss), have historically varied significantly from period to period and may continue to do so in the future. As a result, comparing our operating results on a period-to-period basis may not be meaningful. Our budgeted expense levels are based, in large part, on our expectations of future revenue and the development efforts associated with that future revenue. Due to our smaller scale compared to many of our customers, we are particularly vulnerable to the impacts of changes in these customers' order forecasts. Consequently, if our revenue does not meet projected levels in the short-term, our inventory levels, cost of goods sold and operating expenses would be high relative to revenue, resulting in potential operating losses. If our revenue or operating results do not meet the expectations of investors or securities analysts or fall below any guidance we provide to the market, the price of our common stock may decline substantially.

Factors that may contribute to fluctuations in our quarterly results, many of which are outside our control and may be difficult to predict, include:

- fluctuations in demand, sales cycles and prices for products and services, including discounts given in response to competitive pricing pressures or to secure long-term customer relationships, as well as the timing of purchases by our key customers;
- fluctuations in our customer, product or geographic mix, including the impact of new customer deployments, which typically carry lower gross margins, customer consolidation, which may affect our ability to grow revenue, and products powered by our next-generation technologies, which initially tend to be lower margin due to higher per unit production costs and greater variability in production yields;
- the timing, market acceptance and rate of adoption of our new product releases and our competitors' new product releases;
- our ability to manage manufacturing costs, maintain or improve quality, and increase volumes and yields on products;
- our ability to successfully restructure or transform our operations within our anticipated time frame and realize our anticipated savings;
- the price, quality and timing of delivery of key components from suppliers, including any shipping cost increases or delays in the supply of components, as well as impacts due to consolidations amongst our suppliers;
- order cancellations, reductions or delays in delivery schedules by our customers;
- any delay in collecting or failure to collect accounts receivable;
- our ability to control costs, including our operating expenses and the costs and availability of components we purchase for our products;
- any significant changes in the competitive dynamics of the markets we serve, including any new entrants, new technologies, or customer or competitor consolidation, as well as aggressive pricing tactics by our competitors;
- our ability to manage inventory while timely meeting customer demand and avoiding charges for excess or obsolete inventory;
- the availability of third-party service partners to provide contract development and manufacturing services for us;
- the timing of revenue recognition and revenue deferrals;
- any future changes in U.S. GAAP or new interpretations of existing accounting rules;
- the impact of a significant natural disaster, as well as interruptions or shortages in the supply of utilities such as water and electricity; and
- general economic and political conditions in domestic and international markets, including those related to the recent change in presidential administration in the United States, and other factors beyond our control, including the ongoing effects of the COVID-19 pandemic and related response measures;
- additional developments regarding our intellectual property portfolio and regulatory exclusivity protections, if any; and
- outcomes of litigation and other legal proceedings; and our ongoing regulatory dialogue.

We participate in a competitive industry, which may become more competitive. Competitors with greater resources and significant experience in high-volume product manufacturing may be able to respond more quickly and cost-effectively than we can to new or emerging technologies and changes in customer requirements.

We face significant competition in developing and selling our solutions. Our primary competitors in the non-rugged mobile device market include Apple Inc. and Samsung Electronics Co. Ltd. Our primary competitors in the rugged mobile device market include Bullitt Mobile Ltd., and Kyocera Corporation. We also face competition from large system integrators and manufacturers of private and public wireless network equipment and devices. Competitors in this space include Harris Corporation, JVC KENWOOD Corporation, Motorola Solutions, Inc., or MSI, and Tait International Limited. For the Data Capture and RFID portion of our product offerings, competitors include companies that provide a broad portfolio of barcode scanning products that are suitable for the majority of global market applications, such as Datalogic USA, Inc., Honeywell International Inc., Panasonic Corporation and Zebra Technologies Corporation.

We cannot assure we will be able to compete successfully against current or future competitors. Increased competition in mobile computing platforms, data capture products, or related accessories and software developments may result in price reductions, lower gross profit margins, and loss of market share, and could require increased spending on research and development, sales and marketing, and customer support. Some competitors may make strategic acquisitions or establish cooperative relationships with suppliers or companies that produce complementary products, which may create additional pressures on our competitive position in the marketplace.

Most of our competitors have longer operating histories, greater name recognition, larger customer bases and significantly greater financial, technical, sales, marketing and other resources and experience than we do. In addition, because of the higher volume of components that many of our competitors purchase from their suppliers, they are able to keep their supply costs relatively low and, as a result, may be able to recognize higher margins on their product sales than we do. Many of our competitors may also have existing relationships with the channel partners who we use to sell our products, or with our potential customers. This competition may result in reduced prices, reduced margins and longer sales cycles for our products. Our competitors may also be able quickly and cost-effectively respond to new or emerging technologies and changes in customer requirements. The combination of brand strength, extensive distribution channels and financial resources of the larger vendors could cause us to lose market share and could reduce our margins on our products, especially if any of our larger competitors moved into the market for ultra-rugged mobile phones and accessories, as those competitors would enjoy relatively low barriers. If any of our larger competitors were to commit greater technical, sales, marketing and other resources to our markets, our ability to compete would be adversely impacted. If we are unable to successfully compete with our competitors, our sales would suffer and as a result our financial condition will be adversely impacted.

We rely primarily on third-party contract manufacturers and partners. If these relationships are disrupted and we are unable to obtain substitute manufacturers or partners, on favorable terms or at all, our business, operating results and financial condition may be harmed.

We have outsourced certain of our software development, third-party contract manufacturing, and product assembly operations to third-parties located in Asia.

Our contract manufacturers now produce the vast majority of our products in facilities located in Asia. All manufacturing of our products is performed in accordance with detailed specifications and product designs furnished or approved by us and is subject to rigorous quality control standards. We periodically review our product manufacturing operations and consider changes we believe may be necessary or appropriate. Although we intend to closely manage the transition process when manufacturing changes, we could experience disruption to our operations during any such transition. Other significant risks include limited control over assembly and testing capacity, delivery schedules, quality assurance, manufacturing yields, production costs, tariffs and uncertainty over political unrest. Any such disruption could negatively affect our reputation and our operating results.

In addition, we rely on third parties to provide certain services to us, or to our customers, including software development, hosting services and providers of other cloud-based services. If these third-party providers do not perform as expected, our customers may be adversely affected, resulting in potential liability and negative exposure for us. If it is necessary to migrate these services to other providers due to poor performance, cyber breaches or other security considerations, or other financial or operational factors, it could result in service disruptions to our customers and significant time and expense to us, any of which could adversely affect our business, operating results and financial condition.

Migrating our design methodology to third-party contract manufacturers or partners could involve increased costs, resources and development time, and could expose us to further risk of losing control over our intellectual property and the quality of our products.

If our products contain defects or errors, we could incur significant unexpected expenses, experience product returns and lost sales, experience product recalls, suffer damage to our brand and reputation, and be subject to product liability or other claims

We produce highly complex products that incorporate leading-edge technology, including both hardware and software. The industry standards upon which many of our products are based are also complex, experience change over time and may be interpreted in different manners. Software often contains defects or programming flaws that can unexpectedly interfere with expected operations. In addition, our products are complex and are designed to be deployed in large quantities across complex and varying networks. Because of the nature of these products, they can only be fully tested when completely deployed in large networks with high amounts of traffic, and there is no assurance that our pre-shipment testing programs will be adequate to detect all defects. As a result, our customers may discover errors or defects in our hardware or software, or our products may not operate as expected. If we are unable to cure a product defect, we could experience damage to our reputation, reduced customer satisfaction, loss of existing customers and failure to attract new customers, failure to achieve market acceptance, reduced sales opportunities, loss of revenue and market share, increased service and warranty costs, diversion of development resources, legal actions by our customers, and increased insurance costs. Defects, integration issues or other performance problems in our products could also result in damages to our customers, financial or otherwise. Our customers could seek damages for related losses from us, which could seriously harm our business, operations, financial condition and liquidity. A product liability claim brought against us, even if unsuccessful, would likely be time consuming and costly. The occurrence of any of these problems would seriously harm our business, operations, financial condition and liquidity.

Further, errors, defects or bugs in our solutions could be exploited by hackers or could otherwise result in an actual or perceived breach of our information systems. Alleviating any of these problems could require significant expense and could cause interruptions, delays or cessation of our product licensing, which would reduce demand for our products and result in a loss of sales, delay in market acceptance and injure our reputation and could adversely impact our business, results of operations and financial condition.

We compete in a rapidly evolving market, and the failure to respond quickly and effectively to changing market requirements could cause our business and operating results to decline.

The mobile device market is characterized by rapidly changing technology, changing customer needs, evolving industry standards and frequent introductions of new products and services. In order to deliver a competitive mobile device, our solutions must be capable of operating in an increasingly complex network environment. As new wireless phones are introduced and standards in the mobile device market evolve, we may be required to modify our phones and services to make them compatible with these new products and standards. Likewise, if our competitors introduce new devices and services that compete with ours, we may be required to reposition our solutions or introduce new phones and solutions in response to such competitive pressure. We may not be successful in modifying our current phones or introducing new ones in a timely or appropriately responsive manner, or at all. If we fail to address these changes successfully, our business and operating results could be significantly harmed.

If our business does not grow as we expect, or if we fail to manage our growth effectively or if our cost cutting measures are not sufficient our operating results and business would suffer.

Our ability to successfully grow our business depends on a number of factors including our ability to:

- implement cost-saving initiatives;
- operate efficiently with a reduced workforce;
- accelerate the adoption of our solutions by new end customers;
- expand into new vertical markets;
- develop and deliver new products and services;
- increase awareness of the benefits that our solutions offer;
- expand our international footprint, and
- become more cost effective and scalable utilizing contract manufacturing.

As usage of our solutions grows, we will need to continue to make investments to develop and implement new or updated solutions, technologies, security features and cloud-based infrastructure operations. In addition, we will need to appropriately scale our internal business systems and our services organization, including the suppliers of our detection equipment and customer support services, to serve our growing customer base. Any failure of, or delay in, these efforts could impair the performance of our solutions and reduce customer satisfaction.

Further, our growth could increase quickly and place a strain on our managerial, operational, financial and other resources, and our future operating results depend to a large extent on our ability to successfully manage our anticipated expansion and growth. To manage our growth successfully, we will need to continue to invest in sales and marketing, research and development, and general and administrative functions and other areas. We are likely to recognize the costs associated with these investments earlier than receiving some of the anticipated benefits, and the return on these investments may be lower, or may develop more slowly, than we expect, which could adversely impact our operating results.

If we are unable to manage our growth effectively, we may not be able to take advantage of market opportunities or develop new solutions or upgrades to our existing solutions, satisfy customer requirements, maintain the quality and security of our solutions or execute on our business plan, any of which could harm our business, operating results and financial condition.

We are required to undergo a lengthy customization and certification process for each wireless carrier customer, which increases our operating expenses, and failure to obtain such certification would adversely impact our results of operations and financial condition.

Each wireless carrier requires each of our devices to complete a thorough technical acceptance process before it can be stocked and sold. Such acceptance processes impose rigorous and complex requirements on our devices, which result in a lengthy testing and certification process, during which we incur substantial operating expenses related to the wireless carrier's technical acceptance of our devices. The acceptance processes and related costs to us vary across carrier customers depending on carrier size and level of customization required. Generally, the certification process commences within one to three months of product concept development. During this development stage, certain carriers provide a technology roadmap and target demographics, allowing us to define product specifications to meet carrier goals, while other carriers provide defined specifications and preferred price points. Once we receive approval of a product concept by the carrier, we and the carrier advance the product to the development stage. When the product is close to becoming a functioning model, we commence internal quality assurance processes and field testing, which may include third -party lab testing, in-market field testing and interoperability testing. Finally, as the last step in the testing phase, the wireless carrier typically conducts testing itself, following which the product may be certified and stocked. The entire process can last from six to 18 months depending on the particular wireless carrier and type of device. Any delay in the acceptance process or failure to satisfy the device certification requirements would affect our ability to bring products to market and adversely impacts our results of operations and financial condition.

If we fail to adequately forecast demand for our inventory and supply needs, we could incur additional costs or experience manufacturing delays, which could reduce our gross margin or cause us to delay or even lose sales.

Because our production volumes are based on a forecast of channel partner demand rather than firm purchase commitments from our major customers, our forecasts have been, and there is a risk that our forecasts could be in the future, inaccurate and there is a risk that we will be unable to sell our products at the volumes and prices we expect, which may result in excess inventory. We provide, and will continue to provide, forecasts of our demand to our third-party suppliers prior to the scheduled delivery of products to our channel partners. If we overestimate our requirements, our contract manufacturers may have excess component inventory, which could increase our costs. If we underestimate our requirements, our contract manufacturers may have inadequate component inventory, which could interrupt the manufacturing of our products and result in delays in shipments and revenues, lost sales, or we could incur unplanned overtime costs to meet our requirements, resulting in significant cost increases. For example, certain materials and components used to manufacture our products may reach end of life during any of our product's life cycles, following which suppliers no longer provide such expired materials and components. This would require us to either source and qualify an alternative component, which could require a re-certification of the device by the wireless carriers and/or regulatory agencies or forecast product demand for a final purchase of such materials and components that may reach end of life to ensure that we have sufficient product inventory through a product's life cycle. If we overestimate forecasted demand, we will hold excess end-of-life materials and components resulting in increased costs. If we underestimate forecasted demand, we could experience delays in shipments and loss of revenues.

In addition, if we underestimate our requirements and the applicable supplier becomes insolvent or is no longer able to timely supply our needs in a cost-efficient manner or at all, we may be required to acquire components, which may need to be customized for our products, from alternative suppliers, including at significantly higher costs. For example, in 2018, one of our suppliers became insolvent and ceased all production, requiring us to seek alternative supply of complex components in a very short time frame. If we cannot source alternative suppliers and/or alternative components, we may suffer delays in shipments or lost sales. Similarly, credit constraints at our suppliers could require us to accelerate payment of our accounts payable, impacting our cash flow. Further, lead times for materials and components that we order vary significantly and depend on factors such as the specific supplier, contract terms, customization needed for any particular component and demand for each component at a given time. Any such failure to accurately forecast demand and manufacturing and supply requirements, and any need to obtain alternative supply sources, could materially harm our business, results of operations and financial condition.

We may not be able to continue to develop solutions to address user needs effectively in an industry characterized by ongoing change and rapid technological advances.

Our industry is characterized by:

- evolving industry standards;
- frequent new product and service introductions;
- evolving distribution channels;
- increasing demand for customized product and software solutions;
- rapid competitive developments; and
- changing customer demands.

Technological advancements could render our products obsolete, which typically erodes prices and causes products to become unmarketable. Our success will depend on our ability to respond to changing technologies and customer requirements, and our ability to develop and introduce new and enhanced products in a cost-effective and timely manner. For example, our products are compatible with fourth generation, or 4G, technology, but emerging fifth generation wireless, or 5G, technology is expected to require network infrastructure upgrades, which could require us to update and migrate all of our systems from 4G to 5G. If we fail to develop these new products or enhancements on a timely and cost-effective basis, or if our new products or enhancements fail to achieve market acceptance, our business, operations, financial condition and liquidity would be materially adversely affected. The application development ecosystem supporting our devices and related accessories, in particular, is new and evolving. If the market generally or the application development ecosystem specifically does not develop, timely or at all, demand for our products may be limited, and our business and results of operations will be significantly harmed. The market may also develop in an unforeseen direction.

The development of new or enhanced products is a complex and uncertain process requiring the accurate anticipation of technological and market trends. We may experience design, manufacturing, marketing, and other difficulties that could delay or prevent the development, introduction or marketing of our new products and enhancements. If our expectations regarding market demand and direction are incorrect, if sales of our existing products decline more rapidly than we anticipate, or if the rate of decline continues to exceed the rate of growth of our next generation solutions, it could materially and adversely affect our business, results of operations and financial condition.

The markets for our devices and related accessories may not develop as quickly as we expect or may not develop at all.

Our future success is substantially dependent upon continued adoption of devices and related accessories in the industrial enterprise and public sector markets, including the transition from Land Mobile Radio (“LMR”) and Push to Talk (“PTT”), to smartphone and Long-Term Evolution (“LTE”) networks. These market developments and transitions may take longer than we expect or may not occur at all and may not be as widespread as we expect. If the market does not develop as we expect, our business, operating results and financial condition would be significantly harmed.

Our dependence on third-party suppliers for key components of our products could delay shipment of our products and reduce our sales.

We depend on certain suppliers for the delivery of components used in the assembly of our products, including machined parts, injection molded plastic parts, printed circuit boards and other miscellaneous custom parts for our products. Our reliance on third-party suppliers creates risks related to our potential inability to obtain an adequate supply of components and reduced control over pricing and timing of delivery of components. In particular, we have little to no control over the prices at which our suppliers sell materials and components to us. The components business has, from time to time, experienced periods of extreme shortages in product supply, generally as the result of demand exceeding available supply. Many companies utilize the same raw materials and supplies that we do in the production of their products. Companies with more resources than our own may have a competitive advantage in obtaining raw materials and supplies due to greater buying power. When these shortages occur, suppliers also tend to either increase prices or reduce the number of units sold to customers. In addition, certain supplies of our components are available only from a single source or limited sources and we may not be able to diversify suppliers in a timely manner. We have experienced shortages in the past that have negatively impacted our results of operations and may experience such shortages in the future. These factors can result in reduced supply, higher prices of components used in the assembly of our products and delays in the receipt of certain of our key components, which in turn may generate increased costs, lower margins and delays in product delivery, with a corresponding adverse effect on revenues and customer relationships.

We also do not have long-term supply agreements with any of our suppliers. Our current contracts with certain suppliers may be canceled or not extended by such suppliers and, therefore, do not afford us with sufficient protection against a reduction or interruption in supplies. Moreover, in the event any of these suppliers breach their contracts with us, our legal remedies associated with such a breach may be insufficient to compensate us for any damages we may suffer.

Any interruption of supply for any material components of our products for any reason, including but not limited to a global or local health crises, or inability to obtain required components from our third-party suppliers, could significantly delay the production and shipment of our products and harm our revenues, profitability and financial condition.

Our future success is dependent on our ability to create independent brand awareness for our company and products with end customers, and our inability to achieve such brand awareness could limit our prospects.

We depend on a small number of wireless carriers to distribute our products. While we intend to accelerate direct marketing and end-customer brand awareness initiatives in the future, our sales and marketing efforts have historically been predominantly focused on channel partners. As such, our operating expenses related to end-customer marketing efforts have historically been very small, representing less than 1.0% of our total sales and marketing expenses during years ended December 31, 2020 and 2019. To increase end-customer brand awareness. As a result, we expect our sales and marketing expenses to increase in the future, primarily from increased sales personnel expenses, which will require us to cost-efficiently ramp up our sales and marketing capabilities and effectively target end customers. However, there can be no assurance that we will successfully increase our brand awareness or do so in a cost-efficient manner while maintaining market share within our existing sales channels. Our failure to establish stand-alone brand awareness with end customers of our products would leave us vulnerable to competitors and have an adverse impact on our prospects. If we are unable to significantly increase the awareness of our brand and solutions with end customers in a cost-efficient manner, we will remain significantly dependent on our channel partners for sales of our products and would adversely impact our ability to grow our business.

We are dependent on the continued services and performance of a concentrated group of senior management and other key personnel, the loss of any of whom could adversely impact our business.

Our future success depends in large part on the continued contributions of a concentrated group of senior management and other key personnel. In particular, the leadership of key management personnel is critical to the successful management of our company, the development of our solutions and our strategic direction. We also depend on the contributions of key technical personnel.

If we are unable to retain sufficiently experienced and capable employees, including those who can help us increase revenues generated from our end market segments, our business and financial results may suffer. Experienced and capable employees in the technology industry remain in high demand, and there is continual competition for their talents. Given our size, we may be at a disadvantage, relative to our larger competitors, in the competition for these personnel. If executives, managers or other key personnel resign, retire or are terminated, or their service is otherwise interrupted, including due to COVID-19, we may not be able to replace them in a timely manner and we could experience significant declines in productivity and/or errors due to insufficient staffing or managerial oversight. Moreover, turnover of senior management and other key personnel can adversely impact, among other things, our operating results, our customer relationships and lead us to incur significant expenses related to executive transition costs that may impact our operating results.

If we are unable to sell our solutions into new markets, our revenues may not grow.

Any new market into which we attempt to sell our solutions may not be receptive. Our ability to penetrate new markets depends on the quality of our solutions, the continued adoption of our public safety solution by first responders, the perceived value of our solutions as a risk management tool and our ability to design our solutions to meet the demands of our customers. If the markets for our solutions do not develop as we expect, our revenues may not grow.

Our ability to successfully face these challenges depends on several factors, including increasing the awareness of our solutions and their benefits, the effectiveness of our marketing programs, the costs of our solutions, our ability to attract, retain and effectively train sales and marketing personnel, and our ability to develop relationships with wireless carriers and other partners. If we are unsuccessful in developing and marketing our solutions into new markets, new markets for our solutions might not develop or might develop more slowly than we expect, either of which would harm our revenues and growth prospects.

If we are unable to attract, integrate and retain additional qualified personnel, including top technical talent, our business could be adversely impacted.

Our future success depends in part on our ability to identify, attract, integrate and retain highly skilled technical, managerial, sales and other personnel. We face intense competition for qualified individuals from numerous other companies, including other software and technology companies, many of whom have greater financial and other resources than we do. Some of these companies may offer compensation and benefit packages that may be more appealing to high-quality candidates than those we have to offer. In addition, we face difficulties in retaining or replacing key personnel and integrating employees and corporate cultures unique to managing a geographically dispersed workforce.

New hires often require significant training and, in many cases, take significant time before they achieve full productivity We may incur significant costs to attract and retain qualified personnel, including significant expenditures related to salaries and benefits and compensation expenses related to equity awards, and we may lose new employees to our competitors or other companies before we realize the benefit of our investment in recruiting and training them. Moreover, new employees may not be or become as productive as we expect, as we may face challenges in adequately or appropriately integrating them into our workforce and culture. In addition, the news of our recent cost reduction action, may make it more difficult to recruit new employees or retain existing employees. If we are unable to attract, integrate and retain suitably qualified individuals who are capable of meeting our growing technical, operational and managerial requirements on a timely basis or at all, our business will be adversely impacted.

Volatility or lack of positive performance in our stock price may also affect our ability to attract and retain our key employees. Employees may be more likely to leave us if the shares they own or the shares underlying their vested options have significantly appreciated in value relative to the original purchase prices of the shares or the exercise prices of the options, or, conversely, if the exercise prices of the options that they hold are significantly above the market price of our common stock. If we are unable to appropriately incentivize and retain our employees through equity compensation, or if we need to increase our compensation expenses in order to appropriately incentivize and retain our employees, our business, operating results and financial condition would be adversely impacted.

Our existing IT systems may not be adequate to manage our growth, and our implementation of updated IT systems could result in significant disruptions to our operations.

Our existing IT systems may be inadequate to manage our growth and must implement various upgrades to our enterprise resource planning, or ERP, systems, as well as other complementary IT systems, over the next several years. Implementation of these solutions and systems is highly dependent on coordination of numerous software and system providers and internal business teams. The interdependence of these solutions and systems is a significant risk to the successful completion of the initiatives and the failure of any one system could have a significant adverse impact on the implementation of our overall IT infrastructure. We may experience difficulties as we transition to these new or upgraded systems and processes, including loss or corruption of data, delayed shipments, decreases in productivity as our personnel and third-party providers implement and become familiar with new systems, increased costs and lost revenues.

In addition, transitioning to these new systems requires significant capital investments and personnel resources. Difficulties in implementing new or upgraded information systems or significant system failures could disrupt our operations and have a significant adverse impact on our capital resources, financial condition, results of operations or cash flows. Implementation of this new IT infrastructure could have a significant impact on our business processes and information systems across a significant portion of our operations. As a result, we must undergo significant changes in our operational processes and internal controls as our implementation progresses, which in turn will require significant change management, including recruiting and training of qualified personnel. If we are unable to successfully manage these changes as we implement these systems, including harmonizing our systems, data, processes and reporting analytics, our ability to conduct, manage and control routine business functions could be negatively affected and significant disruptions to our business could occur. In addition, we could incur material unanticipated expenses, including additional costs of implementation or costs of conducting business. These risks could result in significant business disruptions or divert management’s attention from key strategic initiatives and have a significant adverse impact on our capital resources, financial condition and results of operations.

A security breach or other significant disruption of our IT systems or those of our partners, suppliers or manufacturers, caused by cyberattacks or other means, could have a negative impact on our operations, sales, and operating results.

All IT systems are potentially vulnerable to damage, unauthorized access or interruption from a variety of sources, including but not limited to, cyberattacks, cyber intrusions, computer viruses, security breaches, energy blackouts, natural disasters, terrorism, sabotage, war, insider trading and telecommunication failures. A cyberattack or other significant disruption involving our IT systems or those of our outsource partners, suppliers or manufacturers could result in the unauthorized release of proprietary, confidential or sensitive information of ours or result in virus and malware installation on our devices. Such unauthorized access to, or release of, this information or other security breaches could: (i) allow others to unfairly compete with us, (ii) compromise safety or security, (iii) subject us to claims for breach of contract, tort, and other civil claims, and (iv) damage our reputation. Any or all of the foregoing could have a negative impact on our business, financial condition and results of operations.

We experience lengthy sales cycles for our products and the delay of an expected large order could result in a significant unexpected revenue shortfall.

The purchase of our products is often an enterprise-wide decision for prospective customers, which requires us to engage in sales efforts over an extended period of time and provide a significant level of education to prospective customers regarding the uses and benefits of such devices. Prospective customers, especially the wireless carriers that sell our products, often undertake a prolonged evaluation process that may take from several months to several years in certain cases. Consequently, if our forecasted sales from a specific customer are not realized, we may not be able to generate revenues from alternative sources in time to compensate for the shortfall. The loss or delay of an expected large order could also result in a significant unexpected revenue shortfall. Moreover, to the extent we enter into and deliver our products pursuant to significant contracts earlier than we expected, our operating results for subsequent periods may fall below expectations. We may spend substantial time, effort and money on our sales and marketing efforts without any assurance that our efforts will produce any sales. If we are unable to succeed in closing sales with new and existing customers, our business, operating results and financial condition will be harmed.

We may require additional capital to fund our business and support our growth, and our inability to generate and obtain such capital on acceptable terms, or at all, could harm our business, operating results, financial condition and prospects.

We intend to continue to make substantial investments to fund our business and support our growth. In June 2020, we raised approximately $25 million in net proceeds from our June 2020 public offering of common stock. We may require additional funds to respond to business challenges, including the need to develop new features or enhance our solutions, improve our operating infrastructure or acquire or develop complementary businesses and technologies. As a result, in addition to the revenues we generate from our business, we may need to engage in additional equity or debt financings to provide the funds required for these and other business endeavors. If we raise additional funds through future issuances of equity or convertible debt securities, our existing stockholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences and privileges superior to those of holders of our common stock. Any debt financing that we may secure in the future could involve restrictive covenants relating to our capital raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions. We may not be able to obtain such additional financing on terms favorable to us, if at all. If we are unable to obtain adequate financing or financing on terms satisfactory to us when we require it, our ability to continue to support our business growth and to respond to business challenges could be significantly impaired, and our business may be adversely impacted. In addition, our inability to generate or obtain the financial resources needed may require us to delay, scale back, or eliminate some or all of our operations, which may have a significant adverse impact on our business, operating results and financial condition.

Our ability to use our net operating losses to offset future taxable income will be subject to certain limitations.

As of December 31, 2020, we had U.S. federal and state net operating loss carryforwards, or NOLs, of $56.8 million and $12.4 million, respectively, due to prior period losses, a portion of which expire in various years beginning in 2037 and 2026, respectively, if not utilized. In general, under Section 382 of the Internal Revenue Code of 1986, as amended, or the Code, a corporation that undergoes an "ownership change" is subject to limitations on its ability to utilize its NOLs to offset future taxable income. Sonim completed a Section 382 study as part of the Q4 2020 tax provision work. As a result of the study, the Company concluded that an additional $37.2 million of U.S. federal NOL's and $0.8 million of U.S. R&D credit carryforwards should be de-recognized as deferred tax assets due to the IRC Section 382 limits. As a result, the Company reduced those tax attributes in 2020.

The Section 382 study concluded that the NOL from 2001 to 2017 tax years should be de-recognized due to the Company's change of ownership in 2020. As a result, Sonim no longer has an uncertain tax position on its 2014 or 2015 federal NOL's as they have all been de-recognized. It is believed that all of the aforementioned Section 382 adjustments and the adjustment of the Company's uncertain tax positions as a result of the completion of the Section 382 study is a change in estimate. Future changes in our stock ownership, some of which are outside of our control, could result in an ownership change. There is also a risk that due to regulatory changes, such as suspensions on the use of NOLs, or other unforeseen reasons, our existing NOLs could expire or otherwise be unavailable to offset future income tax liabilities. Under the Tax Cuts and Jobs Act, or the Tax Act, the amount of post 2017 NOLs that we are permitted to deduct from U.S. federal income taxes in any taxable year is limited to 80% of our taxable income in such year, where taxable income is determined without regard to the NOL deduction itself. The Tax Act generally eliminates the ability to carry back any NOL to prior taxable years, while allowing post 2017 unused NOLs to be carried forward indefinitely without expiration. Additionally, state NOLs generated in one state cannot be used to offset income generated in another state. For these reasons, we may not be able to realize a tax benefit from the use of our NOLs, whether or not we attain profitability.

We are involved in securities-related legal actions and proceedings that are expensive and time consuming, and, if resolved adversely,could result in significant legal expenses and settlement or damage awards.

We and certain of our current and former officers and directors are currently and may in the future become subject to claims and litigation by our stockholders alleging violations of securities laws or other related claims which could harm our business, divert management attention, and require us to incur significant costs. For example, following our IPO in May 2019, four class action lawsuits were filed against us, as described in Item 3, Legal Proceedings. Each lawsuit was purportedly brought on behalf of a putative class of all persons who purchased shares of our common stock registered in the IPO, and sought, among other things, compensatory damages and attorneys' fees and costs on behalf of the putative class. A derivative lawsuit based largely on the factual allegations in the four class action suits is currently pending against us and certain of our current and former officers and directors, as described in Item 3. Legal Proceedings. Separately, as described in Item 3, Legal Proceedings, an investigation by the SEC is ongoing.

We are generally required, to the extent permitted by law, to indemnify our current and former directors and officers who are named as defendants in these types of lawsuits or are involved in regulatory investigations. We also have certain contractual obligations to the underwriters regarding the pending securities-related proceedings, and we could have such contractual indemnification obligations to underwriters in future lawsuits. While a certain amount of insurance coverage may be available for expenses or losses associated with these proceedings, this coverage is subject to deductibles and may not otherwise prove to be sufficient. Based on information currently available, we are unable to reasonably estimate a possible loss or range of possible loss, if any, with regards to these proceedings; therefore, no litigation reserve has been recorded in the accompanying consolidated financial statements. There can be no assurances that a favorable final outcome will be obtained. These proceedings or future litigation or proceedings may require significant attention from management and could result in significant legal expenses, settlement costs, or damage awards that could have a material impact on our financial position, results of operations, and cash flows.

The nature of our business may result in undesirable press coverage or other negative publicity, which would adversely impact our brand identity, future sales and results of operations.

Our solutions are used to assist law enforcement and other public safety personnel in situations involving public safety. The incidents in which our solutions are deployed may involve injury, loss of life and other negative outcomes, and such events are likely to receive negative publicity. Such negative publicity could have an adverse impact on new sales or renewals or expansions of coverage areas by existing customers, which would adversely impact our financial results and business.

Changes in the availability of federal funding to support local public safety or other public sector efforts could impact our opportunities with public sector end customers.

Many of our public sector end customers rely to some extent on funds from the U.S. federal government in order to purchase and pay for our solutions. Any reduction in federal funding for local public safety or other public sector efforts could result in our end customers having less access to funds required to continue, renew, expand or pay for our solutions. Additionally, the last U.S. government partial shutdown, and any future U.S. government shutdowns, could result in delayed public safety spending or re-allocation of funding into other areas of public safety. If federal funding is reduced or eliminated and our end customers cannot find alternative sources of funding to purchase our solutions, our business will be harmed.

We face risks related to health epidemics, pandemics and other outbreaks, including the COVID-19 pandemic, which have had, and may in future have, a material adverse effect on the Company's business, results of operations and financial condition and/or cash flows.

On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. The COVID-19 pandemic, and the responses of governments worldwide to COVID-19, are having a negative impact on regional, national and global economies, disrupting supply chains and reducing international trade and business activity. The pandemic has caused many governments throughout the world to implement stay-at-home orders, quarantines, significant restrictions on travel and other social distancing measures including restrictions that prohibit many employees from commuting to their customary work locations and require these employees to work remotely if possible. Many of these restrictions have remained in place for months and in light of recent resurgences in the outbreak may continue in one fashion or another for the foreseeable future.

While we are unable to accurately predict the full impact that the outbreak of COVID-19 will have on our results of operations, financial condition, liquidity and cash flows due to numerous uncertainties, including the duration and severity of the pandemic and containment measures, our compliance with these measures has impacted, and may continue to impact, our day-to-day operations and could continue to disrupt our business and operations, as well as that of our customers, suppliers (including contract manufacturers) and other counterparties, for an indefinite period of time. We have experienced, and may continue to experience, disruptions in our supply chain, including a slow-down in supply chain deliveries and some raw material and freight-related cost increases as a result of the pandemic.

The impact of the COVID-19 pandemic has and may continue to adversely impact our financial condition and results of operations in a variety of ways, including, but not limited to:

- Our ability to operate, as well as our partners' and/or customers' ability to operate in affected areas, has been and may continue to be hindered, which may cause our business and operating results to decline.
- Clients and customers may have difficulty meeting their payment obligations to us, resulting in late or non-payment of amounts owed.
- We may experience significant reductions or volatility in demand for our solutions as customers may not be able to enter into new purchase commitments or otherwise invest in their business due to financial downturns or general economic uncertainty.
- The inability of our employees to access customers' sites has and will continue to hinder our ability to offer services that can only be provided on site, as well as our ability to make in person sales visits and demonstrations.
- We may experience temporary or long-term disruptions in our supply chain, which may significantly impact our distribution network, results of operations (including sales) or business. For example, we experienced a reduction in gross profits during 2020 as a result of expenses incurred during the temporary shut-down of our manufacturing facility in Shenzhen in the first quarter of 2020.
- The effects of shelter-in-place orders may negatively disrupt our business as a number of our employees, customers and partners, work remotely, the magnitude of which will depend, in part, on the length and severity of the restrictions and other limitations on our ability to conduct our business in the ordinary course.
- To the extent a number of our employees, including our executive officers and other members of our management team, are impacted in significant numbers by the outbreak of the pandemic and are not available to conduct work, our business and operating results may be negatively impacted.
- We may not be able to ensure business continuity in the event our continuity of operations and crisis management plans are not effective or are improperly implemented.
- The significant disruption of global financial markets, which has impacted the value of our common stock and could further materially impact the value of our stock in the future, may reduce our ability to access further capital, which could in the future negatively affect our liquidity, could affect demand for our products and services and impact our results and financial condition even after the pandemic is contained and the shelter-in-place orders are lifted.
- Exacerbate other pre-existing risks, such as political, regulatory, social, financial, operational and cybersecurity risks, and those associated with global economic conditions, any of which could have a material adverse effect on our business.

We will continue to evaluate the nature and extent of the impact of COVID-19 on our business.

Our business could also be adversely affected in the future by the effects of other health epidemics and the widespread outbreak of different contagious diseases, which may become more prevalent. Any outbreak of contagious diseases, and other adverse public health developments could adversely impact our financial condition and results of operations in a variety of ways, including, but not limited to the variety of ways in which we may be impacted by the COVID-19 pandemic. For example, we could experience supply-chain disruptions, restrictions on our ability to distribute our products and restrictions on our abilities to provide services in the regions affected. Any prolonged and significant supply-chain disruptions or inability to provide products or services would likely impact our sales in the affected region, increase our costs and negatively affect our operating results. In addition, as we have seen in fiscal 2020, a significant outbreak of a contagious disease in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could affect demand for our products and services and likely impact our operating results.

Changes in laws and regulations concerning the use of telecommunication bandwidth could increase our costs and adversely impact our business.

Our business depends on our ability to sell devices that use telecommunication bandwidth allocated to licensed and unlicensed wireless services, and that use of that bandwidth is subject to laws and regulations that are subject to change over time. Changes in the permitted uses of telecommunication bandwidth, reallocation of such bandwidth to different uses, and new or increased regulation of the capabilities, manufacture, importation, and use of devices that depend on such bandwidth could increase our costs, require costly modifications to our products before they are sold, or limit our ability to sell those products in to our target markets. In addition, we are subject to regulatory requirements for certification and testing of our products before they can be marketed or sold. Those requirements may be onerous and expensive. Changes to those requirements could result in significant additional costs and could adversely impact our ability to bring new products to market in a timely fashion.

Failure of our suppliers, subcontractors, distributors, resellers, and representatives to use acceptable legal or ethical business practices, or to fail for any other reason, could negatively impact our business.

We do not control the labor and other business practices of our suppliers, subcontractors, distributors, resellers and third-party sales representatives, or TPSRs, and cannot provide assurance that they will operate in compliance with applicable rules, and regulations regarding working conditions, employment practices, environmental compliance, anti-corruption, and trademark a copyright and patent licensing. If one of our suppliers, subcontractors, distributors, resellers, or TPSRs violates labor or other laws or implements labor or other business practices that are regarded as unethical, the shipment of finished products to us could be interrupted, orders could be canceled, relationships could be terminated, and our reputation could be damaged. If one of our suppliers or subcontractors fails to procure the necessary license rights to trademarks, copyrights or patents, legal action could be taken against us that could impact the sale-ability of our products and expose us to financial obligations to a third party. Any of these events could have a negative impact on our sales and results of operations.

Moreover, any failure of our suppliers, subcontractors, distributors, resellers and TPSRs, for any reason, including bankruptcy or other business disruption, could disrupt our supply or distribution efforts and could have a negative impact on our sales and results of operations.

Natural or man-made disasters and other similar events may significantly disrupt our business, and negatively impact our operating results and financial condition.

Any of our facilities may be harmed or rendered inoperable by natural or man-made disasters, including earthquakes, tornadoes, hurricanes, wildfires, floods, nuclear disasters, acts of terrorism or other criminal activities, infectious disease outbreaks, and power outages, which may render it difficult or impossible for us to operate our business for some period of time. For example, our corporate headquarters is located in Central Texas, a region known for flooding activity and which experienced major winter storms in 2021. Our facilities would likely be costly to repair or replace, and any such efforts would likely require substantial time. Any disruptions in our operations could negatively impact our business and operating results and harm our reputation. For example, our headquarters in Austin, Texas were shut down without power or water for several days in 2021. In addition, we may not carry business insurance or may not carry sufficient business insurance to compensate for losses that may occur. Any such losses or damages could have a significant adverse impact on our business, operating results and financial condition. In addition, the facilities of significant vendors may be harmed or rendered inoperable by such natural or man-made disasters, which may cause disruptions, difficulties or significant adverse impact on our business.

We are subject to a wide range of privacy and data security laws, regulations and other legal obligations.

Personal privacy and information security are significant issues in the United States and the other jurisdictions in which we operate or make our products and applications available. The legislative and regulatory framework for privacy and security issues worldwide is rapidly evolving and is likely to remain uncertain for the foreseeable future. Our handling of data is subject to a variety of laws and regulations, including regulation by various government agencies, including the U.S. Federal Trade Commission, or FTC, and various state, local and foreign agencies. We may collect personally identifiable information, or PII, and other data from our customers. We use this information to provide services to our customers and to support, expand and improve our business. We may also share customers' PII with third parties as allowed by applicable law and agreements and authorized by the customer or as described in our privacy policy.

The U.S. federal and various state and foreign governments have adopted or proposed limitations on the collection, distribution, transfer, use and storage of PII. In the United States, the FTC and many state attorneys general are applying federal and state consumer protection laws as imposing standards for the online collection, use and dissemination of data. Many foreign countries and governmental bodies, including Canada, the European Union and other relevant jurisdictions, have laws and regulations concerning the collection and use of PII obtained from their residents or by businesses operating within their jurisdiction. These laws and regulations often are more restrictive than those in the United States. Laws and regulations in these jurisdictions apply broadly to the collection, use, storage, disclosure and security of data that identifies or may be used to identify or locate an individual, such as names, email addresses and, in some jurisdictions, Internet Protocol, or IP, addresses. Within the European Union, legislators have adopted the General Data Protection Regulation, or GDPR, effective May 2018 which may impose additional obligations and risk upon our business, and which may increase substantially the penalties to which we could be subject in the event of any non-compliance. We may incur substantial expense in complying with the obligations imposed by the governments of the foreign jurisdictions in which we do business or seek to do business and we may be required to make significant changes in our business operations, all of which may adversely impact our revenues and our business overall.

Although we are working to comply with those federal, state, and foreign laws and regulations, industry standards, contractual obligations and other legal obligations that apply to us, those laws, regulations, standards and obligations are evolving and may be modified, interpreted and applied in an inconsistent manner from one jurisdiction to another, and may conflict with one another, other requirements or legal obligations, our practices or the features of our products or applications. At state level, lawmakers continue to pass new laws concerning privacy and data security. Particularly notable in this regard is the California Consumer Privacy Act, or CCPA, which became effective on January 1, 2020, as well as the California Consumer Privacy Act, which was passed in November 2020 and makes a number of significant amendments to the CCPA The CCPA introduced significant new disclosure obligations and provides California consumers with significant new privacy rights. Any failure or perceived failure by us to comply with federal, state or foreign laws or regulations, industry standards, contractual obligations or other legal obligations, or any actual or suspected security incident, whether or not resulting in unauthorized access to, or acquisition, release or transfer of PII or other data, may result in governmental enforcement actions and prosecutions, private litigation, fines and penalties or adverse publicity and could cause our customers to lose trust in us, which could have an adverse impact on our reputation and business. Any inability to adequately address privacy and security concerns, even if unfounded, or comply with applicable laws, regulations, policies, industry standards, contractual obligations, or other legal obligations could result in additional cost and liability to us, damage our reputation, inhibit sales and adversely impact our business.

We also expect that there will continue to be new proposed laws, regulations and industry standards concerning privacy, data protection and information security in the United States, the European Union and other jurisdictions, and we cannot yet determine the impact such future laws, regulations and standards may have on our business. New laws, amendments to or re-interpretations of existing laws and regulations, industry standards, contractual obligations and other obligations may require us to incur additional costs and restrict our business operations. Such laws and regulations may require companies to implement privacy and security policies, permit users to access, correct and delete personal information stored or maintained by such companies, inform individuals of security breaches that affect their personal information, and, in some cases, obtain individuals' consent to use PII for certain purposes. In addition, a foreign government could require that any PII collected in a country not be disseminated outside of that country, and we are not currently equipped to comply with such a requirement.

We are exposed to risks associated with strategic transactions.

We may consider strategic acquisitions of and combinations with companies with complementary technologies or intellectual property in the future. Acquisitions hold special challenges in terms of successful integration of technologies, products, services and employees. We may not realize the anticipated benefits of these transactions or the benefits of any other acquisitions we have completed or may complete in the future, and we may not be able to incorporate any acquired services, products or technologies with our existing operations, or integrate personnel from the acquired or combined businesses, in which case our business could be harmed.

Acquisitions and other strategic transactions involve numerous risks, including:

- problems integrating and divesting the operations, technologies, personnel, services or products over geographically disparate locations;
- unanticipated costs, taxes, litigation and other contingent liabilities;
- continued liability for discontinued businesses and pre-closing activities of divested businesses or certain post-closing liabilities which we may agree to assume as part of the transaction in which a particular business is divested;
- adverse impacts on existing business relationships with suppliers and customers;
- cannibalization of revenues as customers may seek multi-product discounts;
- risks associated with entering into markets in which we have no, or limited, prior experience;
- incurrence of significant restructuring charges if acquired products or technologies are unsuccessful;
- significant diversion of management's attention from our core business and diversion of key employees' time and resources;
- licensing, indemnity or other conflicts between existing businesses and acquired businesses;
- inability to retain key customers, distributors, suppliers, vendors and other business relations of the acquired business; and
- potential loss of our key employees or the key employees of an acquired organization or as a result of discontinued businesses.

Financing for future strategic transactions may not be available on favorable terms, or at all. If we identify an appropriate acquisition or combination candidate for any of our businesses, we may not be able to negotiate the terms of the transaction successfully, finance the transaction or integrate the applicable business, products, service offerings, technologies or employees. Future strategic transactions may not be well-received by the investment community, which may cause the value of our stock to fall. We cannot ensure that we will be able to identify or complete any acquisition, divestiture or discontinued business in the future. Further, the terms of our indebtedness constrain our ability to enter into and finance certain strategic transactions.

If we acquire businesses, new products, service offerings or technologies in the future, we may incur significant acquisition-related costs. In addition, we may be required to amortize significant amounts of finite-lived intangible assets and we may record significant amounts of goodwill or indefinite-lived intangible assets that would be subject to testing for impairment. We have in the past and may in the future be required to write off all or part of the intangible assets or goodwill associated with these investments that could harm our operating results. If we consummate one or more significant future acquisitions in which the consideration consists of stock or other securities, our existing stockholders' ownership could be significantly diluted. If we were to proceed with one or more significant future acquisitions in which the consideration included cash, we could be required to use a substantial portion of our cash and investments. Acquisitions could also cause operating margins to fall depending on the businesses acquired.

Our strategic investments may involve joint development, joint marketing, or entry into new business ventures, or new technology licensing. Any joint development efforts may not result in the successful introduction of any new products or services by us or a third party, and any joint marketing efforts may not result in increased demand for our products or services. Further, any current or future strategic acquisitions and investments by us may not allow us to enter and compete effectively in new markets or enhance our business in our existing markets and we may have to impair the carrying amount of our investments.

Risks Related to Our Intellectual Property

If we are unable to successfully protect our intellectual property, our competitive position may be harmed.

Our ability to compete is heavily affected by our ability to protect our intellectual property. We rely on a combination of patents, patent applications, copyright and trademark laws, trade secrets, confidentiality procedures and contractual provisions to protect our proprietary rights. We also enter, and plan to continue to enter, into confidentiality, invention assignment or license agreements with our employees, consultants and other parties with whom we contract, and control access to and distribution of our software, documentation and other proprietary information. The steps we take to protect our intellectual property may be inadequate, and it is possible that some or all of our confidentiality agreements will not be honored, and certain contractual provisions may not be enforceable. Existing trade secret, trademark and copyright laws offer only limited protection. Unauthorized parties may attempt to copy aspects of our products or obtain and use information which we regard as proprietary. Policing unauthorized use of our products is difficult, time consuming and costly, particularly in foreign countries where the laws may not protect our proprietary rights as fully as in the United States. We cannot assure you that our means of protecting our proprietary rights will be adequate or that our competitors will not independently develop similar technology, the effect of either of which would harm our competitive position in the market. Furthermore, disputes can arise with our strategic partners, customers or others concerning the ownership of intellectual property.

Others may claim that we infringe on their intellectual property rights, which may result in costly and time-consuming litigation and could delay or otherwise impair the development and commercialization of our products.

In recent years, there has been a significant increase in litigation in the United States involving patents and other intellectual property rights, and because our products are comprised of complex technology, we are often involved in or impacted by assertions, including both requests to take licenses and litigation, regarding infringement of patent and other intellectual property rights of third parties. Third parties have asserted, and in the future may assert, intellectual property infringement claims against us and against our channel partners, end customers and suppliers. Many of these assertions are brought by non-practicing entities whose principal business model is to secure patent licensing revenues from product manufacturing companies. Claims for alleged infringement and any resulting lawsuit, if successful, could subject us to significant liability for damages and invalidation of our intellectual property rights. Defending any such claims, with or without merit, including pursuant to indemnity obligations, could be time consuming, expensive, cause product shipment delays or require us to enter into a royalty or licensing agreement, any of which could delay the development and commercialization of our products or reduce our margins. If we are unable to obtain a required license, our ability to sell or use certain products may be impaired. In addition, if we fail to obtain a license, or if the terms of the license are burdensome to us, our operations could be significantly harmed.

Our use of open-source software could subject us to possible litigation or otherwise impair the development of our products.

A portion of our technologies incorporates open-source software, including open-source operating systems such as Android, and we expect to continue to incorporate open-source software into our platform in the future. Few of the licenses applicable to open-source software have been interpreted by courts, and their application to the open-source software integrated into our proprietary technology platform may be uncertain. If we fail to comply with these licenses, then pursuant to the terms of these licenses, we may be subject to certain requirements, including requirements that we make available the source code for our software that incorporates the open-source software. We cannot assure you that we have not incorporated open-source software in our software in a manner that is inconsistent with the terms of the applicable licenses or our current policies and procedures. If an author or other third party that distributes such open-source software were to allege that we had not complied with the conditions of one or more of these licenses, we could incur significant legal expenses defending against such allegations. Litigation could be costly for us to defend, have a negative effect on our operating results and financial condition or require us to devote additional research and development resources to change our technology platform.

With respect to open-source operating systems, if third parties cease continued development of such operating systems or restrict our access to such operating system, our business and financial results could be adversely impacted. We are dependent on third parties' continued development of operating systems, software application ecosystem infrastructures, and such third parties' approval of our implementations of their operating and system and associated applications. If such parties cease to continue development or support of such operating systems or restrict our access to such operating systems, we would be required to change our strategy for our devices. As a result, our financial results could be negatively impacted because a resulting shift away from the operating systems we currently use, and the associated applications ecosystem could be costly and difficult.

Our inability to obtain and maintain any third-party license required to develop new products and product enhancements could seriously harm our business, financial condition and results of operations.

From time to time, we are required to license technology from third parties to develop new products or product enhancements. For example, we have entered into worldwide intellectual property cross license agreements or other technology license agreements with a number of global technology companies in the mobile telecommunications market. Third-party licenses may not be available to us on commercially reasonable terms, or at all. If we fail to renew any intellectual property license agreements on commercially reasonable terms, or any such license agreements otherwise expire or terminate, we may not be able to use the patents and technologies of these third parties in our products, which are critical to our success. We cannot assure you that we will be able to effectively control the level of licensing and royalty fees paid to third parties, and significant increase in such fees could have a significant and adverse impact on our future profitability. Seeking alternative patents and technologies may be difficult and time-consuming, and we may not be successful in finding alternative technologies or incorporating them into our products. Our inability to obtain any third-party license necessary to develop new products or product enhancements could require us to obtain substitute technology of lower quality or performance standards, or at greater cost, which could seriously harm our business, financial condition and results of operations.

Risks Related to Ownership of Our Common Stock

We have identified one material weakness in our internal control over financial reporting which, if not remediated, could result in material misstatements in our financial statements.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim consolidated financial statements may not be prevented or detected on a timely basis. As of December 31, 2020, we have identified one material weakness in internal control over financial reporting that pertain to (i) a deficiency in the design and implementation of ITGCs, including elevated (administrator) access to financial reporting systems and subsystems, which are not appropriately restricted and segregated.

Although we have developed and implemented a plan to remediate the material weakness and believe, based on our evaluation to date, that the material weaknesses will be remediated in a timely fashion, we cannot assure you that this will occur within a specific timeframe. The material weakness will not be remediated until all necessary internal controls have been designed, implemented, tested and determined to be operating effectively. In addition, we may need to take additional measures to address the material weakness or modify the planned remediation steps, and we cannot be certain that the measures we have taken, and expect to take, to improve our internal controls will be sufficient to address the issues identified, to ensure that our internal controls are effective or to ensure that the identified material weakness- will not result in a material misstatement of our consolidated financial statements. Moreover, we cannot assure you that we will not identify additional material weakness in our internal control over financial reporting in the future.

Until we remediate the material weakness, our ability to record, process and report financial information accurately, and to prepare financial statements within the time periods specified by the rules and forms of the SEC, could be adversely affected. This failure could negatively affect the market price and trading liquidity of our common units, cause investors to lose confidence in our reported financial information, subject us to civil and criminal investigations and penalties and generally materially and adversely impact our business and financial condition.

Our executive officers and directors, and their affiliated entities, along with our two other largest stockholders, own a significant percentage of our stock and are able to exert significant control over matters subject to stockholder approval.

Our executive officers and directors, together with entities affiliated with such individuals, along with our two other largest stockholders, beneficially own a majority of our common stock as of December 31, 2020. Accordingly, these stockholders may, as a practical matter, continue to be able to control the election of a majority of our directors and the determination of all corporate actions. This concentration of ownership could delay or prevent a change in control of the Company.

We have failed, and may continue to fail, to meet the listing standards of Nasdaq, and as a result our common stock may become delisted, which could have a material adverse effect on the liquidity of our common stock.

The listing standards of the Nasdaq Global Market provide that a company, in order to qualify for continued listing, must maintain a minimum stock price of $1.00 and satisfy standards relative to minimum stockholders' equity, minimum market value of publicly held shares and various additional requirements (the "Bid Price Rule"). In July 2020 we received a deficiency letter from the Listing Qualifications Department (the "Staff") of Nasdaq notifying us that, for the last 30 consecutive business days, the bid price for our common stock had closed below the minimum $1.00 per share requirement for continued inclusion on the Nasdaq Global Market. Accordingly, we applied, and Nasdaq approved our application, to transfer the listing of its stock from the Nasdaq Global Market to the Nasdaq Capital Market in January 2021. This transfer became effective at the opening of business on January 22, 2021. Nasdaq granted us an additional 180-day grace period, or until July 19, 2021 (the "Compliance Date"), to regain compliance with Bid Price Rule. On February 22, 2021, we received a notice from the Staff notifying us that we had regained compliance with the Bid Price Rule.

We have on occasion failed, and may in future fail, to satisfy the Nasdaq standards relative to minimum stockholders' equity, minimum market value of publicly held shares and various additional requirements. There can be no assurance that we will continue to meet the minimum bid price requirement, or any other requirement in the future. In addition, we may be unable to meet other applicable Nasdaq listing requirements, including maintaining minimum levels of stockholders' equity or market values of our common stock, in which case our common stock could be delisted. If our common stock were to be delisted, the liquidity of our common stock could be adversely affected, and the market price of our common stock could decrease. In addition, the delisting of our common stock could materially adversely affect our access to the capital markets and any limitation on liquidity or reduction in the price of our common stock could materially adversely affect our ability to raise capital.

Some provisions of Delaware law and our certificate of incorporation and bylaws may delay or prevent a change in control and may discourage bids for our common stock at a premium over its market price.

Our certificate of incorporation and bylaws provide for, among other things:

- the authorization of undesignated preferred stock, the terms of which may be established and shares of which may be issued without stockholder approval;
- advance notice requirements for stockholder proposals; and
- certain limitations on convening special stockholder meetings.

These anti-takeover defenses could discourage, delay or prevent a transaction involving a change in control of our company. These provisions could also discourage proxy contests and make it more difficult for you and other stockholders to elect directors of your choosing and cause us to take other corporate actions than you desire.

Additionally, we are subject to the provisions of Section 203 of the Delaware General Corporation Law, or the DGCL. These provisions prohibit large stockholders, in particular a stockholder owning 15% or more of the outstanding voting stock, from consummating a merger or combination with a corporation unless this stockholder receives board approval for the transaction or 66 2/3% of the shares of voting stock not owned by the stockholder approve the merger or transaction. These provisions of Delaware law may have the effect of delaying, deferring or preventing a change in control, and may discourage bids for our common stock at a premium over its market price.

Our amended and restated certificate of incorporation designates the Court of Chancery of the State of Delaware as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers, employees or agents.

Our amended and restated certificate of incorporation provides that, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware will, to the fullest extent permitted by applicable law, be the sole and exclusive forum for the following types of actions or proceedings under Delaware statutory or common law: (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers, employees, agents or trustees to us or our stockholders, (iii) any action asserting a claim against us or any director or officer or other employee of ours arising pursuant to any provision of the DGCL, our amended and restated certificate of incorporation or our bylaws or (iv) any action asserting a claim against us or any director or officer or other employee of ours that is governed by the internal affairs doctrine, in each such case subject to such Court of Chancery having personal jurisdiction over the indispensable parties named as defendants therein. Any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock will be deemed to have notice of, and consented to, the provisions of our amended and restated certificate of incorporation described in the preceding sentence. Under our amended and restated certificate of incorporation, this exclusive forum provision will not apply to claims which are vested in the exclusive jurisdiction of a court or forum other than the Court of Chancery of the State of Delaware, or for which the Court of Chancery of the State of Delaware does not have subject matter jurisdiction. For instance, the provision would not apply to actions arising under federal securities laws, including suits brought to enforce any duty or liability created by the Exchange Act or the rules and regulations thereunder, jurisdiction over which is exclusively vested by statute in the U.S. federal courts. This exclusive choice of forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers, employees or agents, which may discourage such lawsuits against us and such persons. If a court were to find the choice of forum provisions contained in our amended and restated certificate of incorporation to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could have a significant impact on our business, financial condition and results of operations.

Our amended and restated certificate of incorporation designates the U.S. federal district courts as the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act. We will seek to enforce these provisions.

Our amended and restated certificate of incorporation provides that, unless we consent in writing to the selection of an alternative forum, the federal district courts of the United States shall, to the fullest extent permitted by law, be the sole and exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act. Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all suits brought to enforce any duty or liability created by the Securities Act or the rules and regulations thereunder. Accordingly, there is uncertainty as to whether a court would enforce such provision. The Delaware Supreme Court recently determined that the exclusive forum provision of federal district courts of the United States of America for resolving any complaint asserting a cause of action arising under the Securities Act is permissible and enforceable under Delaware law, reversing an earlier decision from the Court of Chancery of the State of Delaware that had ruled that such provisions were not enforceable. In light of the Delaware Supreme Court determination that Delaware law permits exclusive federal forum provisions, we have sought to enforce the exclusive federal forum provision in our amended and restated certificate of incorporation including in pending litigation. Enforcement of this provision could result in additional costs. If we face relevant litigation and are unable to enforce this provision, we may incur additional costs associated with resolving such matters in other jurisdictions, which could harm our business, financial condition, or results of operations.

Our future quarterly results of operations may fluctuate significantly due to a wide range of factors, including reliance on our carrier distribution channels, significant competition and seasonality in our business, which makes our future results difficult to predict.

Our revenues and results of operations could vary significantly from quarter to quarter as a result of various factors, many of which are outside of our control, including:

- the expansion of our customer base;
- the renewal of sales arrangements with, and expansion of coverage areas by, existing channel partners;
- the size, timing and terms of our sales to both existing and new channel partners;
- the introduction of products or services that may compete with us for the limited funds available to our customers, and changes in the cost of such products or services;
- changes in our customers' and potential customers' budgets;
- our ability to control costs, including our operating expenses;
- our ability to hire, train and maintain our direct sales force;
- the timing of satisfying revenue recognition criteria in connection with initial deployment and renewals;
- fluctuations in our effective tax rate; and

- general economic and political conditions, both domestically and internationally.

Any one of these or other factors may result in fluctuations in our revenues and operating results, meaning that quarter-to-quarter comparisons of our revenues, results of operations and cash flows may not necessarily be indicative of our future performance.

In addition, we have experienced, and expect to continue to experience, first quarter seasonality due, among other things, to customer capital spending patterns and the timing of our planned expenses. Such seasonality could have a significant adverse impact on our results of operations, particularly for our quarters ending March 31.

Because of the fluctuations described above, our ability to forecast revenues is limited and we may not be able to accurately predict our future revenues or results of operations. In addition, we base our current and future expense levels on our operating plans and sales forecasts, and our operating expenses are expected to be relatively fixed in the short term. Accordingly, we may not be able to reduce our costs sufficiently to compensate for an unexpected shortfall in revenues, and even a small shortfall in revenues could disproportionately and adversely impact our financial results for that quarter. The variability and unpredictability of these and other factors could result in our failing to meet or exceed financial expectations for a given period.

General Risk Factors

The market price of our common stock is likely to be volatile and could fluctuate or decline, resulting in substantial loss of your investment.

The market price of our common stock could be subject to wide fluctuations in response to, among other things, the factors described in this “Risk factors” section or otherwise, and other factors beyond our control, such as fluctuations in the valuations of companies perceived by investors to be comparable to us.

Furthermore, the stock markets have experienced price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies. These fluctuations often have been unrelated or disproportionate to the operating performance of those companies. These broad market fluctuations, as well as general economic, systemic, political and market conditions, such as recessions, interest rate changes or international currency fluctuations, may negatively affect the market price of our common stock.

The trading price of our common stock is likely to be volatile and subject to wide price fluctuations in response to various factors, including:

- market conditions in the broader stock market in general, or in our industry in particular;
- actual or anticipated fluctuations in our quarterly financial and operating results;
- introduction of new products and services by us or our competitors;
- sales, or anticipated sales, of large blocks of our stock;
- issuance of new or changed securities analysts’ reports or recommendations;
- failure of industry or securities analysts to maintain coverage of our company, changes in financial estimates by any industry or securities analysts that follow our company, or our failure to meet such estimates;
- additions or departures of key personnel;
- regulatory or political developments;
- changes in accounting principles or methodologies;
- acquisitions by us or by our competitors;
- litigation and governmental investigations; and
- economic, political and geopolitical conditions or events.

These and other factors may cause the market price and demand for our common stock to fluctuate substantially, which may limit or prevent investors from readily selling their shares of common stock and may otherwise negatively affect the liquidity of our common stock. In addition, in the past, when the market price of a stock has been volatile, holders of that stock have often instituted securities class action litigation against the company that issued the stock. If additional securities-related proceedings were instituted against us, in addition to the pending derivative litigation and SEC investigation described in Item 3. Legal Proceedings, such matters could further divert the time and attention of our management from our business and seriously harm our business, financial condition and results of operations.

Unless our common stock continues to be listed on a national securities exchange it will become subject to the so-called "penny stock" rules that impose restrictive sales practice requirements.

If we are unable to maintain the listing of our common stock on Nasdaq or another national securities exchange, our common stock could become subject to the so-called "penny stock" rules if the shares have a market value of less than $5.00 per share. The SEC has adopted regulations that define a penny stock to include any stock that has a market price of less than $5.00 per share, subject to certain exceptions, including an exception for stock traded on a national securities exchange. The SEC regulations impose restrictive sales practice requirements on broker-dealers who sell penny stocks to persons other than established customers and accredited investors. An accredited investor generally is a person whose individual annual income exceeded $200,000, or whose joint annual income with a spouse exceeded $300,000 during the past two years and who expects their annual income to exceed the applicable level during the current year, or a person with net worth in excess of $1.0 million, not including the value of the investor's principal residence and excluding mortgage debt secured by the investor's principal residence up to the estimated fair market value of the home, except that any mortgage debt incurred by the investor within 60 days prior to the date of the transaction shall not be excluded from the determination of the investor's net worth unless the mortgage debt was incurred to acquire the residence. For transactions covered by this rule, the broker-dealer must make a special suitability determination for the purchaser and must have received the purchaser's written consent to the transaction prior to sale. This means that if we are unable maintain the listing of our common stock on a national securities exchange, the ability of stockholders to sell their common stock in the secondary market could be adversely affected. If a transaction involving a penny stock is not exempt from the SEC's rule, a broker-dealer must deliver a disclosure schedule relating to the penny stock market to each investor prior to a transaction. The broker-dealer also must disclose the commissions payable to both the broker-dealer and its registered representative, current quotations for the penny stock, and, if the broker-dealer is the sole market-maker, the broker-dealer must disclose this fact and the broker-dealer's presumed control over the market. Finally, monthly statements must be sent disclosing recent price information for the penny stock held in the customer's account and information on the limited market in penny stocks.

Sales of a substantial number of shares of our common stock in the public market, or the perception these sales might occur, could cause our stock price to decline.

The market price of our common stock could decrease significantly as a result of sales of a large number of shares of our common stock in the public market, and the perception that these sales could occur may also depress the market price of our common stock. Certain stockholders are entitled, under our investors' rights agreement, to require us to register shares owned by them for public sale in the United States. In addition, we filed a registration statement to register shares issued under our equity compensation plans. As a result, subject to the satisfaction of applicable vesting periods, the shares issued upon exercise of outstanding stock options or upon settlement of outstanding RSU awards will be available for immediate resale in the United States in the open market. A decline in the price of shares of our common stock might impede our ability to raise capital through the issuance of additional shares of our common stock or other equity securities.

Since we do not expect to pay any cash dividends for the foreseeable future, investors may be forced to sell their stock in order to obtain a return on their investment.

We do not anticipate declaring or paying in the foreseeable future any cash dividends on our capital stock. Instead, we plan to retain any earnings to finance our operations and growth plans discussed elsewhere in this report. Accordingly, investors must rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize any return on their investment. As a result, investors seeking cash dividends should not purchase our common stock.

If securities or industry analysts do not publish research or reports about our business, or if they change their recommendations regarding our stock adversely, our stock price and trading volume could decline.

The trading market for our common stock is influenced by the research and reports that industry or securities analysts publish about us or our business. If securities analysts do not cover our common stock because of our small size, the lack of research coverage may adversely affect our common stock's market price. If one or more of the analysts who cover us downgrade our stock or describe us or our business in a negative manner, our stock price would likely decline. If one or more of these analysts cease coverage of our company or fails to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline.

We are an "emerging growth company" and we cannot be certain whether the reduced disclosure requirements applicable to emerging growth companies will make our common stock less attractive to investors.

We are an "emerging growth company" as defined in the JOBS Act, and we intend to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not "emerging growth companies" including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act and reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements. We cannot predict whether investors will find our common stock less attractive if we rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile.

The requirements of being a public company may strain our resources and distract our management, which could make it difficult to manage our business, particularly after we are no longer an "emerging growth company."

We are required to comply with various regulatory and reporting requirements, including those required by the SEC. Complying with these reporting and other regulatory requirements will be time-consuming and will result in increased costs to us and could have a negative effect on our results of operations, financial condition or business.

As a public company, we are subject to the reporting requirements of the Exchange Act and requirements of the Sarbanes-Oxley Act. These requirements may place a strain on our systems and resources. The Exchange Act requires that we file annual, quarterly and current reports with respect to our business and financial condition. The Sarbanes-Oxley Act requires that we maintain effective disclosure controls and procedures and internal controls over financial reporting. To maintain and improve the effectiveness of our disclosure controls and procedures, we will need to commit significant resources, hire additional staff and provide additional management oversight. We will be implementing additional procedures and processes for the purpose of addressing the standards and requirements applicable to public companies. Sustaining our growth also will require us to commit additional management, operational and financial resources to identify new professionals to join our firm and to maintain appropriate operational and financial systems to adequately support expansion. These activities may divert management's attention from other business concerns, which could have a significant adverse impact on our results of operations, financial condition or business.

As an "emerging growth company" as defined in the JOBS Act, we intend to take advantage of certain temporary exemptions from various reporting requirements including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act and reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements. In addition, we have elected under the JOBS Act to delay adoption of new or revised accounting pronouncements applicable to public companies until such pronouncements are made applicable to private companies. As a result, our financial statements may not be comparable to companies that comply with new or revised accounting pronouncements as of public company effective dates.

When these exemptions cease to apply, we expect to incur additional expenses and devote increased management effort toward ensuring compliance with them. We cannot predict or estimate the amount of additional costs we may incur as a result of becoming a public company or the timing of such costs.

Changes in U.S. trade policy, including the imposition of tariffs and the resulting consequences, may have a material adverse impact on our business, operating results and financial condition.

The U.S. government has adopted a new approach to trade policy, including in some cases renegotiating and terminating certain existing bilateral or multi-lateral trade agreements, such as the North American Free Trade Agreement ("NAFTA"). The U.S. government has also initiated tariffs on certain foreign goods from a variety of countries and regions, most notably China, where we manufacture our mobile phones at our facility in Shenzhen, China, and has raised the possibility of imposing significant, additional tariff increases or expanding the tariffs to capture other types of goods. In response, many of these foreign governments have imposed retaliatory tariffs on goods that their countries import from the U.S. Changes in U.S. trade policy have and may continue to result in one or more foreign governments adopting responsive trade policies that make it more difficult or costly for us to do business in or import our products from those countries. This in turn could result in significant additional costs to us when shipping our products to various customers in the United States and could require us to increase prices to our customers, which may reduce demand, or, if we are unable to increase prices, result in lowering our margin on products sold.

We cannot predict the extent to which the U.S. or other countries will impose new or additional quotas, duties, tariffs, taxes or other similar restrictions upon the import or export of our products in the future, nor can we predict future trade policy or the terms of any renegotiated trade agreements and their impact on our business. The adoption and expansion of trade restrictions, the occurrence of a trade war, or other governmental action related to tariffs or trade agreements or policies has the potential to adversely impact demand for our products, our costs, our customers, our suppliers, and the U.S. economy, which in turn could have a material adverse effect on our business, operating results and financial condition.

Economic uncertainties or downturns, or political changes, could limit the availability of funds available to our customers and potential customers, which could significantly adversely impact our business.

Current or future economic uncertainties or downturns could adversely impact our business and operating results. Negative conditions in the general economy both in the United States and abroad, including conditions resulting from changes in gross domestic product growth, financial and credit market fluctuations, political deadlock, natural catastrophes, infectious disease outbreaks, and warfare and terrorist attacks in North America, Europe, the Asia Pacific region or elsewhere, could cause a decrease in funds available to our customers and potential customers and negatively affect the growth rate of our business.

These economic conditions may make it extremely difficult for our customers and us to forecast and plan future budgetary decisions or business activities accurately, and they could cause our customers to reevaluate their decisions to purchase our solutions, which could delay and lengthen our sales cycles or result in cancellations of planned purchases. Furthermore, during challenging economic times or as a result of political changes, our customers may tighten their budgets and face constraints in gaining timely access to sufficient funding or other credit, which could result in an impairment of their ability to make timely payments to us. In turn, we may be required to increase our allowance for doubtful accounts, which would adversely impact our financial results.

We cannot predict the timing, magnitude or duration of any economic slowdown, instability or recovery, generally or within any particular industry, or the impact of political changes. If the economic conditions of the general economy or industries in which we operate worsen from present levels, or if recent political changes result in less funding being available to purchase our solutions, our business, operating results and financial condition could be adversely impacted.

The unfavorable outcome of any future litigation, arbitration or administrative action could have a significant adverse impact on our financial condition or results of operations.

From time to time, we are a party to litigation, arbitration, or administrative actions. Our business may bring us into conflict with third parties with whom we have contractual or other business relationships, or with our competitors or others whose interests differ from ours. If we are unable to resolve those conflicts on terms that are satisfactory to all parties, we may become involved in litigation brought by or against us. Our financial results and reputation could be negatively impacted by unfavorable outcomes to any future litigation or administrative actions, including those related to the Foreign Corrupt Practices Act, the U.K. Bribery Act, or other anti-corruption laws. Monitoring, initiating and defending against legal actions is time-consuming for our management, likely to be expensive and may detract from our ability to fully focus our internal resources on our business activities. In addition, despite the availability of insurance, we may incur substantial legal fees and costs in connection with litigation. Lawsuits are subject to inherent uncertainties, and defense and disposition costs depend upon many unknown factors. Lawsuits could result in judgments against us that require us to pay damages, enjoin us from certain activities, or otherwise negatively affect our legal or contractual rights, which could have a significant adverse effect on our business. In addition, the inherent uncertainty of such litigation could lead to increased volatility in our stock price and a decrease in the value of our stockholders' investment in our common stock. There can be no assurances as to the favorable outcome of any litigation or administrative proceedings. In addition, it can be very costly to defend litigation or administrative proceedings and these costs could negatively impact our financial results.

We are subject to anti-corruption, anti-bribery, anti-money laundering, economic sanctions, export control, and similar laws. Non-compliance with such laws can subject us to criminal or civil liability and harm our business, revenues, financial condition and results of operations.

We are subject to the U.S. Foreign Corrupt Practices Act of 1977, as amended, the U.S. domestic bribery statute contained in 18 U.S.C. § 201, the U.S. Travel Act, and other anti-bribery and anti-money laundering laws in the countries in which we conduct activities. Anti-corruption and anti-bribery laws have been enforced aggressively in recent years and are interpreted broadly to generally prohibit companies and their employees and third-party intermediaries from authorizing, offering, or providing, directly or indirectly, improper payments or benefits to recipients in the public or private sector. As we increase our international presence, we may engage with distributors and third-party intermediaries to market our solutions and to obtain necessary permits, licenses, and other regulatory approvals. In addition, we or our third-party intermediaries may have direct or indirect interactions with officials and employees of government agencies or state-owned or affiliated entities. We can be held liable for the corrupt or other illegal activities of these third-party intermediaries, our employees, representatives, contractors, partners and agents, even if we do not explicitly authorize such activities.

The United States has imposed economic sanctions that affect transactions with designated foreign countries, nationals and others. In particular, the United States prohibits U.S. persons from engaging with individuals and entities identified as “Specially Designated Nationals,” such as terrorists and narcotics traffickers. These prohibitions are administered by the U.S. Department of the Treasury’s Office of Foreign Assets Control, or OFAC. OFAC rules prohibit U.S. persons from engaging in, or facilitating a foreign person’s engagement in, transactions with or relating to the prohibited individual, entity or country, and require the blocking of assets in which the individual, entity or country has an interest. Blocked assets (e.g., property or bank deposits) cannot be paid out, withdrawn, set off or transferred in any manner without a license from OFAC. Other countries in which we operate, including Canada and the United Kingdom, also maintain economic and financial sanctions regimes.

Some of our solutions, including software updates and third-party accessories, may be subject to U.S. export control laws, including the Export Administration Regulations; however, the vast majority of our products are non-U.S.-origin items, developed and manufactured outside of the United States, and therefore not subject to these laws. For third-party accessories, we rely on manufactures to supply the appropriate export control classification numbers that determine our obligations under these laws.

We cannot assure you that our employees and agents will not take actions in violation of our policies and applicable law, for which we may be ultimately held responsible. As we increase our international presence, our risks under these laws, rules, and regulations may increase. Further, any change in the applicability or enforcement of these laws, rules, and regulations could adversely impact our business operations and financial results.

Detecting, investigating and resolving actual or alleged violations can require a significant diversion of time, resources, and attention from senior management. In addition, noncompliance with anti-corruption, anti-bribery, anti-money laundering, or economic sanctions laws, rules, and regulations could subject us to whistleblower complaints, investigations, sanctions, settlements, prosecution, other enforcement actions, disgorgement of profits, significant fines, damages, other civil and criminal penalties or injunctions, suspension and/or debarment from contracting with certain persons, the loss of export privileges, reputational harm, adverse media coverage, and other collateral consequences. If any subpoenas or investigations are launched, or governmental or other sanctions are imposed, or if we do not prevail in any possible civil or criminal litigation, our business, revenues, financial condition, and results of operations would be significantly harmed. In addition, responding to any action will likely result in a significant diversion of management's attention and resources and significant defense costs and other professional fees. Enforcement actions and sanctions could further harm our business, financial condition and results of operations.

We are subject to a wide range of product regulatory and safety, consumer, worker safety and environmental laws and regulations.

Our operations and the products we manufacture and/or sell are subject to a wide range of product regulatory and safety, consumer, worker safety and environmental laws and regulations. Compliance with such existing or future laws and regulations could subject us to future costs or liabilities, impact our production capabilities, constrict our ability to sell, expand or acquire facilities, restrict what solutions we can offer and generally impact our financial performance. Our products are designed for use in potentially explosive or hazardous environments. If our product design fails for any reason in such environments, we may be subject to product liabilities and future costs. In addition, some of these laws are environmental and relate to the use, disposal, remediation, emission, discharge of and exposure to hazardous substances. These laws often impose liability and can require parties to fund remedial studies or actions regardless of fault. Environmental laws have tended to become more stringent over time and any new obligations under these laws could have a negative impact on our operations or financial performance.

Laws focused on the energy efficiency of electronic products and accessories, recycling of both electronic products and packaging, reducing or eliminating certain hazardous substances in electronic products, and the transportation of batteries continue to expand significantly. Laws pertaining to accessibility features of electronic products, standardization of connectors and power supplies, the transportation of lithium-ion batteries, and other aspects are also proliferating. There are also demanding and rapidly changing laws around the globe related to issues such as product safety, radio interference, radio frequency radiation exposure, medical related functionality, and consumer and social mandates pertaining to use of wireless or electronic equipment. These laws, and changes to these laws, could have a substantial impact on whether we can offer certain products, solutions, and services, and on what capabilities and characteristics our products or services can or must include.

These laws and regulations impact our products and could negatively impact our ability to manufacture and sell products competitively. In addition, we anticipate that we will see increased demand to meet voluntary criteria related to reduction or elimination of certain constituents from products, increasing energy efficiency and providing additional accessibility.

Foreign currency fluctuations may reduce our competitiveness and sales in foreign markets.

The relative change in currency values creates fluctuations in product pricing for international customers. These changes in foreign end-customer costs may result in lost orders and reduce the competitiveness of our products in certain foreign markets. These changes may also negatively impact the financial condition of some foreign customers and reduce or eliminate their future orders of our products. In addition, a significant portion of our research and development expenditure takes place in China and India. Fluctuations in the currency values of those countries could negatively impact our operating expenses.

We could be adversely impacted by changes in accounting standards and subjective assumptions, estimates and judgments by management related to complex accounting matters.

Generally accepted accounting principles and related accounting pronouncements, implementation guidelines, and interpretations with regard to a wide range of matters that are relevant to our businesses, including, but not limited to, revenue recognition, asset impairment, inventories, customer rebates and other customer consideration, tax matters, and litigation and other contingent liabilities are highly complex and involve many subjective assumptions, estimates and judgments. Changes in these rules or their interpretation or changes in underlying assumptions, estimates or judgments could significantly change our reported or expected financial performance or financial condition. New accounting guidance may also require systems and other changes that could increase our operating costs and/or change our financial statements. For example, implementing future accounting guidance related to revenue, accounting for leases and other areas could require us to make significant changes to our accounting systems, impact existing debt agreements and result in adverse changes to our financial statements.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

We maintain our corporate headquarters in a leased facility in Austin, Texas. In addition, we lease a facility totaling 8,416 square feet in San Mateo, California. The lease for our San Mateo facility expires in August 2025. Since moving our headquarters to Austin, we have been marketing our San Mateo space under a sublease arrangement. This effort has been impacted by the global COVID-19 pandemic, but we plan to continue the effort until successful. Our final assembly and testing facility is located in Shenzhen, China, and we expect to significantly reduce the facility size once we have completed our manufacturing transfer to our new contract manufacturing partner. In 2020, we had a software development center in Bangalore, India, which has now been transferred to our software outsourcing partner. We also have a research and development center in Beijing, China. We believe that our facilities are suitable to meet our current needs. We may expand our existing facilities or move them to other locations in the future, and we believe that suitable additional or alternative space will be available as needed to accommodate any such growth or moves.

Item 3. Legal Proceedings.

The terms and conditions of applicable bylaws, certificates or articles of incorporation, agreements or applicable law may obligate Sonim to indemnify its current and former directors, officers or employees, and underwriters, with respect to certain of the matters described below and Sonim has been advancing legal fees and costs to certain current and former directors, officers, employees and underwriters in connection with certain matters describe below.

On September 20, 2019, a purported Sonim stockholder who allegedly purchased stock registered in Sonim's IPO filed a putative class action complaint in the Superior Court of the State of California, County of San Mateo, captioned Pearson v. Sonim Technologies, Inc., et al., Case No. 19CIV05564, on behalf of himself and others who purchased shares of Sonim registered in the IPO, or the "Pearson Action". On October 4 and 16, 2019, two additional purported class action complaints substantially similar to the Pearson Action were filed on behalf of different plaintiffs yet the same putative class of Sonim stockholders, in the same court as the Pearson Action, or the '33 Act State Court Actions. The defendants asked the Superior Court to dismiss the '33 Act State Court Actions based on the provision in the Company's Amended and Restated Certificate of Incorporation requiring stockholders to file and litigate in federal court any claims under the Securities Act of 1933. On December 7, 2020, the Superior Court entered an order granting defendants' motion to dismiss. On October 7, 2019, a substantially similar putative class action lawsuit was filed in the United States District Court for the Northern District of California or the "33 Act Federal Action. All four complaints allege violations of the Securities Act of 1933 by Sonim and certain of its current and former officers and directors for, among other things, alleged false or misleading statements and omissions in the registration statement issued in connection with the IPO, relating primarily to an alleged failure to disclose software defects in Sonim's phones and alleged misstatements about performance characteristics of Sonim's phones. In July 2020, the Company entered into an agreement with the Lead Plaintiff in '33 Act Federal Action to settle that case on a class wide basis for $2.0 million. As a result, the Company has paid out the $2.0 million settlement as of December 31, 2020. On March 5, 2021, the court presiding over the '33 Act Federal Action granted final approval of the settlement.

In March 2020, we received a voluntary document request from the Securities and Exchange Commission's ("SEC") San Francisco Regional office, and in August 2020, the Company was informed that the SEC staff was conducting a formal investigation. The SEC's investigation is ongoing. The Company has been cooperating with the SEC in this matter. The Company is unable to predict the likely outcome of the investigation or determine its potential impact, if any, on the Company.

On September 21, 2020, the Company, and certain of its current and former directors and officers were sued by a stockholder on behalf of our Company in a derivative action in the United States District Court for the District of Delaware, captioned Kusiak v. Plaschke, et al. Case No 20-cv-1270-MN ("Kusiak"). The Kusiak complaint is based largely on the same underlying factual allegations as the '33 Act Federal Action. The defendants filed a motion to dismiss the Kusiak derivative action based on plaintiff's failure to make a litigation demand on Sonim's directors. On February 1, 2021, plaintiff in Kusiak voluntarily dismissed the action without prejudice.

On February 1, 2021, the same plaintiffs' lawyers in the Kusiak action filed a new derivative action in the United States District Court for the District of Delaware against Sonim and certain of its current and former directors and officers, caption Gupta v. Plaschke, et al., Case No. 1:21-cv-130-MN ("Gupta"). The allegations in the Gupta complaint are generally similar to those in the Kusiak action. Given the early stage of this proceeding and the limited information available, we cannot predict the outcome of this legal proceeding or determine its potential impact, if any, on the Company.

The Company is involved in various other legal proceedings arising in the normal course of business. The Company does not believe that the ultimate resolution of these other matters will have a material adverse effect on its consolidated financial position, results of operations, or cash flows.

The results of any future litigation cannot be predicted with certainty and, regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management time and resources and other factors.

Item 4. Mine Safety Disclosures.

None.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information

Our common stock is traded on the Nasdaq Stock Market under the symbol "SONM."

Holders of Record

As if March 5, 2021, there were 89 holders of record of our common stock based on information furnished by American Stock Transfer and Trust Company, LLC, the transfer agent for our securities.

Dividends

We have not declared or paid any cash dividends on our capital stock and do not intend to pay cash dividends in the foreseeable future. Any future determinations relating to our dividends and earning retention policies will be made at the discretion of our board of directors, who will review such policies from time to time in light of our earnings, cash flow generation, financial position, results of operations, the terms of our indebtedness and other contractual restrictions, capital requirements, business prospects and other factors our board of directors may deem relevant.

Recent Sales of Unregistered Securities

None

Use of Proceeds

On June 9, 2020, we completed an underwritten public offering, or PO, in which we sold 36,800,000 shares of our common stock at a price to the public of $0.75 per share, for net proceeds of $25.1 million. On June 1, 2020, we entered into a Note Amendment and Debt Cancellation Agreement with B. Riley Principal Investments, LLC or BRPI, or the Note Amendment, which provided that, contingent upon the closing of the PO, we would repay $4 million of the outstanding indebtedness to BRPI in cash, or the "B. Riley Repayment", and the remaining principal amount, accrued interest and other amounts outstanding under the B. Riley Convertible Note, after giving effect to the B. Riley Repayment, would convert into shares of common stock to be issued to BRPI or its affiliates at the public offering price of shares of our common stock in the PO.

Pursuant to the Note Amendment, as amended, we made the B. Riley Repayment in June 2020 and the remaining principal amount, accrued interest and other amounts outstanding under the B. Riley Convertible Note, after giving effect to the B. Riley Repayment, in an amount of $6,170,125, converted into an aggregate of 8,226,834 shares of our common stock issued to BRPI and BRC Opportunity Fund, L.P., an affiliate of BRPI, or the "Conversion Shares". Following the B. Riley Repayment and the issuance of the Conversion Shares, we have no outstanding indebtedness under the B. Riley Convertible Note.

On May 14, 2019, we closed our initial public offering, or IPO in which we sold 3,571,429 shares of our common stock at a price of $11.00 per share. On May 22, 2019, we sold an additional 505,714 shares of common stock, and our selling stockholder sold 30,000 shares of common stock, at a price to the public of $11.00 per share pursuant to the exercise of the underwriters' option to purchase additional shares. The offer and sale of the shares in the IPO were registered under the Securities Act pursuant to a registration statement on Form S-1 (File No. 333-230887), which was declared effective by the SEC on May 9, 2019. We raised approximately $36.8 million in net proceeds after deducting underwriting discounts and commissions of $3.1 million and offering expenses paid by us of approximately $4.9 million. We used a portion of the net proceeds from the offering to prepay $3.25 million of the outstanding principal amount under the subordinated secured convertible promissory note issued to B.Riley Principal Investments, LLC.

We intend to use the remaining net proceeds of our IPO and subsequent PO for general corporate purposes, including working capital, expanded sales and marketing activities, increased research and development expenditures and funding our growth strategies.

Item 6. Selected Financial Data.

Not Applicable.

Item 7. Management's Discussion and Analysis of Financial Condition, Results of Operations and Critical Accounting Policies.

The following commentary should be read in conjunction with the Consolidated Financial Statements and related notes thereto contained in Part IV of this Annual Report on Form 10-K. This discussion contains forward-looking statements based on current expectations that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under Item 1A.,"Risk Factors," included in Part I of this Annual Report on Form 10-K.

Company Overview

We are a leading U.S. provider of ultra-rugged mobile devices, including phones, barcode scanners and accessories designed specifically for task workers physically engaged in their work environments, often in mission-critical roles. We currently sell our ruggedized mobile phones and accessories to the three largest wireless carriers in the United States — AT&T, T-Mobile (which acquired Sprint in 2020) and Verizon—as well as the three largest wireless carriers in Canada—Bell, Rogers and Telus Mobility. We also sell our ruggedized phones, barcode scanners and accessories through distribution channels in North America, South America and Europe. Our devices and accessories connect workers with voice, data and workflow applications in two end markets: industrial enterprise and public sector.

We generate revenues primarily from sales of our (i) mobile phones, (ii) barcode scanners, and (iii) industrial-grade accessories. We sell our mobile phones and accessories primarily to wireless carriers in both the United States and Canada, who then resell our products in conjunction with network services to end customers. We sell our barcode scanners globally through partnerships with major distributors.

Because our U.S. sales channel is primarily comprised of large wireless carriers, the number of customers that we sell to is limited. For the year ended December 31, 2020, approximately 90% of our revenues came from large wireless carriers and 77% came from our top four customers. For the year ended December 31, 2020, our smartphones accounted for approximately 41% of our revenues and our feature phones accounted for approximately 55% of our revenues. To help control and manage the quality, cost and reliability of our supply chain, we directly manage the procurement of all final assembly materials used in our products, which include LCDs, housings, camera modules and antennas. To help contain costs and improve the efficiency of our operations, we have outsourced substantially all of our manufacturing functions, software development and quality control functions to third parties, transferring the employees who previously performed this work. In order to continue to develop differentiated products to attract and retain customers, we have made significant investments in research and development through our partnerships with ODMs. We expect this investment to result in a new generation of feature phone and barcode scanner products which will deliver the majority of the Company's revenue by the end of 2021.

Additional Sonim Subsidiary

On August 21, 2019, Sonim Technologies (Canada), Inc. was incorporated, a fully owned subsidiary of the Company, to aide with sales and post sales services. During the year ended December 31, 2020, this subsidiary was dissolved.

Restructuring and Reduction in Force

During 2020, we have continued to reduce our headcount to better align our expenses with our revenue profile. The Company executed a reduction in force of approximately 10% of its U.S. employees in February 2020 and has also reduced headcount in certain international locations in India and Shenzhen. Our headcount at December 31, 2020 was 317. During 2020, we decided to proceed with future product co-development and manufacturing with ODM partners. To ensure the efficient manufacturing of our legacy products through this transition, we outsourced our final assembly to a supply chain partner and transferred twenty two employees to that partner to enhance their efficiency in taking over our production work. We have also relocated our headquarters from San Mateo, California to Austin, Texas, a lower cost location. We recorded costs related to restructuring totaling $1.5 million, of which $1.0 million was paid out in 2020, and $0.1 million is included in cost of revenues in 2020.

In September 2019, the Board of Directors approved, and management commenced and completed, a restructuring plan to reduce operating costs and better align its workforce with the needs of its business. Under the plan, the Company reduced its workforce by 16 employees. In connection with the restructuring, the Company accrued $0.7 million in aggregate restructuring charges related to one-time termination severance payments and other employee-related costs. $0.2 million of the cash payments related to the personnel-related restructuring charges were paid during the second half of 2019, with the remaining $0.5 million was paid in the second quarter of 2020. The Company may also incur additional costs not currently contemplated due to events that may occur as a result of, or that are associated, with the workforce reductions.

Public Offerings

In June 2020, we completed an underwritten public offering of 36,800,000 shares our common stock at a public offering price of $0.75 per share. The net proceeds from this offering were approximately $25.1 million, after deduction of underwriting discount and other estimated offering expenses.

On May 9, 2019, our registration statement on Form S-1 (File No. 333-230887) related to our IPO was declared effective by the SEC, and our common stock began trading on The Nasdaq Stock Market LLC or Nasdaq on May 10, 2019. Our IPO closed on May 14, 2019. As a result, our consolidated financial statements as of December 31, 2019 reflects the impact of our IPO.

Key Metrics

We review a variety of key financial metrics to help us evaluate growth trends, establish budgets, measure the effectiveness of our business strategies and assess operational efficiencies. In addition to our financial results determined in accordance with U.S. GAAP, we believe the following non-GAAP and operational measures are useful in evaluating our performance related metrics.

	Year Ended December 31,	
	2020	**2019**
	(in thousands)	
Smartphones	50	102
Feature Phones	205	257
Total Units Sold	255	359
Adjusted EBITDA	$ (24,333)	$ (12,355)

Units Sold

Our smartphones include the XP6, XP7, and XP8 models. The number of smartphone units sold during the year ended December 31, 2020 compared to the year ended December 31, 2019 decreased by 51%, primarily due to a slower than expected sales of our XP8 product at several carriers and an inventory build-up at a major U.S. carrier. As of December 31,2020, XP6 and XP7 have reached end of life in terms of new sales. Our XP8 smartphone has been upgraded to the Android 10 operating system, which is expected to extend its life through the end of 2021.

Our feature phones include the XP3, XP5, and XP5s models. The number of feature phone units sold during the year ended December 31, 2020 compared to the year ended December 31, 2019 decreased by 20%, primarily due to decreased demand for the XP5s from several carriers offset by an increased demand for the XP3. Our current versions of the XP3 and XP5 are approaching end of life. We are currently developing and expect to launch updated versions of the XP3 and XP5 in 2021.

Adjusted EBITDA

We define Adjusted EBITDA as net income (loss) adjusted to exclude the impact of stock-based compensation expense, depreciation and amortization, interest expense, income taxes, and one-time restructuring costs. Adjusted EBITDA is a useful financial metric in assessing our operating performance from period to period by excluding certain items that we believe are not representative of our core business, such as certain material non-cash items and other adjustments such as stock-based compensation.

We believe that Adjusted EBITDA, viewed in addition to, and not in lieu of, our reported GAAP results, provideuseful information to investors regarding our performance and overall results of operations for various reasons, including:

- non-cash equity grants made to employees at a certain price do not necessarily reflect the performance of our business at such time, and as such, stock-based compensation expense is not a key measure of our operating performance; and
- costs associated with certain events, such as restructuring costs, are not considered a key measure of our operating performance.

We use Adjusted EBITDA:

- as a measure of operating performance;
- for planning purposes, including the preparation of budgets and forecasts;
- to allocate resources to enhance the financial performance of our business;
- to evaluate the effectiveness of our business strategies;

- in communications with our board of directors concerning our financial performance; and
- as a consideration in determining compensation for certain key employees.

Adjusted EBITDA have limitations as analytical tools, and should not be considered in isolation, or as a substitute for analysis of our results as reported under GAAP. Some of these limitations include:

- they do not reflect all cash expenditures, future requirements for capital expenditures or contractual commitments;
- they do not reflect changes in, or cash requirements for, working capital needs;
- they do not reflect interest expense on our debt or the cash requirements necessary to service interest or principal payments; and
- other companies in our industry may define and/or calculate these metrics differently than we do, limiting their usefulness as comparative measures.

Set forth below is a reconciliation from net loss to Adjusted EBITDA for the respective periods:

	2020	2019
	(in thousands)	
Net loss	$ (29,932)	$ (25,834)
Depreciation and amortization	2,728	3,525
Stock-based compensation	1,087	6,308
Interest expense	759	1,522
Income taxes	(521)	1,388
Restructuring costs	1,546	736
Adjusted EBITDA	$ (24,333)	$ (12,355)

Factors Affecting Our Results of Operations

We believe that the growth and future success of our business depend on many factors. While these factors present significant opportunities for our business, they also pose important challenges that we must successfully address in order to improve our results of operations.

Research and Development

We believe that our performance is significantly dependent on the investments we make in research and development and that we must continue to develop and introduce innovative new products on a two to three-year cycle. Our partnerships with ODMs are expected to enable us to shift between different types and numbers of devices under development without the need to adjust the size of our internal team.

While the hardware design of our phones is generally the same for all wireless carriers, each device must be configured to conform to the requirements of each wireless carrier's network, resulting in higher development expenses as the number of wireless carriers we sell through increases. In addition to the design and configuration costs, each device must undergo a multi-month technical approval process at each carrier before it can be certified to be stocked at each carrier. The approval process for each device for each carrier has historically cost between $1-2 million. Prior to commencement of development of a product for certification, we generally do not receive any purchase orders or commitments. Following a carrier's review of product concepts, we may receive a product award letter from that carrier to move forward with the development and certification process, at which time we may begin receiving advance purchase orders or commitments. Since the timing of when we seek technical approval with our wireless carriers tends to be cyclical in nature, quarter-over-quarter expenditures may vary significantly depending on the number of approvals in process during the quarter. If we fail to innovate and enhance our product offerings, our brand, market position and revenues may be adversely affected. If our research and development efforts are not successful, we will not recover these investments that we make.

New Customer Acquisitions

We are focused on continuing to acquire new customers, both in North America and overseas, to support our long-term growth. Historically, we have been dependent on a small number of wireless carriers distributing our products. We have invested, and expect to continue to invest, in our sales and marketing efforts to drive new customer acquisition. A key part of our strategy is to further expand the use of our solutions over cellular networks in the public safety market. We also intend to continue to invest in and expand our international sales teams. As a result, we expect our sales and marketing costs to increase as we seek to acquire new customers. Sales and marketing investments will often occur in advance of any sales benefits from these activities, and it may be difficult for us to determine if we are efficiently allocating our sales and marketing resources.

Seasonality and New Product Introduction

We have historically experienced lower net revenue in our first quarter compared to other quarters in our fiscal year due to seasonal demand associated with the introduction of new products to our lead customers. New product introductions can significantly impact net revenue, gross profit and operating expenses. The timing of product introductions can also impact our net revenue as our wireless carrier customers prepare for a new product launch, and channel inventory of an older product often declines as the launch of a newer product approaches. Net revenue can also be affected when consumers and distributors anticipate a new product introduction. However, neither historical seasonal patterns nor historical patterns of product or service introductions should be considered reliable indicators of our future pattern of product or service introductions, future net sales or financial performance.

Components of Our Results of Operations

The following describes the line items set forth in our consolidated statements of operations.

Revenues

Revenues are recognized on the date that the customer receives the products sold. Any discounts, marketing development funds, product returns or other revenue reductions are treated as offsets to revenues, which is presented on a net basis. We have also historically entered into customer agreements with channel partners that include a combination of products and non-recurring engineering services, or NRE services. When a customer agreement includes NRE services which involve significant design modification and customization of the product software that is essential to the functionality of the hardware, revenues are also recognized according to the contractual milestones in the agreements when or as control transfers to the customer under ASC 606. If a milestone is deemed non-substantive, we defer, if applicable, and recognize such non-substantive milestones over the estimated period of performance applicable to each agreement on a straight-line basis, as appropriate. All of our revenues are derived from a single segment.

The Company recognizes revenue primarily from the sale of products, including our mobile phones and accessories, and the majority of the Company’s contracts include only one performance obligation, namely the delivery of product. A performance obligation is a commitment in a contract to transfer a distinct good or service to the customer and is defined as the unit of account for revenue recognition under ASC 606. The Company also recognizes revenue from other contracts that may include a combination of products and NRE services or from the provision of solely NRE services. Where there is a combination of products and NRE services, the Company accounts for the commitments as individual performance obligations if they are both capable of being distinct and distinct within the context of the contract.

Our customer agreements with channel partners set forth the terms pursuant to which our channel partners purchase our products for distribution on a purchase order basis. While these arrangements are typically long term, they generally do not contain any firm purchase volume commitments. As a result, our channel partners are not contractually obligated to purchase from us any minimum number of products. However, while our channel partners provide us with demand forecasts under these sales arrangements, we are generally required to satisfy any and all purchase orders delivered to us within specified delivery windows, with limited exceptions (such as orders significantly in excess of forecasts). Our sales arrangements also generally include technical performance standards for our mobile phones and accessories sold, which vary by channel partner. If a technical issue with any of our covered products exceeds certain preset failure thresholds for the relevant performance standard or standards, the channel partner typically has the right to cease selling the product, cancel open purchase orders and levy certain monetary penalties. In addition, our channel partners retain sole discretion in which of their stocked products to offer their customers.

We also offer our channel partners channel marketing and other limited promotional incentives, such as sales volume incentives, in exchange for retail price reductions. Under certain of our customer agreements, we may also offer NRE services in the form of third-party design services relating to the design of materials and software licenses used in the manufacturing of our products.

Cost of Revenues and Gross Profit/Gross Margin

Cost of revenues primarily consists of the following:

- Direct costs consist of raw materials, supplies and sub-assemblies used in the production of our products. We purchase all materials and sub-assemblies from our supply chain directly and do all final assembly and testing at our facility in Shenzhen, China. Direct materials represent the majority of our direct manufacturing expenses.
- Direct labor costs expended in the final assembly and testing of our products. Labor is charged toeach product based on the actual time required to build that specific product.
- Other direct costs related to the shipment of the final product to the customer, including such items as shipping costs, royalties on third-party technology included in the product, warranty cost accruals and packaging and handling costs.
- Indirect manufacturing expense associated with producing our products, such as rent on production facilities, depreciation on production equipment and tooling, engineering and support salaries and other indirect manufacturing costs.

Amortization of NRE expenses is now part of cost of goods as a result of the adoption of ASC 606 in 2019.Gross profit is defined as revenues less cost of revenues. Gross margin is gross profit expressed as a percentage of revenues. We expect that our gross margin may fluctuate from period to period, primarily as a result of changes in average selling price, revenue mix among our devices, and manufacturing costs. In addition, we may reserve against the value at which we carry our inventory based upon the device's lifecycle and conditions in the markets in which we sell.

Operating Expenses

Our operating expenses consist of the following categories:

Research and development. Research and development expenses consist primarily of personnel-related expenses, including salaries, bonuses, stock-based compensation and employee benefits, as well as outsourced costs incurred through our ODM partnerships. Research and development expenses also include the costs of developing new products and supporting existing products. Research and development activities include the design of new products, refinement of existing products and design of test methodologies to ensure compliance with required specifications, as well as all costs associated with achieving technical acceptance with each product at each carrier. All research and development costs are expensed as incurred. We expect our research and development expenses to fluctuate over time as we experience the various product cycles of our devices.

Sales and marketing. Sales expenses consist primarily of personnel-related expenses, including salaries, bonuses, stock-based compensation, commissions to independent sales representatives, travel costs and employee benefits, as well as field support and customer training costs. Marketing expenses include all social media and collateral print media, and brand development expenses. We expect our sales and marketing costs to increase in absolute dollars as we seek to expand our product lines and customer base and increase brand awareness with end customers.

General and administrative. General and administrative expenses consist primarily of personnel-related expenses, including salaries, bonuses, stock-based compensation, travel costs and employee benefits, as well as professional and consulting fees, legal fees, trade shows, depreciation expense and occupancy costs. We expect our general and administrative expenses to increase in absolute dollars as we expand our organization to better support our customers and our anticipated growth. Additionally, these expenses will increase as we continue to establish the necessary infrastructure to operate effectively as a public company. As the company grows, general and administrative expenses as a percentage of revenue will begin to decrease due to economies of scale.

Income taxes. As part of the process of preparing our consolidated financial statements we are required to estimate our taxes in each of the jurisdictions in which we operate. We account for income taxes in accordance with the asset and liability method. Under this method, deferred tax assets and liabilities are recognized based on temporary differences between the financial reporting and income tax bases of assets and liabilities and the tax effects of operating loss and credit carryforwards using the enacted tax rates expected to apply in the periods of expected settlement. In addition, this method requires a valuation allowance against net deferred tax assets if, based upon the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

Year Ended December 31, 2020 Compared to Year Ended December 31, 2019

	2020	2019	$ Change	% Change
Provision for Income Taxes (in thousands, except percentages)				
(Benefit) Provision for Income Taxes	$ (521)	$ 1,388	$ (1,909)	(137.6%)

We recognized an income tax benefit of $0.5 million during 2020 as compared to an expense of $1.4 million during 2019. The decrease in tax expense in 2020 was primarily due to the Company's decrease in earnings in our foreign subsidiaries and a release of uncertain tax position accrual. In 2020, the Company released $0.8 million of the prior years' uncertain tax accrual.

Results of Operations

Years Ended December 31, 2020 and 2019:

The following tables present key components of our results of operations for the respective periods (In thousands):

	Year Ended December 31,		2020 vs 2019	
	2020	**2019**	**Increase (Decrease)**	**%**
	(in thousands)			
Net revenues	$ 63,992	$ 116,251	$ (52,259)	-45.0%
Cost of revenues	48,781	81,742	(32,961)	-40.3%
Gross profit	15,211	34,509	(19,298)	-55.9%
Operating expenses:				
Research and development	16,218	26,064	(9,846)	-37.8%
Sales and marketing	10,411	13,908	(3,497)	-25.1%
General and administrative	9,834	15,088	(5,254)	-34.8%
Legal expenses	6,462	1,094	5,368	490.7%
Restructuring costs	1,546	736	810	110.1%
Total operating expense	44,471	56,890	(12,419)	-21.8%
Loss from operations	(29,260)	(22,381)	(6,879)	30.7%
Interest expense	(759)	(1,522)	763	-50.1%
Other expense, net	(434)	(543)	109	-15.8%
Loss before income taxes	(30,453)	(24,446)	872	24.7%
Income tax (expense) benefit	521	(1,388)	1,909	-137.5%
Net loss	$ (29,932)	$ (25,834)	$ (4,098)	15.9%

Net revenues. Net revenues for the year ended December 31, 2020 decreased by $52.2 million, or 45%, to $64 million compared to $116.3 million for the year ended December 31, 2019. The decrease in net revenues was primarily attributable to a decrease in unit sales resulting in a decrease of $33.3 million, along with a decrease in the average selling price of $16.1 million as a result of the change in product mix in 2020 compared to 2019. There were also lower unit sales also correlating to lower accessory revenue of $2.3 million.

Cost of revenues. Total cost of revenues for the year ended December 31, 2020 decreased $32.9 million, or 40.3%, to $48.8 million, or 76.2% of revenues, compared to $81.7 million, or 70.3% of revenues for the year ended December 31, 2019. This decrease was primarily attributable to related decrease in net revenues.

Gross profit and margin. Gross profit for the year ended December 31, 2020 decreased $19.3 million, or 55.9%, to $15.2 million, or 23.8% of revenues, from $34.5 million, or 29.7% of revenues for the year ended December 31, 2019. This decrease was primarily attributable to lower revenues of 45% and the product mix resulting in lower average sales price. The gross profit percentage decreased by 5.91 percentage points for the year ended December 31, 2020 over the same period of 2019 as a result of expenses incurred during the temporary shut-down of our manufacturing facility in Shenzhen in the first quarter of 2020, a one-time event, and manufacturing variances related to lower productivity of 3%.

Research and development. Research and development expenses for the year ended December 31, 2020 decreased by $9.8 million or 37.8%, to $16.2 million compared to $26.1 million for the year ended December 31, 2019. These expenses decreased primarily due to the $5.4 million decrease in employee headcount related expenses, a decrease in NRE related costs of $2.7 million as 2019 included the cost of the product launch of the XP3, a decrease in consultant expense of $0.8 million, a decrease in travel of $0.6 million and decreases in other expenses of $0.3 million. These decreases were mainly due to our cost cutting measures and a reduction in travel due to the global pandemic.

Sales and marketing. Sales and marketing expenses for the year ended December 31, 2020 decreased by $3.5 million, or 25.1% to $10.4 million compared to $13.9 million for the year ended December 31, 2019. These decreases were primarily attributable to a $1.2 million decrease in travel related expenses, a decrease in marketing related expenses of $0.8 million, a decrease in employee headcount related expenses of $0.7 million a decrease in consultant expense of $0.5 million and a decrease in other expenses of $0.3 million. These decreases were mainly due to our cost cutting measures, as well as a decrease in commissions due to lower sales volumes.

General and administrative. General and administrative expenses for the year ended December 31, 2020 decreased by $5.2 million, or 34.8% to $9.3 million compared to $15.1 million for the year ended December 31, 2019. These expenses decreased by the decrease of the IPO related bonus in 2019 of $5 million, a decrease in travel related expenses of $0.4 million, a decrease in employee headcount related expenses of $0.3 million, a decrease in consultant and board fees of $0.4 million and a decrease in other related expenses of $0.1 million offset by an increase in corporate insurance of $0.7 million, an increase in bad debt expense of $0.3 million related to other receivables

Legal expenses. Legal expenses for the year ended December 31, 2020 increased by $5.4 million to $6.5 million compared to $1.1 million for the year ended December 31, 2019. These expenses increased $3.2 million as a result of the SEC investigation and the Securities Class Action litigation and by $2 million associated with the settlement of the shareholder litigation,

Restructuring costs. In September 2019, our Board of Directors approved, and our management commenced and completed, a restructuring plan to reduce operating costs and better align our workforce with the needs of our business. For the year ended December 31, 2020, we recorded costs related to restructuring totaling $1.6 million, of which $0.1 million is included in cost of revenues. For the year ended December 31, 2019, we recorded $0.7 million in restructuring costs.

Interest expense/Other expense, net. Interest expense/other expense decreased by $0.8 million to $0.7 million for the year ended December 31, 2020, from $1.5 million for the year ended December 31, 2019. The decrease is a result of settlement of the long-term debt in June 2020.

Other expense, net. We recorded $0.4 million in foreign exchange loss for the year ended December 31, 2020 and $0.5 million in foreign exchange loss for the year ended December 31, 2019.

Income tax expense. Income tax expense decreased by $1.9 million, or -137.5%, to $(0.5) million, for the year ended December 31, 2020, from $1.4 million, for the year ended December 31, 2019. The decrease is a result of a release of $0.08 million of prior years' uncertain tax position accrual.

Adjusted EBITDA. Adjusted EBITDA was a loss of $24.3 million, for the year ended December 31, 2020 compared to a loss of $12.4 million, for the year ended December 31, 2019.

Net loss. The net loss for December 31, 2020 was $29.9 million compared to net loss of $25.8 million for December 31, 2019. The increase in net loss is a result of a decrease in revenues of $52.3 million and a decrease in gross profit of $19.3 million offset by decreases in operating expenses of $12.4 million.

Liquidity and Capital Resources

Historically, the Company has funded operations from a combination of private equity financings, convertible loans from existing investors and borrowings under loan agreements. As of December 31, 2020, the Company did not have any convertible loans or any other borrowing structures outstanding. As of December 31, 2019, the Company had an aggregate of $10.1 million, of principal and deferred accrued interest outstanding under the B. Riley Convertible Note.

Under the B. Riley Convertible Note issued by the Company pursuant to the Subordinated Term Loan and Security agreement, the Company had borrowed an aggregate principal amount of $12.0 million on a subordinated secured basis. Borrowings bear interest at 10% per year; interest amounts accrued and compounded into principal outstanding until October 2018, following which we were required to pay periodic interest in cash. In June 2020, we repaid $4.0 million of the B. Riley Convertible Note in cash. In addition, we converted the remaining $6.17 million of principal and accrued interest at $0.75 per share pursuant to an offer of settlement.

In prior years, the Company maintained a loan and security agreement with East West Bank or EWB pursuant to the EWB Loan Agreement. No borrowings were made under this facility in 2019 and 2020, and the facility was cancelled in June 2020.

Cash and cash equivalents as of December 31, 2020 was $22.1 million, or $10.6 million higher than net cash of $11.3 million on December 31, 2019. The increase was driven primarily by net proceeds from our public offering of $25.1 million after deducting underwriting discount costs and other offering expenses paid by us.

Cash Flows

The following table summarizes our sources and uses of cash for the periods presented:

	2020	2019
Net cash used in operating activities	$ (10,560)	$ (33,523)
Net cash used in investing activities	(11)	(1,356)
Net cash provided by financing activities	21,414	33,128

Cash flows from operating activities

For the year ended December 31, 2020, cash used in operating activities was $10.6 million, primarily attributable to a net loss of $29.9 million, partially offset by a net cash inflow of $14 million from changes in our net operating assets and liabilities and partially offset by non-cash charges of $5.3 million. Non-cash charges primarily consisted of $1.1 million in stock-based compensation, $0.7 million in inventory write-downs, and $2.7 million in depreciation and amortization. The net cash inflow in our net operating assets and liabilities was primarily due to a $7.5 million decrease in inventory, a $5.5 million decrease in accounts receivable, an increase in accounts payable and accrued liabilities of $2.7 million, partially offset by a $1.1 million increase in prepaid expenses and other assets, a decrease in income tax payable of $0.7 million and $0.3 million decrease in deferred revenue.

For the year ended December 31, 2019, cash used in operating activities was $33.5 million, primarily attributable to a net loss of $25.8 million and a net cash outflow of $20.9 million from changes in our net operating assets and liabilities, partially offset by non-cash charges of $13.5 million, and non-cash revenue of $0.3 million under our trade-in guarantee program. Non-cash charges primarily consisted of $6.3 million in stock-based compensation, $3.1 million in inventory write-downs, and $3.5 million in depreciation and amortization. The net cash outflow in our net operating assets and liabilities was primarily due to a $26.3 million decrease in accounts payable and accrued expenses, a $3.8 million increase in other assets, and a $3.7 million decrease in deferred revenue, partially offset by an increase in income tax payable of $1.2 million, a decrease in prepaid expenses of $3.7 million, and decrease in accounts receivable of $8.8 million.

Cash flows from investing activities

For the year ended December 31, 2020, cash used in investing activities was $0.01 million, primarily attributable to purchases of property and equipment.

For the year ended December 31, 2019, cash used in investing activities was $1.4 million, primarily attributable to purchases of property and equipment of $1.0 million and tooling development and purchases of software licenses of $0.4 million.

Cash flows from financing activities

For the year ended December 31, 2020, cash provided by financing activities was $21.4 million, primarily attributable to proceeds from issuance of common stock upon PO, net of costs, of $25.1 million, proceeds from stock options and ESPP of $0.5 million, offset by the repayment of long-term debt of $4.1 million.

For the year ended December 31, 2019, cash provided by financing activities was $33.1 million, primarily attributable to proceeds from issuance of common stock upon IPO, net of costs, of $36.9 million, proceeds from issuance of common stock, net of costs, of $1.6 million, proceeds from exercise of warrants, stock options and ESPP of $0.3 million, partially offset by the repayment of long-term debt of $3.7 million and taxes paid on net issuance of restricted stock award of $1.9 million.

Our consolidated financial statements account for the continuation of our business due primarily to the $25 million in net proceeds from our June 2020 public offering and redemption of long-term debt of $10.2 million, of which $4.0 million was paid in cash and $6.2 million was settled in shares of common stock, in June 2020. We believe that the proceeds from this capital raise will allow the Company to continue operations for at least the next twelve months. However, our forecast of the period of time through which our financial resources will be adequate to support our operations is a forward-looking statement that involves risks and uncertainties, and actual results could vary materially. We have based this estimate on assumptions that may prove to be wrong, and we could deplete our capital resources sooner than we expect. Our principal sources of liquidity as of December 31, 2020, consist of existing cash and cash equivalents totaling $22.1 million, which includes the impact of approximately $25.1 million in proceeds from our public offering of common stock that closed in June 2020. During the year ended December 31, 2020, we used approximately $10.8 million of cash for operating activities.

Although we remain subject to the risks and uncertainties associated with the development and release of new products, among others, we believe our operations have been streamlined to enable us to conduct business more effectively and efficiently despite near term economic uncertainty. However, our liquidity may be negatively impacted if sales decline significantly for an extended period due to the impact of the COVID-19 pandemic. Further, the extent to which the COVID-19 pandemic and our precautionary measures in response thereto impact our business and liquidity will depend on future developments, which are highly uncertain and cannot be precisely predicted at this time.

Off-Balance Sheet Arrangements

As of December 31, 2020, and 2019, we had not entered into any off-balance sheet arrangements and did not have any holdings in variable interest entities.

Critical Accounting Policies and Estimates

Management's discussion and analysis of our financial condition and results of operations is based on our consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these consolidated financial statements requires us to make estimates and assumptions for the reported amounts of assets, liabilities, revenues, expenses and related disclosures. Our estimates are based on our historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions and any such differences may be material. On March 11, 2020, the World Health Organization declared the COVID-19 outbreak a pandemic. The COVID-19 pandemic has negatively impacted the global economy, disrupted global supply chains and work force participation and created significant volatility and disruption in financial markets. The onset of the COVID-19 pandemic initially impacted our supply chain partners and resulted in a shutdown of our manufacturing operations in China, in the first quarter of 2020. In the middle of March 2020, the majority of our offices worldwide had enacted shelter-in-place measures, with employees being mandated to work from home. We expect this to have a negative impact on our sales and our results of operations, the size and duration of which we are currently unable to predict. In preparing our consolidated financial statements in accordance with GAAP, we are required to make estimates, assumptions and judgments that affect the amounts reported in our financial statements and the accompanying disclosures. Estimates and assumptions about future events and their effects cannot be determined with certainty and therefore require the exercise of judgment. As of the date of issuance of these financial statements, we are not aware of any specific event or circumstance that would require us to update our estimates, judgments or revise the carrying value of our assets or liabilities. These estimates may change, as new events occur and additional information is obtained, and are recognized in the consolidated financial statements as soon as they become known. Actual results could differ from those estimates and any such differences may be material to our financial statements

While our significant accounting policies are more fully described in the Note 1 to our consolidated financial statements appearing elsewhere in this prospectus, we believe the following discussion addresses our most critical accounting policies, which are those that are most important to our financial condition and results of operations and require our most difficult, subjective and complex judgments.

Revenue Recognition

The Company adopted the requirements of Accounting Standards Codification ("ASC") 2014-09, Revenue from Contracts with Customers (Topic 606), effective January 1, 2019.

Under Topic 606, revenue is recognized when control of promised goods or services is transferred to a customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To determine revenue recognition for its arrangements, the Company performs the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the entity satisfies a performance obligation. See Note 2, Revenue Recognition, for additional information.

The Company recognizes revenue primarily from the sale of products, including our mobile phones and accessories. The Company also recognizes revenue from other contractual arrangements that may include a combination of products and NRE services or from the provision of solely NRE services.

Revenue recognition incorporates discounts, price protection and customer incentives. In addition to cooperative marketing and other incentive programs, the Company has arrangements with some distributors, which allow for price protection and limited rights of return, generally through stock rotation programs. Under the price protection programs, the Company gives distributors credits for the difference between the original price paid and the Company's then current price. Under the stock rotation programs, certain distributors are able to exchange certain products based on the number of qualified purchases made during the period.

Stock-Based Compensation

We account for stock-based payments at fair value. The fair value of stock options is measured using the Black-Scholes option-pricing model. For share-based awards that vest subject to the satisfaction of a service requirement, the fair value measurement date for stock-based compensation awards is the date of grant and the expense is recognized on a straight-line basis, over the vesting period. We account for forfeitures as they occur. The fair value of each stock option grant is determined using the methods and assumptions discussed below (see "—Fair Value of Common Stock"). Each of these inputs is subjective and generally requires significant judgment and estimation by management.

- *Expected term*. The expected term represents the period that stock-based awards are expected to be outstanding. Our historical share option exercise information is limited due to a lack of sufficient data points and does not provide a reasonable basis upon which to estimate an expected term. The expected term for option grants is therefore determined using the simplified method. The simplified method deems the expected term to be the midpoint between the vesting date and the contractual life of the stock-based awards.

- *Expected volatility*. We use the Black-Scholes option valuation model for estimating fair value at the date of grant. For share-based awards that vest subject to the satisfaction of a service requirement, the fair value measurement date for stock based compensation awards is the date of grant and the expense is recognized on a straight-line basis, over the vesting period. We account for forfeitures as they occur. We have estimated the expected life of 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. Because our stock has not been publicly traded for a sufficiently long period of time, we use 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. We account for restricted stock units (RSUs) issued to employees and non-employees at fair value, based on the market price of our stock on the date of grant. The RSUs are expensed over the vesting period and we account for forfeitures as they occur. RSUs, primarily issued as long term incentives, generally vest annually over four years. During the years ended December 31, 2020 and 2019 we recorded $1.1 million and $6.3 million, respectively, of stock-based compensation related to stock options and restricted stock units.
- *Risk-free interest rate*. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the date of grant for zero-coupon U.S. Treasury notes with maturities approximately equal to the stock-based awards' expected term.
- *Expected dividend yield*. The expected dividend yield is zero as we have not paid nor do we anticipate paying any dividends on our common stock in the foreseeable future.

Provision for Income Taxes

The provision for income taxes is computed using the asset and liability method, under which deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities, and for operating losses and tax credit carryforwards. Deferred tax assets and liabilities are measured using the currently enacted tax rates that apply to taxable income in effect for the years in which those tax assets are expected to be realized or settled. We record a valuation allowance to reduce deferred tax assets to the amount that is believed more likely than not to be realized.

The calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax regulations in multiple tax jurisdictions. We may be periodically reviewed by domestic and foreign tax authorities regarding the amount of taxes due. These reviews may include questions regarding the timing and amount of deductions and the allocation of income among various tax jurisdictions. In evaluating the exposure associated with various filing positions, we record estimated reserves when it is more likely than not that an uncertain tax position will not be sustained upon examination by a taxing authority. Such estimates are subject to change.

Inventory Valuation

We report inventories at the lower of cost or net realizable value. Cost is determined using a first-in, first-out method, or FIFO, and includes materials, labor, shipping and manufacturing overhead related to the purchase and production of inventories. Net realizable value is the estimated selling price in the ordinary course of business less reasonably predictable costs of completion, disposal and transportation.

Warranty Reserves

We provide standard warranty coverage on our accessories and devices for one and three years, respectively, providing labor and parts necessary to repair the systems during the warranty period. We account for the estimated warranty cost as a charge to cost of revenues when revenue is recognized. The estimated warranty cost is based on historical product performance and field expenses. We update this estimate periodically. The actual product performance and/or field expense profiles may differ, and in these cases, we adjust warranty accruals accordingly.

Recently Issued and Adopted Accounting Pronouncements and Critical Accounting Policies and Estimates

See "Note 1 – The Company and Its Significant Accounting Policies" of "Notes to the Consolidated Financial Statements" under the caption Recently Issued Accounting Pronouncements and Recently Adopted Accounting Pronouncements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Interest rates risk

We had cash and cash equivalents totaling $22.1 million and $11.3 million as of December 31, 2020 and December 31, 2019, respectively. We had no short-term investments as of December 31, 2020 and December 31, 2019. Our cash and cash equivalents consist of cash in bank accounts and money market funds. The primary objectives of our investment activities are to preserve principal and provide liquidity without significantly increasing risk. We do not enter into investments for trading or speculative purposes. Due to the nature of our cash and cash equivalents, a hypothetical 100 basis point change in interest rates would not have a material effect on the fair value of our portfolio. We therefore do not expect our operating results or cash flows to be materially affected by a sudden change in market interest rates.

Item 8. Financial Statements and Supplementary Data

The following consolidated financial statements of Sonim Technologies, Inc., the supplementary data and the independent registered public accounting firm's report are incorporated by reference from Part IV, Item 15(1) and (2):

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets – At December 31, 2020 and 2019

Consolidated Statements of Operations – Years Ended December 31, 2020 and 2019

Consolidated Statements of Stockholders' Equity– Years Ended December 31, 2020 and 2019

Consolidated Statements of Cash Flows – Years Ended December 31, 2020 and 2019

Notes to the Consolidated Financial Statements

Item 9. Changes in and Disagreements w ith Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures: Under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Exchange Act Rule 13a-15I. Based on this evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this Annual Report on Form 10-K.

In designing and evaluating disclosure controls and procedures, our management recognizes that any system of controls, however well designed and operated, can provide only reasonable assurance, and not absolute assurance, that the desired control objectives of the system are met. In addition, the design of any control system is based in part upon certain assumptions about the likelihood of future events. Because of these and other inherent limitations of control systems, there can be no assurance that any design will succeed in achieving its stated goals in all future circumstances. Accordingly, our disclosure controls and procedures are designed to provide reasonable, not absolute, assurance that the objectives of our disclosure control system are met and, as set forth above, our Chief Executive Officer and our Chief Financial Officer have concluded, based on their evaluation as of the end of the period covered by this Annual Report on Form 10-K, that our disclosure controls and procedures were effective to provide reasonable assurance that the objectives of our disclosure control system were met.

As a public company, we are required to maintain internal control over financial reporting and to report any material weaknesses in those internal controls. With respect to the year ended December 31, 2020, we identified a material weakness in our internal controls over financial reporting related to the design and implementation of our IT general controls including elevated (administrator) access to financial reporting systems and subsystems. Although we are making efforts to remediate these issues, these efforts may not be sufficient to avoid similar material weaknesses in the future.

Changes in Internal Control Over Financial Reporting: During the quarter ended December 31, 2020, there were no changes to our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management's Report on Internal Control Over Financial Reporting: This annual report does not include a report of management's assessment regarding internal control over financial reporting or an attestation report of the company's registered public accounting firm due to a transition period established by rules of the Securities and Exchange Commission for newly public companies.

Item 9B. Other Information.

None.

PART III

Certain information required by Part III is omitted from this report. We will file our definitive proxy statement for our Annual Meeting of Stockholders (the "Proxy Statement") not later than 120 days after the end of the fiscal year covered by this report, and certain information included therein is incorporated herein by reference.

Item 10. Directors, Executive Officers and Corporate Governance.

For information regarding our Directors and compliance with Section 16(a) of the Securities Exchange Act of 1934, we direct you to the sections entitled "Proposal 1 – Election and Ratification of Directors" and "Delinquent Section 16(a)Reports," respectively, in the Proxy Statement. For information regarding our Audit/Compliance Committee and our Audit/Compliance Committee's financial expert, we direct you to the section entitled "Information about the Board of Directors and Corporate Governance – Committees of the Board – Audit/Compliance Committee" in the Proxy Statement. For information regarding our Code of Conduct, we direct you to the section entitled "Information about the Board of Directors and Corporate Governance – Code of Conduct" in the Proxy Statement. Information regarding our executive officers is contained in the section entitled "Executive Officers of the Registrant," in Part I, Item I of this report. This information is incorporated herein by reference.

Item 11. Executive Compensation.

For information regarding our Executive Compensation, we direct you to the section captioned "Executive and Director Compensation and Other Matters" in the Proxy Statement. This information is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

This information is located in the sections captioned "Stock Ownership of Certain Beneficial Owners Management" and "Equity Compensation Plan Information" in the Proxy Statement. This information is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

You will find this information in the sections captioned "Transactions with Related Persons" and "Information about the Board of Directors and Corporate Governance – Director Independence" in the Proxy Statement. This information is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services.

You will find this information in the section captioned "Independent Registered Public Accountants – Principal Accountant Fees and Services" in the Proxy Statement. This information is incorporated herein by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

The following documents are filed as part of this report:

1. **Financial Statements.** The following - consolidated financial statements and related documents are filed as part of this report:

2. **Financial Statement Schedules.** Schedules are omitted because they are not required or applicable, or the required information is included in the Financial Statements or related notes.

3. **Exhibits.** The Exhibits listed in the accompanying Exhibit Index are filed or incorporated by reference as part of, or furnished with, this report.

Exhibit Index

Exhibit Number	Description	Form	File No.	Incorporated by Exhibit Reference	Filing Date
3.1	Amended and Restated Certificate of Incorporation of the Registrant.	8-K	001-38907	3.1	May 17, 2019
3.4	Amended and Restated Bylaws of the Registrant.	8-K	001-38907	3.24	May 17, 2019
4.1	Form of Common Stock Certificate of the Registrant	S-1/A	333-230887	4.1	April 29, 2019
4.2	Amended and Restated Investor Rights Agreement, by and between the Registrant and the investors listed on Exhibit A thereto, dated November 21, 2012, as amended.	S-1	333-230887	4.2	April 15, 2019
4.3	Securities Purchase Agreement, by and between the Registrant and the purchasers listed on Exhibit A thereto, dated November 2, 2018	S-1	333-230887	4.3	April 15, 2019
4.4	Description of the Registrant's Securities	10-K	001-38907	4.4	March 27, 2020
10.1**	2012 Equity Incentive Plan and forms of agreements thereunder	S-1	333-230887	10.1	April 15, 2019
10.2**	2019 Equity Incentive Plan (as amended)	8-K	001-38907	10.1	October 1, 2020
10.3**	2019 Employee Stock Purchase Plan	S-1/A	333-230887	10.3	April 29, 2019
10.4**	Form of Indemnification Agreement, by and between the Registrant and each of its directors and executive officers.	S-1	333-230887	10.4	April 15, 2019
10.7**	Employment Agreement, by and between the Registrant and Charles Becher, dated February 7, 2019.	S-1	333-230887	10.7	April 15, 2019
10.8**	Office Lease Agreement, by and between the Registrant and BCSP Crossroads Property LLC, dated May 25, 2006, as amended.	S-1	333-230887	10.8	April 15, 2019
10.9**	English language summary of Shenzhen Warehouse Lease Agreement, by and between Sonim Technologies (Shenzhen) Ltd. and Shenzhen Gaoxinqi Industrial Park Management Co., Ltd., dated February 14, 2016, as amended	S-1/A	333-230887	10.9	April 29, 2019
10.10**	English language summary of Shenzhen Plant Lease Agreement, by and between Sonim Technologies (Shenzhen) Ltd. and Shenzhen Gaoxinqi Industrial Park Management Co., Ltd., dated April 10, 2016, as amended.	S-1/A	333-230887	10.10	April 29, 2019
10.11+	Amended and Restated Global Patent License Agreement, by and between Telefonaktiebolaget LM Ericsson (Publ) and the Registrant, effective as of January 1, 2017.	S-1	333-230887	10.11	April 15, 2019
10.12**	Patent License Agreement, by and between Nokia Corporation and the Registrant, effective as of September 23, 2008, as amended.	S-1/A	333-230887	10.12	April 29, 2019
10.13**	English language summary of Shenzhen Lease Agreement, by and between Sonim Technologies (Shenzhen) Ltd. and Shenzhen Gaoxinqi Industrial Park Management Co., Ltd., dated August 28, 2018.	S-1/A	333-230887	10.13	April 29, 2019

10.14**	English language summary of Shenzhen Lease Agreement, by and between Sonim Technologies (Shenzhen) Ltd. and Shenzhen Gaoxinqi Industrial Park Management Co., Ltd., dated January 15, 2019.	S-1/A	333-230887	10.14	April 29, 2019
10.15**	Separation Agreement by and between the Registrant and James Walker dated September 9, 2019.	10-Q	001-38907	10.1	November 12, 2019
10.16**	Employment Agreement by and between the Registrant and Robert Tirva, dated September 9, 2019.	10-Q	001-38907	10.2	November 12, 2019
10.17**	Transition and Separation Agreement by and between the Registrant and Robert Plaschke, dated October 29, 2019.	10-K	001-38907	10.17	March 27, 2020
10.18**	Employment Agreement by and between the Registrant and Thomas Wilkinson, dated October 29, 2019.	10-K	001-38907	10.18	March 27, 2020
10.19**	Transaction Bonus Plan.	10-K	001-38907	10.19	March 27, 2020
10.20**	Subordinated Term Loan and Security Agreement between B. Riley Principal Investments, LLC and the Registrant dated October 23, 2017.	10-K	001-38907	10.20	March 27, 2020
10.21**	First Amendment to the Subordinated Term Loan and Security Agreement between B. Riley Principal Investments, LLC and the Registrant dated March 30, 2018.	10-K	001-38907	10.21	March 27, 2020
10.22**	Amended and Restated Subordinated Secured Convertible Promissory Note dated April 9, 2018	10-K	001-38907	10.22	March 27, 2020
10.23**	Amendment to the Employment Agreement by and between Registrant and Robert Tirva dated December 18, 2019	10-K/A	001-38907	10.23	April 29, 2020
10.24**	Registration Rights Agreement between Sonim Technologies, Inc. and B. Riley Principal Investments, LLC and BRC Partners Opportunity Fund, L.P. dated June 11, 2020.	8-K	001-38907	10.1	June 17, 2020
10.25+	Frame Purchase Agreement dated December 18, 2020 by and among Sonim Technologies, Inc. and Dongguan Unicair Communication Technology Co. Ltd.	8-K	001-38907	10.1	December 18, 2020
10.26+	Asset Purchase & Employee Transfer Agreement dated December 22, 2020 by and among Sonim Technologies (India) Private Limited and Coforge Ltd.	8-K	001-38907	10.1	December 29, 2020
10.27+	ODM Services Agreement dated February 26, 2021 by and among Sonim Technologies, Inc. and FIH (Hong Kong) Limited	8-K	001-38907	10.1	March 4, 2021
10.28*	Office Lease Agreement, by and between the Registrant and Overlook at Rob, Roy, LLC, dated 10/1/2020				*
21.1	Subsidiaries of the Registrant.	10-K	001-38907	21.1	March 27, 2020
23.1*	Consent of Independent Registered Public Accounting Firm.				*
24.1*	Power of Attorney (included on signature page to this Annual Report on Form 10-K).				*
31.1*	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				*

31.2*	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	*
32.1*	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	*
32.2*	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	*
101.INS	XBRL Instance Document	
101.SCH	XBRL Taxonomy Extension Schema Document	
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document	
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document	
101.LAB	XBRL Taxonomy Extension Label Linkbase Document	
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document	

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* Filed herewith.

** Compensatory plan or management contract

\+ Portion of this exhibit (indicated by asterisks) have been omitted as the Registrant has determined that (i) the omitted information is not material and (ii) the omitted information would likely cause competitive harm to the Registrant if publicly disclosed.

++ Furnished herewith

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized**.**

Sonim Technologies, Inc.

Date March 18, 2021

By: /s/ Robert Tirva
Robert Tirva
Chief Financial Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints **THOMAS W. WILKINSON** and **ROBERT TIRVA** and each or any one of them, his true and lawful attorney-in-fact and agent, with full power of substitution and re-substitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this report on Form 10-K, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his substitutes or substitute, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this Report has been signed below by the following persons on behalf of the Registrant in the capacities and on the dates indicated.

Name	Title	Date
/s/ Thomas W. Wilkinson **Thomas W. Wilkinson, Chief Executive Officer**	*Principal Executive Officer and Director*	March 18, 2021
/s/ Robert Tirva **Robert Tirva, Chief Financial Officer**	*Principal Financial and Accounting Officer*	March 18, 2021
/s/ John Kneuer **John Kneuer**	*Director and Chairman of the Board of Directors*	March 18, 2021
/s/ Alan Howe **Alan Howe**	*Director*	March 18, 2021
/s/ Kenny Young **Kenny Young**	*Director*	March 18, 2021
/s/ Susan G. Swenson **Susan G. Swenson**	*Director*	March 18, 2021

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of directors of Sonim Technologies, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Sonim Technologies, Inc. (the "Company") as of December 31, 2020 and 2019, the related consolidated statements of operations, and stockholders' equity, and cash flows for the years then ended, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2020 and 2019, and the consolidated results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of the audit, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures to respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/Moss Adams LLP
Campbell, CA
March 18, 2021

We have served as the Company's auditor since 2013.

SONIM TECHNOLOGIES, INC.
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2020 and 2019
(IN THOUSANDS EXCEPT SHARE AND PER SHARE AMOUNTS)

	December 31, 2020	December 31, 2019
Assets		
Cash and cash equivalents	$ 22,141	$ 11,298
Accounts receivable, net	4,605	10,082
Inventory	11,344	19,531
Prepaid expenses and other current assets	7,481	6,430
Total current assets	45,571	47,341
Property and equipment, net	843	1,442
Other assets	3,898	6,676
Total assets	$ 50,312	$ 55,459
Liabilities and stockholders' equity		
Current portion of long-term debt	$ 177	$ 9,821
Accounts payable	8,856	7,234
Accrued expenses	11,436	10,265
Deferred revenue	5	291
Total current liabilities	20,474	27,611
Income tax payable	1,243	1,961
Long-term debt, less current portion	185	362
Total liabilities	21,902	29,934
Commitments and contingencies (Note 10)		
Stockholders' equity		
Common stock, $0.001 par value per share; 100,000,000 shares authorized: and 66,310,867 and 20,437,235 shares issued and outstanding at, December 31, 2020 and December 31, 2019, respectively.	66	20
Preferred stock, $0.001 par value per share, 5,000,000 shares authorized	—	—
Additional paid-in capital	224,522	191,751
Accumulated deficit	(196,178)	(166,246)
Total stockholders’ equity	28,410	25,525
Total liabilities and stockholders' equity	$ 50,312	$ 55,459

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

SONIM TECHNOLOGIES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2020 and 2019
(IN THOUSANDS EXCEPT SHARE AND PER SHARE AMOUNTS)

.	2020	2019
Net revenues	$ 63,992	$ 116,251
Cost of revenues	48,781	81,742
Gross profit	15,211	34,509
Operating expenses:		
Research and development	16,218	26,064
Sales and marketing	10,411	13,908
General and administrative	9,834	15,088
Legal expenses	6,462	1,094
Restructuring costs	1,546	736
Total operating expenses	44,471	56,890
Loss from operations	(29,260)	(22,381)
Interest expense	(759)	(1,522)
Other expense, net	(434)	(543)
Loss before income taxes	(30,453)	(24,446)
Income tax (expense) benefit	521	(1,388)
Net loss	$ (29,932)	$ (25,834)
Net loss per share, basic and diluted	$ (0.65)	$ (1.39)
Weighted–average shares used in computing net loss per share, basic and diluted	46,208,894	18,603,582

The accompanying notes are an integral part of these consolidated financial statements

SONIM TECHNOLOGIES, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2020 and 2019
(IN THOUSANDS EXCEPT SHARE AMOUNTS)

	Common Stock		Additional Paid-in	Accumulated	Stockholders'
	Shares	Amount	Capital	Deficit	Equity
Balance at, January 1, 2019	15,591,357	$ 15	$ 148,641	$ (143,527)	$ 5,129
Beginning balance adjustment – impact of ASC 606	—	—	—	3,115	3,115
Issuance of common stock, net of issuance costs	227,628	1	1,603	—	1,604
Issuance of common stock upon IPO, net of issuance costs	4,297,901	4	36,846	—	36,850
Issuance of common stock upon purchase of ESPP	68,606	—	146	—	146
Exercise of stock options	95,739	—	81	—	81
Exercise of warrants	155,338	—	23	—	23
Taxes paid on RSA	—	—	(1,897)	—	(1,897)
Employee and nonemployee stock-based compensation	—	—	6,308	—	6,308
Net loss	—	—	—	(25,834)	(25,834)
Balance at, December 31, 2019	20,437,235	20	191,751	(166,246)	25,525
Issuance of common stock, net of issuance costs	36,800,000	37	25,049	—	25.086
Issuance of common stock, settlement of long-term debt	8,226,834	8	6,162	—	6,170
Issuance of common stock upon exercise of stock options	541,268	1	381	—	382
Issuance of common stock upon purchase of ESPP	192,335	—	98	—	98
Net settlement of common stock upon release of RSU	113,195	—	(6)	—	(6)
Employee and nonemployee stock-based compensation	—	—	1,087	—	1,087
Net loss	—	—	—	(29,932)	(29,932)
Balance at, December 31, 2020	66,310,867	$ 66	$ 224,522	$ (196,178)	$ 28,410

The accompanying notes are an integral part of these consolidated financial statements

SONIM TECHNOLOGIES, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 and 2019
(IN THOUSANDS)

	2020	2019
Cash flows from operating activities:		
Net loss	$ (29,932)	$ (25,834)
Adjustments to reconcile net (loss) to net cash used in operating activities:		
Depreciation and amortization	2,728	3,525
Stock-based compensation	1,087	6,308
Trade-in guarantee	—	(268)
Inventory write-downs	702	3,109
Noncash interest expense	166	367
Accretion of debt discount	328	90
Deferred income taxes	21	109
Bad debt expense	302	45
Changes in operating assets and liabilities:		
Accounts receivable	5,464	8,749
Inventory	7,485	(809)
Prepaid expenses and other current assets	(1,104)	3,681
Other assets	531	(3,803)
Accounts payable	1,494	(20,165)
Accrued expenses	1,172	(6,117)
Deferred revenue	(286)	(3,664)
Income tax payable	(718)	1,154
Net cash used in operating activities	(10,560)	(33,523)
Cash flows from investing activities:		
Purchase of property and equipment	(11)	(992)
Development of tooling and purchased software licenses	—	(364)
Net cash used in investing activities	(11)	(1,356)
Cash flows from financing activities:		
Proceeds on line of credit	—	5,614
Repayment on line of credit	—	(5,614)
Proceeds from issuance of common stock, net of costs	25,086	38,468
Proceeds from PPP Loan	2,289	—
Repayment of PPP Loan	(2,289)	—
Taxes paid on net issuance of restricted stock award and restricted stock units	(6)	(1,897)
Proceeds from exercise of warrants	—	23
Proceeds from exercise of stock options	382	81
Proceeds from ESPP	98	146
Repayment of long-term debt	(4,146)	(3,693)
Net cash provided by financing activities	21,414	33,128
Net increase (decrease) in cash and cash equivalents	10,843	(1,751)
Cash and cash equivalents at beginning of the year	11,298	13,049
Cash and cash equivalents at end of the year	$ 22,141	$ 11,298
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 260	$ 1,043
Cash paid for income taxes	76	273
Non-cash investing and financing activities:		
Other assets included in accounts payable	128	—
IPO issuance costs included in accounts payable	—	14
Settlement of long-term debt with issuance of common stock	6,170	—

The accompanying notes are an integral part of these consolidated financial statements

SONIM TECHNOLOGIES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(In Thousands, except Share and Per Share Amounts)

NOTE 1 —The Company and its significant accounting policies

Description of Business —Sonim Technologies, Inc. was incorporated in the state of Delaware on August 5, 1999 and is headquartered in Austin, Texas. The Company is a leading U.S. provider of ultra-rugged mobile phones and accessories designed specifically for task workers physically engaged in their work environments, often in mission-critical roles.

Liquidity and Ability to Continue as a Going Concern – Our consolidated financial statements account for the continuation of our business as a going concern. We are subject to the risks and uncertainties associated with the development and release of new products. Our principal sources of liquidity as of December 31, 2020 consist of existing cash and cash equivalents totaling approximately $22.1 million, which includes the impact of approximately $25.1 million in proceeds from an underwritten public offering, or PO, of common stock that closed on June 9, 2020, in which we sold 36,800,000 shares of our common stock at a price to the public of $0.75 per share. On June 1, 2020, we entered into a Note Amendment and Debt Cancellation Agreement with BRPI, or the Note Amendment, which provided that, contingent upon the closing of the PO, we would repay $4 million of the outstanding indebtedness to BRPI in cash, or the "B. Riley Repayment", and the remaining principal amount, accrued interest and other amounts outstanding under the B. Riley Convertible Note, after giving effect to the B. Riley Repayment, would convert into shares of common stock to be issued to BRPI or its affiliates at the public offering price of shares of our common stock in the PO. On April 13, 2020, the Company received approximately $2.3 million in loan proceeds from the Payroll Protections Program (the "PPP") administered by the United States Small Business Administrations (the "SBA"). The PPP was established under the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"). Following further guidance from the SBA on April 23, 2020 and further deliberation by the Board of Directors of the Company (the "Board of Directors"), the Company repaid the PPP Loan on April 29, 2020.

Pursuant to the Note Amendment, as amended, we made the B. Riley Repayment in June 2020 and the remaining principal amount, accrued interest and other amounts outstanding under the B. Riley Convertible Note, after giving effect to the B. Riley Repayment, in an amount of $6.2 million, converted into an aggregate of 8,226,834 shares of our common stock issued to B. Riley Principal Investments, LLC or BRPI and BRC Opportunity Fund, L.P., an affiliate of BRPI, or the "Conversion Shares". Following the B. Riley Repayment and the issuance of the Conversion Shares, we have no outstanding indebtedness under the B. Riley Convertible Note.

During the year ended December 31, 2020, we used approximately $10.6 million of cash for operating activities, while also streamlining our operations to allow for further efficiencies going forward. After evaluating the aforementioned conditions, we believe our current resources, along with expected proceeds from forecasted billings, will provide sufficient funding for planned operations for at least the next 12 months.

Financial Statement Presentation—The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. ("U.S. GAAP") and pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC") for annual financial information.

Principles of Consolidation — The accompanying consolidated financial statements include the accounts of Sonim Technologies. Inc. and its wholly owned foreign subsidiaries, Sonim Technologies Spain SL, Sonim Technologies India Private Limited, Sonim Technologies (Shenzhen) Limited, Sonim Technologies (Hong Kong) Limited and Sonim Communications India Private Limited (collectively, the "Company"). All significant intercompany transactions and balances have been eliminated in consolidation.

Additional Sonim Subsidiary – On August 21, 2019, Sonim Technologies (Canada), Inc. was incorporated, as a fully owned subsidiary of the Company, to aide with sales and post sales services. During the year ended December 31, 2019, immaterial fees were incurred in the set-up of the subsidiary and the Company did not record any intercompany transactions. During the year ended December 31, 2020, the subsidiary was dissolved.

Estimates —The preparation of consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. These estimates include, but are not limited to, estimates related to revenue recognition; valuation assumptions regarding the determination of the fair value of common stock, as well as stock options; the useful lives of our long-lived assets; product warranties; loss contingencies; and the recognition and measurement of income tax assets and liabilities, including uncertain tax positions; The Company bases its estimates on historical experience and on various other assumptions that the Company believes to be reasonable under the circumstances. Actual results could differ from those estimates.

Concentrations of Credit Risk—The Company's product revenues are concentrated in the technology industry, which is highly competitive and rapidly changing. Significant technological changes in the industry or customer requirements, or the emergence of competitive products with new capabilities or technologies, could adversely affect the Company's consolidated operating results. Financial instruments that potentially subject the Company to credit risk consist primarily of cash and cash equivalents and accounts receivable. Cash and cash equivalents are deposited with high-quality, federally insured commercial banks in the United States and cash balances are in excess of federal insurance limits at December 31, 2020 and 2019. The Company generally does not require collateral or other security in support of accounts receivable. To reduce credit risk, management performs ongoing credit evaluations of its customers' financial condition. The Company analyzes the need for reserves for potential credit losses and records allowances for doubtful accounts when necessary. The Company had allowances for such losses totaling approximately $65 and $52 at December 31, 2020 and 2019, respectively, and recognized $302 and $45 in bad debt expense during the years ended December 31, 2020 and 2019, respectively.

Segment Information—The Company operates in one reporting segment. Operating segments are defined as components of an enterprise about which separate financial information is evaluated regularly by the chief operating decision maker, who is the chief executive officer, in deciding how to allocate resources and assessing performance. The Company's chief operating decision maker allocates resources and assesses performance based upon discrete financial information at the consolidated level.

Cash and Cash Equivalents—The Company considers all highly liquid investments with an original maturity from the date of purchase of 90 days or less to be cash equivalents. As of December 31, 2020, and 2019, cash and cash equivalents consist of cash deposited with banks and money market funds. Included in the Company's cash and cash equivalents are amounts held by foreign subsidiaries. The Company had $822 and $733 of foreign cash and cash equivalents included in the Company's cash positions on December 31, 2020 and 2019, respectively.

Accounts Receivable and Allowance for Doubtful Accounts—Account's receivable consist primarily of amounts due from customers in the course of normal business activities. Collateral on trade accounts receivable is generally not required. The Company maintains an allowance for doubtful accounts for estimated uncollectible accounts receivable. The allowance is based on our assessment of known delinquent accounts. Accounts are written off against the allowance account when they are determined to be no longer collectible.

Inventory—The Company reports inventories at the lower of cost or net realizable value. Cost is determined using a first-in, first-out method ("FIFO") and includes materials, labor, and manufacturing overhead related to the purchase and production of inventories. Net realizable value is the estimated selling price in the ordinary course of business less reasonably predictable costs of completion, disposal, and transportation.

The Company periodically reviews its inventory for potential slow-moving or obsolete items and writes down specific items to net realizable value, as appropriate. The Company writes down inventory based on forecasted demand and technological obsolescence. These factors are impacted by market and economic conditions, technology changes, new product introductions, and changes in strategic direction, and require estimates that may include uncertain elements. Actual demand may differ from forecasted demand and such differences may have a material effect on recorded inventory values. Any write-down of inventory to the lower of cost or net realizable value creates a new cost basis that subsequently would not be marked up based on changes in underlying facts and circumstances.

Property and Equipment—Property and equipment are stated at cost less accumulated depreciation and amortization. The cost for molds and tooling used in the Company's manufacturing processes are capitalized and included in equipment. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the respective assets, generally 24 to 36 months. Leasehold improvements are amortized over the shorter of estimated useful lives of the assets or the lease term. Expenditures for repairs and maintenance are charged to expense as incurred. Upon disposition, the cost and related accumulated depreciation and amortization are removed from the accounts and the resulting gain or loss is reflected in the consolidated statements of operations.

Non-recurring Engineering ("NRE") Tooling and Purchased Software Licenses—Third-party design services relating to the design of tooling materials and purchased software licenses used in the manufacturing process are capitalized and included in other assets within the consolidated balance sheets. During the years ended December 31, 2020 and 2019, amortization of NRE tooling and NRE software costs approximating $2,303 and $2,904 were charged to cost of revenues. The related net book value is $90 and $630, respectively, as of December 31, 2020 and 2019. In addition, as of December 31, 2020 and 2019, other Assets includes $2,889 and $4,524, respectively, of deferred NRE costs representing costs to fulfill contracts.

Long-lived Assets—The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. No such impairments have been identified to date.

Revenue Recognition — The Company adopted the requirements of Accounting Standards Codification ("ASC") 2014-09, *Revenue from Contracts with Customers* (Topic 606), effective January 1, 2019, using the modified retrospective method.

The Company recognizes revenue primarily from the sale of products, including our mobile phones and accessories. The Company also recognizes revenue from other contractual arrangements that may include a combination of products and Non-Recurring Engineering ("NRE") services or from the provision of solely NRE services.

Revenue recognition incorporates discounts, price protection and customer incentives. In addition to cooperative marketing and other incentive programs, the Company has arrangements with some distributors, which allow for price protection and limited rights of return, generally through stock rotation programs. Under the price protection programs, the Company gives distributors credits for the difference between the original price paid and the Company's then current price. Under the stock rotation programs, certain distributors are able to exchange certain products based on the number of qualified purchases made during the period.

The Company's handsets typically require a technical approval process. This process entails design and configuration activities required to conform the Company's devices to a wireless carrier customer's specific their network requirements. Each wireless carrier defines its own specific functional requirements and certification process in order for the product to be ready for manufacture. While the technical approval process does involve some level of customization, in addition to design and configuration, the Company does not charge separately and is not reimbursed for these activities to the extent that they do not involve significant customization and does not incur these costs in advance of entering into binding agreements with its wireless carrier customers. Such technical approval is obtained prior to shipment. Under Topic 606, revenue is recognized when control of promised goods or services is transferred to a customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To determine revenue recognition for its arrangements, the Company performs the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the entity satisfies a performance obligation.

Cost of Revenues—Cost of revenues includes direct and indirect costs associated with the manufacture of the Company's products as well as with the performance of NRE services in connection with significant design modification and customization. Direct costs include material and labor, royalty, depreciation and amortization, while indirect costs include other labor and overhead costs incurred in manufacturing the product.

Advertising—The Company expenses the costs of advertising, including promotional expenses, as incurred. Advertising expenses for the years ended December 31, 2020 and 2019 were approximately $17 and $35, respectively.

Shipping and Handling Costs—When the Company bills customers for shipping and handling it includes such amounts as part of revenue. Costs incurred for shipping and handling are recorded in cost of revenues.

Deferred Revenues—Deferred revenues represents the amount that is allocated to undelivered elements in multiple element arrangements. We limit the revenue recognized to the amount that is not contingent on the future delivery of products or services or meeting other specified performance conditions.

Research and Development—Research and development expenses consist of compensation costs, employee benefits, development fees paid to ODM partners, research supplies, allocated facility related expenses and allocated depreciation and amortization. Research and development expenses include costs incurred for the design and configuration activities of new products to conform to the specific functional requirements of the Company's wireless carrier customers necessary to prepare the product for manufacture. The Company determines the NRE technical approval costs, and NRE field test costs are contract fulfillment costs and recognizes the associated NRE asset as these costs are incurred. The Company tracked the NRE asset by product and customer then amortized the NRE assets over a period of 4 years, which is management's estimated average product life for each model phone, starting from the date of the first significant sales. This is a change in accounting under ASC 340-40, Other Assets and Deferred Costs. NRE costs are expensed based on a percentage of completion basis.

Stock-Based Compensation—The Company measures equity classified stock-based awards granted to employees and directors based on the estimated fair value on the date of grant and recognizes compensation expense of those awards, net of estimated forfeitures, on a straight-line basis over the requisite service period, which is generally the vesting period of the respective award. For awards subject to performance conditions, the Company evaluates the probability of achieving each performance condition at each reporting date and begins to recognize expense over the requisite service period when it is deemed probable that a performance condition will be met using the accelerated attribution method. The fair value of each stock option grant is estimated on the date of grant using the Black-Scholes option pricing model, which is described more fully in Note 8. The fair value of each restricted stock award is measured as the fair value per share of the Company's common stock on the date of grant.

Compensation expense related to share-based awards issued to nonemployees is recognized as the awards vest. At each reporting date, the Company revalues the fair value of the award, also using the Black-Scholes option pricing model, and expense related to the unvested portion of such nonemployee awards. As a result, compensation expense related to the unvested share-based awards issued to nonemployees fluctuates as the fair value of the Company's common stock fluctuates.

Warranty—The Company provides standard warranty coverage on its accessories and handsets for one and three years, respectively, providing labor and parts necessary to repair the systems during the warranty period. The Company accounts for the estimated warranty cost as a charge to cost of revenues when revenue is recognized. The estimated warranty cost is based on historical product performance and field expenses.

Utilizing actual service records, the Company calculates the average service hours and parts expense per system to determine the estimated warranty charge. The Company updates these estimated charges periodically. The actual product performance and/or field expense profiles may differ, and in those cases the Company adjusts warranty accruals accordingly.

From time to time, the Company ships mobile devices to its customers as seed stock. The seed stock represents extra units of mobile devices beyond the original mobile devices ordered by the customer and are primarily used to facilitate warranty coverage of mobile devices received by our customers from their direct customers, which is described in Note 4.

Trade-in Guarantee—The Company has provided certain end customers, who purchase a particular device during a defined promotional period, the right to trade-in their original device for a newer model at no additional cost, however, only for a subsequent and defined period of time. The Company accounts for this trade-in right as a guarantee liability and recognizes product revenue net of the fair value of such right, with subsequent changes to the guarantee liability recognized within revenue on a straight-line basis as the trade-in right expires. The guarantee liability is initially measured at fair value and is determined based on assumptions including the probability and timing of a customer upgrading to a new device and the value of the upgraded device. As of December 31, 2019, the guarantee liability related to this trade-in was zero. The trade-in period began July 1, 2018 and ended April 1, 2019. Revenue recognized in 2019 approximated $268.

Comprehensive Income or Loss—The Company had no items of comprehensive income or loss other than net loss for the years ended December 31, 2020 and 2019. Therefore, a separate statement of comprehensive loss has not been included in the accompanying consolidated financial statements.

Foreign currency translation—The Company uses the U.S. dollar as its functional currency for its significant subsidiaries. Foreign currency assets and liabilities are translated into U.S. dollars at the end-of-period exchange rates except for property, plant and equipment, and related depreciation and amortization, which are translated at the historical exchange rates. Expenses are translated at average exchange rates in effect during each period. Foreign assets held directly by the Company include certain accounts receivable balances and bank accounts which are translated in the U.S. dollar at the end-of-period exchange rates. During the years ended December 31, 2020 and 2019, the Company had approximately $389 and $543, respectively, in net foreign currency transactions losses, which are included in other expense, net on the consolidated statement of operations.

Sales taxes—Sales and value added taxes are accounted for on a net basis and collected from customersand remitted to governmental authorities are not included inrevenue.

Income taxes—The benefit for income taxes is computed using the asset and liability method, under which deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities, and for operating losses and tax credit carryforwards. Deferred tax assets and liabilities are measured using the currently enacted tax rates that apply to taxable income in effect for the years in which those tax assets are expected to be realized or settled. The Company records a valuation allowance to reduce deferred tax assets to the amount that is believed more likely than not to be realized.

Compliance with income tax regulations requires the Company to make decisions relating to the transfer pricing of revenue and expenses between each of its legal entities that are located in several countries. The Company's determinations include many decisions based on management's knowledge of the underlying assets of the business, the legal ownership of these assets, and the ultimate transactions conducted with customers and other third parties. The calculation of the Company's tax liabilities involves dealing with uncertainties in the application of complex tax regulations in multiple tax jurisdictions. The Company may be periodically reviewed by domestic and foreign tax authorities regarding the amount of taxes due. These reviews may include questions regarding the timing and amount of deductions and the allocation of income among various tax jurisdictions. In evaluating the exposure associated with various filing positions, the Company records estimated reserves when it is more likely than not that an uncertain tax position will not be sustained upon examination by a taxing authority. Such estimates are subject to change. See Note 9, "Income Taxes".

Net Loss per Share—Net loss per share is calculated by dividing the net loss by the weighted-average number of shares of common stock outstanding during the period. For the years ended December 31, 2020 and 2019, for purposes of the calculation of diluted net loss per share, convertible preferred stock, warrants to purchase stock, unvested restricted stock units and stock options to purchase common stock are considered potentially dilutive securities but have been excluded from the calculation of diluted net loss per share as their effect is antidilutive. As a result, diluted net loss per common share is the same as the basic net loss per share for the periods presented.

The computation of net loss available to common stockholders is computed by deducting the dividends declared and cumulative dividends, whether or, not declared, in the period on preferred stock (whether or not paid) from the reported net loss. For the years ended December 31, 2020 and 2019, there were no cumulative dividends and no impact.

Restructuring and Reduction in Force – The Company has reduced our global headcount from approximately 402 employees and 98 contractors at year-end 2019 to approximately 263 employees and 54 contractors as of December 31, 2020. The Company has also relocated our headquarters from San Mateo, California to Austin, Texas, a lower cost location.

During 2020, we have continued to reduce our headcount to better align our expenses with our revenue profile. The Company executed a reduction in force of approximately 10% of its U.S. employees in February 2020 and has also reduced headcount in certain international locations in India and Shenzhen. Our headcount at December 31, 2020 was 317. During 2020, we decided to proceed with future product co-development and manufacturing with ODM partners. To ensure the efficient manufacturing of our legacy products through this transition, we outsourced our final assembly to a supply chain partner and transferred twenty two employees to that partner to enhance their efficiency in taking over our production work. We have also relocated our headquarters from San Mateo, California to Austin, Texas, a lower cost location. We recorded costs related to restructuring totaling $1.5 million, of which $1.0 million was paid out in 2020, and $0.1 million is included in cost of revenues in 2020.

In September 2019, the Board of Directors approved, and management commenced and completed, a restructuring plan to reduce operating costs and better align its workforce with the needs of its business. Under the plan, the Company reduced its workforce by 16 employees. In connection with the restructuring, the Company accrued $0.7 million in aggregate restructuring charges related to one-time termination severance payments and other employee-related costs. $0.2 million of the cash payments related to the personnel-related restructuring charges were paid during the second half of 2019, with the remaining $0.5 million was paid in the second quarter of 2020. The Company may also incur additional costs not currently contemplated due to events that may occur as a result of, or that are associated, with the workforce reductions.

The severance liability related to these restructuring costs as of December 31, 2020 is:

	Restructuring Costs Liability
Balance at January 1, 2020	$ 511
Additions: expensed costs	1,663
Payments: expenses paid out	(1,715)
Balance at December 31, 2020	$ 459

Public Offering/Initial Public Offering

The 2020 Offering ("PO") —On June 9, 2020, the Company completed an underwritten public offering ("PO') in which the Company sold 36,800,000 shares of its common stock, at a price to the public of $0.75 per share. The offer and sale of the shares in the PO were registered under the Securities Act of 1933, as amended (the "Securities Act") pursuant to a registration statement on Form S-1 (File No. 333-238869), which was declared effective by the SEC on June 4, 2020. The Company raised approximately $25,086 in net proceeds, after deducting underwriting discounts and commissions of $1,656 and offering expenses of approximately $689. Offering costs, which consist of direct incremental legal, consulting, banking and accounting fees relating to the Company's PO, are offset against proceeds from the PO within stockholders' equity.

Initial Public Offering ("IPO") —On May 14, 2019, the Company closed an initial public offering ("IPO') in which the Company sold3,571,429 shares of its common stock, at a price to the public of $11.00 per share. On May 22, 2019, the Company sold an additional 505,714 shares of common stock, and our former Chief Executive Officer sold 30,000 shares of common stock, at a price to the public of $11.00 per share pursuant to the exercise of the underwriters' option to purchase additional shares. The offer and sale of the shares in the IPO were registered under the Securities Act pursuant to a registration statement on Form S-1 (File No. 333-230887), which was declared effective by the SEC on May 9, 2019. The Company raised approximately $36,850 in net proceeds, after deducting underwriting discounts and commissions of $3,139 and offering expenses paid by us of approximately $4,861. Offering costs, which consist of direct incremental legal, consulting, banking and accounting fees relating to the Company's IPO, are offset against proceeds from the IPO within stockholders' equity. During the year ended December 31, 2019, $4,861 in deferred offering costs were incurred and charged to additional paid in capital. Issuance costs totaling $14 were unpaid and charged to accounts payable/accrued expenses as of December 31, 2019.

New accounting pronouncements:

Pronouncements adopted in 2020:

The Company is an "emerging growth company," as defined in Section 2(a) of the Securities Act, as modified by the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"), and it may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies. Section 102(b)(1) of the JOBS Act exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies (that is, those that have not had a Securities Act registration statement declared effective or do not have a class of securities registered under the Exchange Act) are required to comply with the new or revised financial accounting standards. The JOBS Act provides that an emerging growth company can elect to opt out of the extended transition period and comply with the requirements that apply to non-emerging growth companies but any such election to opt out is irrevocable. The Company has elected not to opt out of such extended transition period which means that when a standard is issued or revised and it has different application dates for public or private companies, the Company, as an emerging growth company, can adopt the new or revised standard at the time private companies adopt the new or revised standard. This may make comparison of the Company's consolidated financial statements with another public company, which is neither an emerging growth company nor an emerging growth company that has opted out of using the extended transition period, difficult or impossible because of the potential differences in accounting standards used.

The Company did not adopt any pronouncements in 2020.

Pronouncements not yet adopted:

In December 2019, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No.2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes (ASU 2019-12)*, which simplifies the accounting for income taxes.The amendments in this ASU simplify the accounting for income taxes by removing certain exceptions to the general principles of ASC 740 in order to reduce cost and complexity of its application. The ASU removes the exception related to the incremental approach for intra-period tax allocation as well as two exceptions related to account for outside basis differences of equity method investments and foreign subsidiaries. This guidance is effective for fiscal years beginning after December 31, 2021 with early adoption permitted. The Company iscurrently evaluating the potential impact of the new standard on its consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13,*Fair Value Measurement (Topic 820)—Changes to the Disclosure Requirements for Fair Value Measurement* The ASU eliminates certain disclosure requirements for fair value measurements for all entities and modifies some disclosure requirements. This ASU is effective for nonpublic entities beginning after December 15, 2020, with early adoption permitted. The Company is currently evaluating this new standard and the impact it will have on its presentation of the consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02,*Leases (Topic 842),* as amended, which requires lessees to recognize a liability associated with obligations to make payments under the terms of the arrangement in addition to a right-of-use asset representing the lessee's right to use or control the use of the given asset assumed under the lease. The standard will be effective for nonpublic business entities for annual reporting periods beginning after December 15, 2021. The Company is currently evaluating this new standard and the impact it will have on its consolidated financial statements, information technology systems, process, and internal controls.

NOTE 2 —Revenue recognition

The Company recognizes revenue primarily from the sale of products, including mobile phones and accessories, and the majority of the Company's contracts include only one performance obligation, namely the delivery of product. A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is defined as the unit of account for revenue recognition under ASC 606. The Company also recognizes revenue from other contracts that may include a combination of products and NRE services or from the provision of solely NRE services. Where there is a combination of products and NRE services, the Company accounts for the promises as individual performance obligations if they are concluded as distinct. Performance obligations are considered distinct if they are both capable of being distinct and distinct within the context of the contract. In determining whether performance obligations meet the criteria for being distinct, the Company considers a number of factors, such as the degree of interrelation and interdependence between obligations, and whether or not the good or service significantly modifies or transforms another good or service in the contract. During the years ended December 31, 2020 and 2019, the Company did not have any contracts in which the products and NRE services were concluded to be a single performance obligation. In certain cases, the Company may offer tiered pricing based on volumes purchased for specific model phones. To date, all tiered pricing provisions have fallen into observable ranges of pricing to existing customers, thus, not resulting in any material right which could be concluded as its own performance obligation. In addition, the Company does not offer material post-contract support services to its customers.

Net revenue for an individual contract is recognized at the related transaction price, which is the amount the Company expects to be entitled to in exchange for transferring the goods and/or services. The transaction price for product sales is calculated as the product selling price net of variable consideration which may include estimates for marketing development funds, sales incentives, and price protection and stock rotation rights. The Company generally does not offer a right of return to its customers. Typically, variable consideration does not need to be constrained as estimates are based on specific contract terms. However, the Company continues to assess variable consideration estimates such that it is probable that a significant reversal of revenue will not occur. The transaction price for a contract with multiple performance obligations is allocated to the separate performance obligations on a relative standalone selling price basis. Standalone selling prices for products are determined based on the prices charged to customers, which are directly observable. Standalone selling price of the professional services are mostly based on time and materials. We determine our estimates of variable consideration based on historical collection experience with similar payor classes, aged accounts receivable by payor class, terms of payment agreements, correspondence from payors related to revenue audits or reviews, our historical settlement activity of audited and reviewed claims and current economic conditions using the portfolio approach. Revenue is recognized only to the extent that it is probable that a significant reversal of the cumulative amount recognized will not occur in future periods.

Revenue is then recognized for each distinct performance obligation as control is transferred to the customer. Revenue attributable to hardware is recognized at the time control of the product transfers to the customer. Revenue attributable to professional services is recognized at the time the Company has performed the professional services to the customer.

Disaggregation of revenue

The following table presents our net revenue disaggregate by product category for the years ended:

	Year Ended December 31,	
	2020	**2019**
	(in thousands)	
Smartphones	$ 25,880	$ 57,981
Feature Phones	35,332	52,714
Accessories/Other	2,780	5,556
Total Revenue	$ 63,992	$ 116,251

Shipping and handling costs

The Company has elected to account for shipping and handling activities related to contracts with customers as costs to fulfill the promise to transfer the associated products.

Contract costs

Applying the practical expedient, the Company recognizes the incremental costs of obtaining contracts as an expense when incurred when the amortization period of the assets that otherwise would have been recognized is one year or less. These costs are included in sales and marketing and general and administrative expenses.

The costs associated with design and development non-recurring engineering activities for technical approval represent costs to fulfill a contract pursuant to ASC 340-40. Accordingly, the Company capitalizes these non-recurring engineering costs and amortizes such costs over the estimated period of time over which they are expected to be recovered, which is typically, the estimated life of a particular model phone.

As of January 1, 2019, the total costs to fulfill a contract which were deferred and capitalized upon adoption of ASC 606 totaled $3,330 and were recorded in Other Assets. As of December 31, 2020, and 2019, the total costs to fulfill a contract were $2,889 and $4,525, respectively. The increase in the total capitalized costs to fulfill a contract during the year ended December 31, 2019 is primarily associated with the Company's introduction of its XP8 model phone.

Contract balances

The Company records accounts receivable when it has an unconditional right to consideration. As of December 31, 2020, and 2019, the Company does not have a contract receivable balance. Contract liabilities are recorded when cash payments are received or due in advance of performance. Contract liabilities consist of advance payments and deferred revenue, where the Company has unsatisfied performance obligations. Contract liabilities are presented as a component of deferred revenue on the consolidated balance sheets. As of January 1, 2020, and December 31,2020, the contract liabilities were $291 and $5, respectively, with the contract liabilities as of December 31, 2020 expected to be recognized into revenue in 2021.

The following table is a rollforward of contract balances as of December 31, 2020:

	Contractual Liability
Balance at January 1, 2020	$ 291
Recognition of revenue	(467)
Addition of revenue	181
Balance at December 31, 2020	$ 5

NOTE 3 —Fair value measurement

The fair value measurements standard establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under the standard are described below:

Level 1—Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access.

Level 2—Inputs to the valuation methodology include:

- Quoted market prices for similar assets or liabilities in activemarkets;
- Quoted prices for identical or similar assets or liabilities in inactivemarkets;
- Inputs other than quoted prices that are observable for the asset orliability;
- Inputs that are derived principally from or corroborated by observable market databy correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3—Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used for the years ended December 31, 2020 and 2019.

Money market funds are classified within level 1 of the fair value hierarchy because they are valued using quoted market prices.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables sets forth by level, within the fair value hierarchy, the Company's assets and liabilities at fair value:

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Assets:				
Money market funds *	$ 17,905	$ —	$ —	$ 17,905

	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Assets:				
Money market funds *	$ 9,250	$ —	$ —	$ 9,250

* Included in cash and cash equivalents on the consolidated balance sheets.

The table below sets forth a summary of changes in the fair value of the Company's level 3 liabilities for the years ended December 31, 2019:

	Trade-In Guarantee
Balance at January 1, 2019	$ 268
Recognition of revenue	(268)
Balance at December 31, 2019	$ —

NOTE 4 —Significant Balance Sheet Components

Inventory consisted of the following:

	December 31	
	2020	2019
Devices - for resale	$ 7,792	$ 13,559
Raw materials	2,590	4,522
Accessories	962	1,450
	$ 11,344	$ 19,531

During the year ended December 31, 2020, the Company recorded an inventory reserve adjustment of $.07 million as a result of aging materials and finished goods and accrued a loss of $0.5 million of purchase commitments in connection with end-of-life products.

During the year ended December 31, 2019, the Company recorded an inventory reserve adjustment of $3.1 million as a result of aging materials and finished goods and accrued a loss of $0.7 million of purchase commitments in connection with end-of-life products

Prepaids and other current assets consisted of the following:

	December 31	
	2020	2019
Deposits for manufacturing inventory	$ 1,133	$ 897
Prepaid taxes	641	1,031
Refundable value added taxes	509	1,376
Prepaid – NRE	2,629	—
Prepaid licenses and royalties	728	761
Director and officer insurance	862	604
Prepaid parts (direct buy)	167	536
Other	1,076	1,225
	$ 7,481	$ 6,430

Property and equipment consisted of the following:

	December 31	
	2020	2019
Computer equipment	$ 4,858	$ 5,087
Software	981	981
Furniture, fixtures, and office equipment	175	175
Leasehold Improvements	179	179
	6,193	6,422
Less: accumulated depreciation and amortization	(5,350)	(4,980)
	$ 843	$ 1,442

Depreciation expense of property and equipment for the years ended December 31, 2020 and 2019, was $426 and $621, respectively.

Accrued Expenses consisted of the following:

	December 31	
	2020	2019
Customer allowances	$ 3,042	$ 2,647
Employee-related liabilities	2,273	1,873
Warranties	1,530	1,154
Accrual for goods received not invoiced	1,942	1,047
Contractual obligations	849	1,230
Royalties	655	657
Contractors	55	285
Research and development	61	271
Shipping	170	120
Interest	11	33
Legal	320	97
Other	528	851
	$ 11,436	$ 10,265

The table below sets forth the activity in the warranty liability account, which is included in accrued expenses on the Consolidated Balance Sheets for the years ended December 31, 2020 and 2019:

Balance, January 1, 2020	$	1,154
Additions		2,088
Cost of warranty claims		(1,712)
Balance, December 31, 2020	$	1,530
Balance, January 1, 2019	$	1,103
Additions		1,157
Cost of warranty claims		(1,106)
Balance, December 31, 2019	$	1,154

NOTE 5 —Borrowings

Senior Credit Agreement

In prior years, the Company maintained a loan and security agreement with East West Bank (the "Senior Lender" or "EWB") No borrowings were made under this facility in 2020, and the facility was cancelled in June 2020.

As of December 31, 2019, no amounts were outstanding under the EWB Loan Agreement. As of December 31, 2019, the Company had remaining borrowing capacity of up to $8,000 against the line of credit. As of September 30, 2019, the Company was not in compliance with one of the financial covenants, specifically the fixed charge coverage ratio, however, the Senior Lender waived such noncompliance in October 2019 by amending the EWB Loan Agreement through February 2020. The Senior Lender subsequently extended the wavier to May 2020.

Long-Term Debt

Riley Loan— The Company had a Subordinated Term Loan and Security Agreement, as amended, (the "B. Riley Loan Agreement") with B. Riley Principal Investments, LLC ("BRPI"), an affiliate of B. Riley Financial, Inc., a shareholder of the Company. Under the amended B. Riley Loan Agreement, the Company could borrow principal up to $12,000 via a subordinated secured convertible promissory note, with an optional conversion feature.

The amended B. Riley Loan Agreement included repayment penalties if any repayment reduced the principal amount outstanding below $10,000. The prepayment penalty was 2% for 2019 and decreased to1% after the second aniversary through maturity. The borrowings under the B. Riley Loan Agreement, as amended would have matured on September 1, 2022 and carried a stated interest rate of 10% and provided that the first year of interest commencing on October 26, 2018 was compounded into the principal, with interest-only payments beginning thereafter.

On June 1, 2020, the Company entered into a Note Amendment and Debt Cancellation Agreement with BRPI (the "Note Amendment"), which provided that, contingent upon the closing of the PO, the Company would repay $4 million of the outstanding indebtedness to BRPI in cash (the "B. Riley Repayment") and the remaining principal amounts, accrued interest and other amounts outstanding under the B. Riley Loan Agreement, after giving effect to the B. Riley Repayment, would be redeemed for shares of common stock to be issued to BRPI or its affiliates at the public offering price of shares of common stock in the PO.

Pursuant to the Note Amendment, as amended, the Company made the B. Riley Repaymenton June 9, 2020 and the remaining principal amount, accruedinterest and other amounts outstanding under the B. Riley Loan Agreement, after giving effect to the B. Riley Repayment, in the amount of $6,170, was redeemed into 8,226,834 shares of the Company's common stock issued to BRPI and BRC Opportunity Fund L.P., an affiliate of BRPI, (the "Redemption Shares"). Following the B. Riley Repayment and the issuance of the Redemption Shares, the Company has no outstanding indebtedness under the B. Riley Loan Agreement. Also, on June 11, 2020, the Company entered into a registration rights agreement with BRPI and BRC Partners Opportunity Fund, L.P. pursuant to which the Company agreed to file a registration statement covering the resale of the Redemption Shares and to use its best efforts to cause such registration statement to become effective upon the time frames set forth in the registration rights agreement. A registration statement on Form S-3 (File No. 333-239664) registering the Redemption Shares for resale by BRPI and BRC Partners Opportunity Fund, LP was declared effective by the SEC on July 13, 2020.

As of December 31, 2020, and 2019, the total outstanding principal and interest under the B. Riley Loan Agreement, as amended, was zero and $10,003, respectively. In July 2019, the Company repaid $3,250, or 25% of the principal amount under the B. Riley Loan Agreement and incurred a 2% fee on the amount below the $10,000 threshold as a result of the prepayment. During the year ended December 31, 2020 and 2019, the compounded interest, which was added to the outstanding principal totaled $166 and $251, respectively.

As of December 31, 2019, the Company had classified the debt under the B. Riley Loan Agreement, as a current liability based on the occurrence of a material adverse change in its business. Upon the occurrence and during the continuance of an event of default under the B. Riley Loan Agreement, BRPI had the option, among other things, to accelerate the debt and foreclose upon the assets pledged as collateral. In addition, the Company was unable to borrow under the EWB facility during the continuance of an event of default thereunder or under the B. Riley Loan Agreement.

Promissory Notes Payable—In 2014 and 2017, the Company entered into agreements with one of its suppliers, whereby certain of its trade payables for royalties and royalty up-front payments were converted to payment plans. In December 2018, the Company amended its accounts payable financing agreements, effective January 1, 2019, which provides for the $736 outstanding balance to be paid in twenty equal quarterly installments. The amounts due under these agreements would be paid in quarterly installments over periods from two to four years, with interest ranging up to 8%. Remaining balances are $362 and $508 at December 31, 2020 and 2019, respectively.

PPP Loan--On April 13, 2020, the Company received approximately $2.3 million in PPP loan proceeds. Following additional guidance issued by the SBA on April 23, 2020 that casted doubt on the ability of public companies to qualify for loans under the PPP, the Company repaid the PPP loan on April 29, 2020.

The components of the long-term debt balance as of December 31, are as follows:

	2020	2019
Convertible note	$ —	$ 10,003
Less unamortized discount and debt issuance costs	—	(328)
Subtotal Convertible note	—	9,675
Promissory note payable	362	508
Subtotal long-term debt	362	10,183
Less current portion	(177)	(9,821)
Total long-term debt	$ 185	$ 362

Future aggregate annual principal payment on all long-term debt, are as of December 31, 2020:

Year Ending, December 31st,	
2021	$ 177
2022	107
2023	78
	$ 362

NOTE 6 —Convertible Preferred Stock and Stockholders' Equity

On November 2, 2018, the Company amended and restated its previous certificate of incorporation and adjusted its authorized capital stock (par value of $0.001) to consist of 100,000,000 shares of common stock and 5,000,000 shares of preferred stock. Each outstanding share of common stock entitles the holder to one vote of each matter properly submitted to the stockholders of the Company for vote. During the year ended December 31, 2020, no shares of preferred stock have been issued.

On April 24, 2019, the Company issued 10,000 shares of common stock to a former employee in exchange for a release of claims and other agreements.

On October 15, 2019, the Company issued 666 shares of common stock to a vendor as compensation in exchange for timely completion of services.

The following table shows shares of common stock reserved as of:

	December 31 2020	2019
Shares subject to options to purchase common stock	1,443,940	2,645,714
Unvested restricted stock units	2,691,375	249,500
Shares subject to warrants to purchase common stock	29	956
Shares subject to term debt optional conversion into common stock	—	761,186
Total	4,135,344	3,657,356

NOTE 7 —Warrants

There were 155,338 warrants exercised on May 10, 2019 for total cash proceeds of $23.

The following table discloses warrants issued and outstanding as of December 31, 2020 and 2019:

	December 31, 2020			December 31, 2019		
Issuance date	Exercise price	Number of warrant shares	Year of expiration	Exercise price	Number of warrant shares	Year of expiration
Common						
November 2012	$ 6.03	7	2028	$ 6.00	7	2028
November 2012			2020	$ 6.00	927	2020
November 2012	$ 14.50	22	2028	$ 14.50	22	2028
Total warrants		29			956	

NOTE 8—Stock-based Compensation

As of December 31, 2020, the Company had the 2012 Equity Incentive Plan (the “2012 Option Plan”) and 2019 Equity Incentive Plan (the “2019 Option Plan”) and the 2019 Employee Stock Purchase Plan in place.

As of December 31, 2020, the number of shares available to be issued under the 2019 Option Plan were 2,921,714. In May 2020, the Board of Directors approved an increase in the number of shares of common stock reserved for future issuance under the 2019 Option Plan to 3,000,000 shares, which was approved by the Company’s stockholders on September 29, 2020. As of December 31, 2020, the number of shares available to be issued under the 2019 Employee Stock Purchase Plan was 280,438.

The 2019 Option Plans provides for the grant of incentive and non-statutory stock options (“Options”), stock appreciation rights (“SAR”), restricted stock awards (“RSA”), and restricted stock unit awards (“RSU”) to employees, nonemployee directors, and consultants of the Company. Option awards granted under the 2019 Option Plan generally become exercisable ratably over a two-year or four-year period following the date of grant and expire ten years from the date of grant. At the discretion of the Board of Directors, certain awards may be exercisable immediately at the date of grant but are subject to a repurchase right, under which the Company may buy back any unvested shares at their original exercise price in the event of an employee’s termination prior to full vesting. All other awards are exercisable only to the extent vested. At, December 31, 2020 and 2019, there were no shares that had been early exercised that were subject to the Company’s repurchase right at that date. The exercise price or strike price for Options and SARs granted under the 2019 Option Plan must generally be at least equal to 100% of the fair value of the Company’s common stock at the date of grant, as determined by the Board of Directors. The exercise price of incentive stock options granted under the 2019 Option Plan to ten percent or greater stockholders must be at least equal to 110% of the fair value of the Company’s common stock at the date of grant, as determined by the Board of Directors, and are not exercisable after five years from the date of grant.

The Board of Directors adopted, and its stockholders approved, the 2019 Employee Stock Purchase Plan and the 2019Option Plan in March 2019 and April 2019, respectively, each of which became effective in connection with the IPO. There are 541,379 shares of common stock reserved for issuance under the 2019 Employee Stock PurchasePlan as of December 31, 2020. Additionally, the number of shares of common stock reserved for issuance under the 2019 Employee Stock Purchase Planautomatically increases on January 1 of each calendar year for 10 years, starting January 1, 2020, and ending on, and including, January 1, 2029, in an amount equal to the lesser of1% of the total number of shares of capital stock outstanding on December 31st of the prior calendar year, and (ii) 500,000 shares, unless the Board of Directors or the compensation committee of the Board of Directors determines prior to such date that there will be a lesser increase, or no increase.The increase under the 2019 Employee Stock Purchase Plan for 2020 was 204,372 shares. As of December 31, 2020,5,906,900 shares of common stock are reserved for future issuance under the 2019Option Plan, plus the number of shares subject to outstanding stock options or other stock awards that were granted under the 2012 Option Plan that are forfeited, terminated, expire or are otherwise not issued. Additionally, the number of shares of common stock reserved for issuance under the 2019 Option Plan automatically increases on January 1 of each calendar year for10 years, starting January 1, 2020 and ending on and including January 1, 2029, in an amount equal to5% of the total number of shares of capital stock outstanding on December 31 of the prior calendar year, unless the Board of Directors or compensation committee determines prior to the date of increase that there will be a lesser increase, or no increase.The increase under the 2019 Option Plan for 2020 was 1,021,861 shares.

As of December 31,2020, 192,335 shares of common stock were issued under the 2019 Employee Stock Purchase Plan.

On June 9, 2020, the Company granted an aggregate of 2,015,500 restricted stock units to the Company's board of directors, executives and employees.

On September 29, 2020, the Company granted an aggregate of 676,500 restricted stock units to the Company's executives and employees.

On December 14, 2020, the Company granted an aggregate of 114,000 restricted stock units to an ex-member of the board of directors who will be serving in a consulting capacity.

On April 10, 2019, the Company granted an aggregate of 128,000 restricted stock units to the Company's executives, of which 38,000 were forfeited and 90,000 are outstanding at December 31, 2019.

On May 13, 2019, the Company granted a fully vested restricted stock award of 383,197 shares and issued 210,758 net shares of common stock after withholding 172,439 shares of common stock totaling $1,897, recorded as a reduction to additional paid-in capital, to satisfy tax obligations associated with the grant, to the Company's Chief Executive Officer as a bonus pursuant to his employment agreement. As a result, the Company recorded $4,215 as compensation expense to operating expenses under the Statement of Operations during the year ended December 31, 2019.

In connection with the IPO, the Company accelerated vesting of 201,666 options dated September 10, 2018, pursuant to the employment agreement of the Company's prior Chief Financial Officer. As a result, the Company recorded $287 as compensation expense to operating expenses under the Statement of Operations during year ended December 31, 2019.

Stock-based compensation expense is as follows:

	For the Year Ended December 31	
	2020	2019
Research and development	$ 252	$ 394
Sales and marketing	230	664
General and administrative	548	5,208
Cost of revenues	57	42
	$ 1,087	$ 6,308

Stock Options:

Stock option activity for the years ended December 31, 2020 and 2019 is as follows:

	Options		Weighted average exercise price per share	Weighted average remaining contractual life (in years)		Aggregate Intrinsic Value
Outstanding at January 1, 2019	**1,320,197**	**$**	**0.77**	**7.99**	**$**	**8,465**
Options granted	1,635,853	$	5.94			
Options exercised	(95,739)	$	0.85			
Options forfeited	(186,266)	$	7.02			
Options cancelled	(28,331)		2.72			
Outstanding at December 31, 2019	**2,645,714**	**$**	**3.50**	**8.51**	**$**	**4,184**
Options granted	26,000	$	0.86			
Options exercised	(541,268)	$	0.71			
Options forfeited	(510,755)	$	4.73			
Options cancelled	(175,751)	$	7.04			
Outstanding at December 31, 2020	**1,443,940**	**$**	**3.64**	**7.82**	**$**	**24**
Vested and expected to vest at December 31, 2020	1,443,940	$	3.64	7.82	$	24
Exercisable at December 31, 2020	669,852	$	4.19	6.62	$	24

As of December 31, 2020, there was approximately $3,298 of unamortized stock-based compensation cost related to unvested stock options, which is expected to be recognized over a weighted average period of three years.

The total pre-tax intrinsic value of options exercised during the years ended December 31, 2020 and 2019 was $50 and $266, respectively. The intrinsic value is the difference between the estimated fair value of the Company's common stock at the date of exercise and the exercise price for in-the-money options.

The weighted average grant date calculated value of options granted during the years ended December 31, 2020 and 2019 was $0.41 and $2.84, respectively.

The fair value of employee stock options is determined using the Black-Scholes option-pricing model using various inputs, including the Company's estimates of the fair value of common stock on the date of grant, expected term, expected volatility, risk-free interest rate, and expectations regarding future dividends. Share-based compensation also reflects the Company's estimate regarding the portion of awards that may be forfeited.

The following describes the key inputs used by the Company:

Fair Value of Common Stock— The Company measures equity classified stock-based awards granted to employees and directors based on the estimated fair value on the date of grant and the expense is recognized on a straight-line basis, over the vesting period. We account for forfeitures as they occur.

Expected Term—The expected term represents the period that the Company's stock options are expected to be outstanding. The majority of stock option grants are considered to be "plain vanilla" and thus the Company determines the expected term using the simplified method. The simplified method deems the term to be the average of the time-to-vesting and the contractual life of the options.

Expected Volatility—The expected volatility was derived from the historical stock volatilities of several unrelated public companies within the Company's industry that the Company considers to be comparable to the business over a period equivalent to the expected term of the stock option grants. The Company completed its IPO in May 2019, and therefore does not have sufficient history.

Risk-Free Interest Rate—The risk-free interest rate is based on the interest yield in effect at the date of grant for zero coupon U.S. Treasury notes with maturities approximately equal to the option's expected term.

Dividend Rate—The expected dividend rate was assumed to bezero, as the Company has not previously paid dividends on common stock and has no current plans to do so.

Forfeiture Rate—Forfeitures are recognized when they occur. Historically, the Company estimated the forfeiture rate based on an analysis of actual forfeiture experience, analysis of employee turnover behavior, and other factors.

The calculated fair value of option grants made during the years ended December 31, 2020 and 2019, were estimated using the following Black-Scholes option pricing model assumptions:

	2020	2019
Expected dividend yield	0 %	0 %
Risk-free interest rate	0.26%-0.46%	1.59%-2.33%
Expected volatility	50 %	50 %
Expected life (in years)	6.25	6.25

Restricted Stock Awards:

As of December 31, 2020, and 2019, the unvested restricted stock units totaled 2,691,375 and 249,500 shares, respectively.

The following table summarized the outstanding RSU's as of December 31, 2020:

	RSU's
Outstanding at January 1, 2020	**249,500**
Granted	2,806,000
Released	(119,875)
Forfeited	(244,250)
Outstanding at December 31, 2020	**2,691,375**
Exercisable at December 31, 2020	—

NOTE 9 —Income Taxes

The following table presents the income (loss) before income taxes for domestic and foreign operations, and the components of the provision (benefit) for income taxes for the years ended December 31:

	2020	2019
Domestic loss	$ (31,390)	$ (26,964)
Foreign subsidiaries income	937	2,518
Income (loss) before income taxes	$ (30,453)	$ (24,446)

	2020	2019
Current income tax expense:		
Federal	$ (53)	$ —
State	5	(3)
Foreign	(494)	1,282
Total Current	(542)	1,279
Deferred income tax expense:		
Federal	54	—
State	—	—
Foreign	(33)	109
Total Deferred	21	109
Total provision (benefit) for income taxes	$ (521)	$ 1,388

The Company's effective tax rate differs from the federal statutory rate due to the following for the years ended December 31:

	2020	2019
Statutory federal income tax rate	21%	21%
State income taxes, net of federal tax benefits	-0.54%	0.61%
Stock compensation	-0.74%	-1.27%
Foreign rate differential	2.38%	-3.53%
Tax credits	0.00%	0.68%
GILTI Inclusion	-0.81%	-0.76%
Section 382 limits	-27.71%	0.00%
Non-deductible expenses	-0.17%	-4.58%
Valuation allowance	8.30%	-14.58%
Other, net	0.00%	-3.25%
Effective tax rate	1.71%	-5.68%

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The following table presents the significant components of the Company's deferred tax assets and liabilities at December 31:

	2020	2019
Gross deferred tax assets:		
Net operating loss carryforward	$ 12,684	$ 9,587
Tax credits	92	725
Accruals and reserves	2,113	2,461
Property and equipment	83	—
Alternative minimum tax credits	21	89
Total gross deferred tax assets	14,993	12,862
Less: valuation allowance	(14,281)	(11,814)
Total deferred tax assets net of valuation allowance	712	1,048
Deferred tax liabilities:		
Property and equipment	—	(37)
Accrual and reserves	(678)	(1,025)
Net deferred tax assets (liabilities)	$ 34	$ (14)

A valuation allowance is provided for deferred tax assets where the recoverability of the assets is uncertain. The determination to provide a valuation allowance is dependent upon the assessment of whether it is more likely than not that sufficient future taxable income will be generated to utilize the deferred tax assets. Based on the weight of the available evidence, which includes the Company's historical operating losses, lack of taxable income, and the accumulated deficit, the Company provided a full valuation allowance against the U.S. deferred tax assets resulting from the accruals and reserves along with the net operating loss and credits carried forward. The valuation allowance was $14,281 as of December 31, 2020 compared to $11,814 as of December 31, 2019, a change in valuation of $2,467. The valuation allowance was $11,814 as of December 31, 2019 compared to $8,088 as of December 31, 2018, a change in valuation of $3,726.

We have not provided U.S. Federal and State income taxes, nor foreign withholding. taxes on approximately $9,156 of undistributed earnings for certain non-US subsidiaries, because such earnings are intended to be indefinitely reinvested. If these earnings were distributed to the U.S. in the form of dividends or otherwise, or if the shares of the relevant foreign subsidiaries were sold or otherwise transferred, we would not be subject to U.S. income tax due to the transition tax of IRC Section 965 or via the Global Intangible Low-Taxed Income ("GILTI") provision, enacted as part of the 2017 U.S. Tax Act. The Company would be subject to U.S. state tax and potential foreign withholding taxes on a repatriation of the foreign earnings. The amount of unrecognized deferred income tax liability related to these earnings is not material.

Estimate of cumulative foreign earnings is as follows as of December 31:

	2020	2019
China	$ 4,195	$ 5,818
India	4,961	4,580
Total	$ 9,156	$ 10,398

The Company had net operating loss carryovers (NOL) for federal and state income tax purposes of approximately $56,805 and $12,418, respectively, as of December 31, 2020. Approximately $9,938 of federal NOLs will expire beginning in 2037, while approximately $46,866 generated beginning in 2018 have an indefinite life. The state NOLs will expire if unused in years 2026 through 2040:

	2020	2019
Federal NOL	$ 56,805	$ 42,415
State NOL	$ 12,418	$ 11,492

The Company had research and development ("R&D") credit carryforwards as follows as of December 31:

	2020	2019
Federal R&D credits	$ —	$ 632
California R&D credits	$ 117	$ 117

At December 31, 2020, the Company had approximately zero of federal and $117 of California research and development tax credit and other tax credit carryforwards available to offset future taxable income. The California research credits have no expiration dates.

Federal and state laws impose restrictions on the utilization of net operating loss carryforwards and R&D credit carryforwards in the event of a change in ownership of the Company, which constitutes an 'ownership change' as defined by Internal Revenue Code Section 382 and 383. The Company experienced an ownership change in 2020 that caused the Company to de-recognize $37,206 and $7,319 of federal and state net operating losses, respectively. The amounts indicated in the above tables reflect the reduction of net operating losses and credit carryforwards as a result of previous ownership changes that the Company experienced. Should there be additional ownership changes in the future, the Company's ability to utilize existing carryforwards could be substantially restricted.

Uncertain Tax Positions

The Company accounts for uncertainty in income taxes in accordance with the Financial Accounting Standards Board guidance for income taxes, as provided in ASC 740, Accounting for Income Taxes. Tax positions are evaluated in a two-step process. The Company first determines whether it is more likely than not that a tax position will be sustained upon examination by the tax authority, including resolutions of any related appeals or litigation processes, based on technical merit. If a tax position meets the more-likely-than-not recognition threshold it is then measured to determine the amount of benefit to recognize, in the financial statements. The tax position is measured as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement.

The following table summarizes the activity related to unrecognized tax benefits as follows as of December 31:

In thousands	2020	2019
Unrecognized benefit-beginning of period	$ 6.900	$ 5,957
Gross increases-prior period tax positions	96	400
Gross (decreases)-prior period tax positions	(5,818)	—
Settlements prior period tax positions	(95)	—
Gross increases -current period tax positions	107	543
Unrecognized benefit-end of period	$ 1,190	$ 6,900

The Company reported a $5,818 reduction in prior period uncertain tax positions in 2020, consisting of $5,042 of reductions in prior period uncertain tax positions related to de-recognized net operating losses and tax credits following the Section 382 ownership change in 2020, as discussed above and $776 of the reduction related to remeasuring uncertain tax positions following the completion of a tax audit.

The unrecognized tax benefits at December 31, 2020 of $31 are accounted for as a reduction in the Company's deferred tax assets. Due to the Company's valuation allowance, only $1,159 of the $1,190 of unrecognized tax benefits would affect the Company's effective tax rate, if recognized. The Company does not believe it is reasonably possible that its unrecognized tax benefits will significantly change in the next twelve months.

The Company recognizes interest and penalties related to unrecognized tax benefits as income tax expense. The Company reported a tax benefit of ($262) in December 31, 2020 and accrued $229 of interest and penalties in December 31, 2019. The Company has accrued a $84 and $346 liability for accrued interest and penalties related to unrecognized tax benefit as of December 31, 2020 and 2019, respectively.

The Company's material income tax jurisdictions are the United States (federal and California), China and India. As a result of net operating loss and credit carryforwards, the Company is subject to audit for tax years 2014 and forward for federal and California purposes. The China and India tax years are open under the statute of limitations from 2015 and forward. The Company completed an audit in China in 2020, paying approximately $95 of tax to settle prior year uncertain tax positions. The Company has no ongoing tax audits.

NOTE 10 —Commitments and Contingencies

Operating leases—The Company leases several facilities under noncancelable operating leases that begin expiring in 2021. The Company recognizes rent expense on a straight-line basis over the lease period.

Future minimum lease payments under noncancelable operating lease commitments are approximately as follows:

Year Ending, December 31st,		
2021	$	694
2022		484
2023		454
2024		467
2025		318
	$	2,417

Rent expense was approximately $1,568 and $1,243 for the years ended December 31, 2020 and 2019.

Purchase Commitments—The aggregate amount of noncancelable purchase orders as of December 31, 2020 and 2019, was approximately $5,113and $1,022, respectively, and were related to the purchase of components of our devices.

Royalty payments—The Company is required to pay per unit royalties to wireless essential patent holders and other providers of integrated technologies on mobile devices delivered, which, in aggregate, amount to less than 5% of net revenues associated with each unit and expire in 2021 and 2023. Royalty expense for the years ended December 31, 2020 and 2019, was $2,288 and $2,886, respectively, which are included in cost of revenues on the consolidated statements of operations.

Securities litigation—On September 20, 2019, a purported Sonim stockholder who allegedly purchased stock registered in Sonim's initial public offering ("IPO") filed a putative class action complaint in the Superior Court of the State of California, County of San Mateo, captioned Pearson v. Sonim Technologies, Inc., et al., Case No. 19CIV05564, on behalf of himself and others who purchased shares of Sonim registered in the IPO (the "Pearson Action"). On October 4 and 16, 2019, two additional purported class action complaints substantially similar to the Pearson Action were filed on behalf of different plaintiffs yet the same putative class of Sonim stockholders, in the same court as the Pearson Action (the "'33 Act State Court Actions"). The defendants asked the Superior court to dismiss the "33 Act State Court Actions based on the provision in the Company's Amended and Restated Certificate of Incorporation requiring stockholders to file and litigate in federal court any claims under the Securities Act of 1933. On December 7, 2020, the Superior Court entered an order granting defendants' motion to dismiss. On October 7, 2019, a substantially similar putative class action lawsuit was filed in the United States District Court for the Northern District of California (the "'33 Act Federal Action"). All four complaints allege violations of the Securities Act of 1933 by Sonim and certain of its current and former officers and directors for, among other things, alleged false or misleading statements and omissions in the registration statement issued in connection with the IPO, relating primarily to an alleged failure to disclose software defects in Sonim's phones and alleged misstatements about performance characteristics of Sonim's phones. In July 2020, the Company entered into an agreement with the Lead Plaintiff in the '33 Act Federal Action to settle that case on a class wide basis for $2.0 million. As a result, the Company has paid out the $2.0 million settlement as of December 31, 2020. On March 5, 2021, the court presiding over the '33 Act Federal Action granted final approval of the settlement.

Securities and Exchange Commission Formal Order of Private Investigation: In March 2020, the Company received a voluntary document request from the SEC San Francisco Regional office, and in August 2020, the Company was informed that the SEC Staff was conducting a formal investigation. The SEC's investigation is ongoing. The Company has been cooperating with the SEC in the matter. The Company is unable to predict the likely outcome of the investigation or determine its potential impact, if any, on the Company.

Derivative litigation—On September 21, 2020, the Company, and certain of its current and former directors and officers were sued by a stockholder on behalf of our Company in a derivative action in the United States District Court for the District of Delaware, captioned Kusiak v. Plaschke, et al., Case No 20-cv-1270-MN ("Kusiak"). The Kusiak complaint is based largely on the same underlying factual allegations as the '33 Act Federal Action. The defendants filed a motion to dismiss the Kusiak derivative action based on plaintiff's failure to make a litigation demand on Sonim's directors. On February 1, 2021, plaintiff in Kusiak voluntarily dismissed the action without prejudice.

On February 1, 2021, the same plaintiffs' lawyers in the Kusiak action filed a new derivative action in the United States District Court for the District of Delaware against the Company and certain of its current and former directors and officers, captioned Gupta v. Plaschke, et al., Case No. 1:21-cv-130-MN ("Gupta"). Given the early stages of this proceeding and the limited information available, we cannot predict the outcome of this legal proceeding or determine its potential impact, if any, on the Company.

General litigation—The Company is involved in various other legal proceedings arising in the normal course of business. The Company does not believe that the ultimate resolution of these other matters will have a material adverse effect on its consolidated financial position, results of operations, or cash flows.

The results of any future litigation cannot be predicted with certainty and, regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management time and resources and other factors.

Indemnification—Under the terms of its agreements with wireless carriers and other partners, the Company has agreed to provide indemnification for intellectual property infringement claims related to Company's product sold by them to their end customers. From time to time, the Company receives notices from these wireless carriers and other partners of a claim for infringement of intellectual property rights potentially related to their products. These infringement claims have been settled, dismissed, have not been further pursued by the customers, or are pending for further action by the Company.

Contingent severance obligations—The Company has agreements in place with certain key employees (Executive Severance Arrangement) guaranteeing severance payments under certain circumstances. Generally, in the event of termination by the Company without cause, termination due to death or disability, or resignation for good reason, the Company is obligated to the pay the employees.

On December 11, 2019, the Board of Directors approved the Sonim Technologies Inc. Transaction Bonus Plan (the "Plan") that is intended to incentivize Company employees who are in a position to significantly impact the value received by the Company's stockholders in a change of control transaction. Pursuant to the Plan, upon consummation of a change of control transaction, 10% of the consideration payable to Company stockholders, after deducting transaction expenses, will be distributed to Plan participants, including the Company's named executive officers. The Plan has a three-year term and may be extended by the administrator of the Plan. Subject to the terms of the Plan, participants must be continuously providing services to the Company through the date of the closing of a change in control transaction to be eligible to receive a bonus thereunder, and payment is contingent upon delivery and non-revocation of a general release of claims. In connection with the adoption of the Plan, the Board of Directors allocated a 50% interest in the Plan to Tom Wilkinson, the Company's Chief Executive Officer, and a 10% interest in the Plan to Robert Tirva, the Company's Chief Financial Officer and 40% to 9 other key employees and consultants.

NOTE 11—Related Party Transactions

Management Services Agreement—In October 2017, the Company entered into a management services agreement with B. Riley Principal Investments, an investor, pursuant to which B. Riley Investments agreed to provide advisory and consulting services to the Company. The Company incurred approximately $56 in related consulting fees during the year ended December 31, 2019. At the closing of the Company's IPO in May 2019, the management services agreement was terminated in accordance with its terms.

NOTE 12 —Net Loss Per Share

Net loss per share for the years ended December 31, 2020 and 2019, was determined by decreasing Net income or increasing Net loss for the years then ended by the number of cumulative dividends, not yet declared, on the Company's previously outstanding convertible preferred stock. The following table sets forth the computation of the Company's basic and diluted net loss per share for the periods ended:

	For the Years Ended December 31	
	2020	**2019**
Numerator:		
Net loss	$ (29,932)	$ (25,834)
Denominator:		
Weighted-average shares used in computing net loss per share, basic and diluted	46,208,894	18,603,582
Net loss per share, basic and diluted	$ (0.65)	$ (1.39)

The potentially dilutive common shares that were excluded from the calculation of diluted net loss per share because their effect would have been antidilutive for the periods ended:

	For the Years Ended December 31	
	2020	2019
Shares subject to options to purchase common stock	1,443,940	2,645,714
Unvested restricted stock units	2,691,375	249,500
Shares subject to warrants to purchase common stock	29	956
Shares subject to term debt optional conversion into common stock	—	761,186
Total	4,135,344	3,657,356

NOTE 13 —Entity Level Information

Segment Information—The Company operates in one reporting segment. Operating segments are defined as components of an enterprise about which separate financial information is evaluated regularly by the chief operating decision maker, who is the chief executive officer, in deciding how to allocate resources and assessing performance. The Company's chief operating decision maker allocates resources and assesses performance based upon discrete financial information at the consolidated level.

The following table summarizes the revenue by region based on ship-to destinations for the periods ended:

	For the Years Ended December 31	
	2020	2019
U.S.	$ 46,107	$ 90,597
Canada and Latin America	14,228	17,400
Europe and Middle East	1,978	5,308
Asia Pacific	1,679	2,946
	$ 63,992	$ 116,251

Long-lived assets located in the United States and Asia Pacific region were $3,040 and $782,and $5,976 and $1,161 as of December 31, 2020 and 2019, respectively.

The composition of revenues is as follows:

	For the Years Ended December 31	
	2020	2019
Product Sales	$ 63,627	$ 115,807
Services	365	444
Total revenues	$ 63,992	$ 116,251

Concentrations of Credit Risk—The Company's product revenues are concentrated in the technology industry, which is highly competitive and rapidly changing. Significant technological changes in the industry or customer requirements, or the emergence of competitive products with new capabilities or technologies, could adversely affect the Company's consolidated operating results. Financial instruments that potentially subject the Company to credit risk consist primarily of cash and cash equivalents and accounts receivable. Cash and cash equivalents are deposited with high-quality, federally insured commercial banks in the United States and cash balances are in excess of federal insurance limits at December 31, 2020 and 2019. The Company generally does not require collateral or other security in support of accounts receivable. To reduce credit risk, management performs ongoing credit evaluations of its customers' financial condition. The Company analyzes the need for reserves for potential credit losses and records allowances for doubtful accounts when necessary. The Company had allowances for such losses totaling approximately $65 and $52 at December 31, 2020 and 2019, respectively.

Receivables from one customer approximated 23% of total accounts receivable at December 31, 2020 and 40% and 28% of total accounts receivable from two customers at December 31, 2019

Revenue from certain customers in 2020 and 2019 accounted for approximately the following percentage of total revenues:

	For the Years Ended December 31,	
	2020	2019
Customer A	15%	37%
Customer B	10%	18%
Customer C	40%	15%
Customer D	11%	*
Total	76%	70%

* Customer revenue did not exceed 10% in the respective periods.

NOTE 14 —Subsequent Events

At the beginning of 2021, we outsourced substantially all of our software development to a third-party and transferred 105 employees to support the work to be performed. Additionally, in the beginning of 2021, we outsourced our manufacturing work to a supply chain partner and expect to ultimately transfer or eliminate 22 employees as part of this solution.

BASIC LEASE INFORMATION

The following Basic Information is incorporated into and made a part of this lease. Each reference in this lease to any of the Basic Lease Information shall mean the respective information set forth below and shall be construed to incorporate all of the terms provided under the particular lease paragraph(s) pertaining to such information. In the event of a conflict between any Basic Lease Information and the lease, the lease shall control.

IDENTIFICATION DATE OF LEASE: 9/18/2020

1. **Name of Building:** Overlook At Rob Roy **Address:** 6836 Bee Caves Road, Austin, TX 78746

2. **Owner/Lessor:** Overlook At Rob Roy Owner, LLC **Address:** 1005 Congress Ave. Suite 150, Austin, TX 78701

3. **Suite Number:** I-261

4. **Rentable SF:** 608 **Total Bldg. SF:** 99,757 **Pro Rata Share:** 0.61%

5. **Lessee Name:** Sonim Technologies Inc.

a) Lessee is [ ]an individual(s), [ ] a professional limited liability company, [ ]a general partnership, [ ]a limited partnership, [X]a corporation, [ ]a joint venture, [ ]a professional association, [ ]sole proprietorship.

b) Lessee Address for Notice: 6836 Bee Cave Road, Building 1, Suite 279, Austin, TX 78746

c) Lessee Contact Person: Katie Smith Phone: 512-922-9900 Fax:

d) Lessee Taxpayer ID#: 94-3336783 SS#: DL#/State:

6. **Lease Term**: Three (3) full calendar months

Commencement Date:	10/1/2020	Expiration Date:	12/31/2020
Rent Commencement Date:	10/1/2020	Expiration Date:	12/31/2020
Pass Thru Commencement Date:	10/1/2020	Expiration Date:	12/31/2020

7. **Base Rent:**

Term	Monthly Rent	Term Rent	Annual Rent psf of NRA
From 10/01/20 to 12/31/20	$1,200.00	$3,600.00	$23.68

Late Charge: 5% of monthly base rent. Date assessed: Five (5) days after due date.

8. **Expense Stop:** 2020 Base Year per square foot per year

a) Estimated Operating Expenses Per Budget 2020 Base Year
b) Less Expense Stop 2020 Base Year
c) Estimated Initial Pass-Thru $ 0.00 /sq.ft./year
d) Estimated Monthly Pass-Thru (actual) $ 0.00 /mo
(Subject to annual adjustment for actual expenses)

9. **Parking:** Number of open spaces ______

10. **Security Deposit:**
a) Amount: $1,200.00
b) Paid by Cash: X Yes No
c) Irrevocable Letter of Credit: $ N/A Rec'd: ____ Yes ____No
d) Bank Issuing Letter of Credit: N/A
e) Expiration of Letter of Credit: N/A
f) Bank Contact Person: N/A

11. **Tenant Finish Out Provisions:**
    a) X As Is
    b) $0.00 /sq. ft. of net *rentable* area allowance
    c) ______ total allowance (actual amount)
    d) Amount of overage owed by Tenant $______ Payment Schedule:______
    e) Notes: **See Exhibit E.**

12. **Special Conditions (Exhibit J)**
    a) Current Financials received: ______ Yes ______ No
    b) Consumer Report received: ______ Yes ______ No
    See Exhibit J.

13. **Guaranty Information**
    This lease [ ]is or [X]is not (check one) guaranteed by others. The name and title of each guarantor is shown below a and on the signature page(s) at the end of this lease.

14. **Lessee Signature Requirements**
    Lessee is [ ] an individual(s), [ ] a professional limited liability company, [ ] a general partnership, [ ] a limited partnership, [ ] a joint venture, [ ] an unincorporated association, [ ] a professional association, [ ] sole proprietorship, or [X] a corporation (check one).

    Such partnership, joint venture, unincorporated association, or corporation is organized or chartered under the laws of the State of Delaware .

    Lessee's name stated at the beginning of this lease [ ]is or [X]is not an assumed name. If so, has an assumed name certificate name been received? [ ]Yes [ ]No

15. **This Basic Lease Information Form is a part of the above described lease.**

16. **Signatures:**

LESSOR	**LESSEE**
OVERLOOK AT ROB ROY OWNER (DELAWARE), LLC	SONIM TECHNOLOGIES INC
Printed name of company or firm	Printed name of company or firm
/s/ Joel Sher	/s/ Tom Wilkinson
Printed name of person signing	Printed name of person signing
Authorized Person's Signature	Authorized Person's Signature
President, Congress Holdings Group AUTHORIZED MANAGING AGENT	Chief Executive Officer
Title of person signing	Title of person signing
10/1/2020	10/1/2020
Date signed (must be filled in)	Date signed (must be filled in)

INDEX TO OFFICE LEASE
OVERLOOK AT ROB ROY OWNER (DELAWARE), LLC (Lessor) and
SONIM TECHNOLOGIES INC. (Lessee)

OFFICE LEASE

This is a Lease Agreement made and entered into between *Lessor Name Specified in Basic Lease Information #2*, as "Lessor", and *Lessee Name Specified in Basic Lease Information #5*, as "Lessee", whether one or more.

1.1 The Leased Premises
Lessor hereby leases to Lessee, and Lessee hereby leases from Lessor the "Leased Premises" which consists of "Lessee's Office Space" and "Common Areas" as defined below.

(a) *Lessee's Office Space*. "Lessee's Office Space", to which Lessee shall have exclusive use rights, consists of suite(s) *Specified in Basic Lease Information #3*, representing the office space outlined and shaded on the floor plan contained in Exhibit A. Such space is located in the building on a tract of land, legally described by lot and block or metes and bounds in Exhibit B. The street address of the building is *Specified in Basic Lease Information #1.*

(b) *Common Areas.* The "common area", to which Lessee shall have non-exclusive use rights, consists of (1) the interior common area located in the above described building, i.e., areas normally accessible to tenants such as the hallways, stairwells, elevators, lobby, restrooms, and snack bar areas, and (2) the exterior common area located outside the building on the above described land, i.e., loading areas, sidewalks, driveways, parking garage, parking areas, and other open areas (if any), subject to paragraph 9.2 on parking.

1.2 Use
Lessee's office space may be used only for general office purposes. The name of Lessee's business is *Specified in Basic Lease Information #5.*

1.3 Reserved

1.4 Rentable Area
Lessee's approximate "rentable area" is *Specified in Basic Lease Information #4.* It consists of Lessee's usable area plus it's proportionate share of building common areas which are defined as all corridors, restrooms, snack bars, building equipment rooms, telephone closets, janitor closets, enclosed lobby, entrance areas, and other public areas in the building, excluding elevator shafts, stairwells, vertical chases, and enclosed parking areas.

2.1 Base Rent and Additional Rents
Lessee shall pay to Lessor a "base rent" *Specified in Basic Lease Information #7* per calendar year, which amounts to the sum(s) *Specified in Basic Lease Information #7* per calendar month. Such base rent is equivalent to the sums *Specified in Basic Lease Information #7* per square foot per year for Lessee's rentable area. The base rent is subject to adjustment as provided in paragraph 32.1. Additional rent (representing Lessee's prorata share of building operating expenses over the expense stop *Specified in Basic Lease Information #8* shall be paid in accordance with paragraph 32.1. Building operating expenses up to such expense stop amount shall be paid by Lessor.

3.1 Date and Place of Payment
The monthly rent and one-twelfth of Lessee's share of estimated building operating expenses under paragraph 32.1 shall be due on the first day of each calendar month without demand. Partial months shall be prorated. All rent and other sums are due in the county where the building is located at the address designated by Lessor from time to time. All sums due by Lessee are without right of setoff or deduction. Monies mailed are considered timely paid only if *received* by Lessor by the due date; however rents postmarked one or more days before due date and received after the due date shall be considered as timely received by Lessor. Rent and late payment charges shall be paid without notice or demand. All other sums shall be due upon delivery of written notice in accordance with paragraph 29.1.

3.2 Late Payments

If any rent payment or other sum due by Lessee to Lessor is received and accepted by Lessor later than five (5) days after its due date, Lessee shall pay a late charge of 5% of such rent payment or other sum plus 1% thereof for each day thereafter (for up to 15 days) until such rent or other sum is paid. Late charges shall be considered liquidated damages for Lessor’s time, inconvenience, and overhead (except for attorney’s fees and litigation costs) in collecting rent. Lessor's acceptance of late rent or other sum shall not constitute permission for Lessee to pay the rent or other sum late thereafter and shall not constitute a waiver of Lessor's remedies for subsequent late payments. Late payment charges are due immediately upon notice or demand. All payments shall be by check or money order on a local bank not cash. For each returned check, Lessee shall pay all applicable bank charges incurred by Lessor plus $50.00. Payments of any kind received by Lessor on behalf of Lessee may be applied at Lessor's option to nonrent items first, then to rent. Payment of rent by Lessee shall be an independent covenant. If Lessee has not timely paid rentals and other sums due on two or more occasions, or if a check from Lessee is returned for insufficient funds or no account, Lessor may for the next 12 months require that all rent and other sums due be paid by cashier's check, certified check, or money order, without prior notice.

3.3 Security Deposit

At the time of execution of this lease, Lessee shall deposit with Lessor cash in the sum*Specified in Basic Lease Information #10* to secure performance of Lessee's obligations under this lease. Lessor shall have a lien on the security deposit for that purpose. If Lessee fails to pay rent or other sums when due under this lease, Lessor may apply any cash security deposit toward amounts due and unpaid by Lessee. In lieu of a cash security deposit, Lessee may furnish Lessor at time of execution of this lease an irrevocable unconditional letter of credit in a from acceptable to Lessor in the sum *Specified in Basic Lease Information #10-c* on a financial institution in Austin, Texas, expiring no sooner than thirty days after the lease expiration date. Lessor may draw against such letter of credit by a certificate stating that the Lessee is in default under this lease. Any amounts drawn under the letter of credit shall serve as a cash security deposit and may be applied to amounts due and unpaid by Lessee. If the letter of credit expires on a date that is prior to 30 days after the lease expiration date and the letter of credit is not renewed or extended 30 days before the letter of credit expiration date, Lessor may by a certificate draw down the entire amount to serve as a cash security deposit. Lessee shall immediately restore the security deposit (whether deposited as cash or as a letter of credit) to its original amount after any portion of it is applied to amounts due and unpaid by Lessee.

4.1 Term, Possession, and Anniversary

The initial lease term shall be for the number of full calendar months from commencement date, plus the remainder of the last month. The commencement date of this lease shall be the earlier of (a) the date *Specified in Basic Lease Information #6*, (b) the date Lessee opens for business in Lessee's office space, or (c) five (5) days after Lessor delivers possession of Lessor's office space to Lessee and gives Lessee written notice that Lessor's work (as described in Exhibit E) is substantially complete. Lessor's anticipated delivery date of possession is **Commencement Date** . If Lessor delays in delivering possession of Lessee's office space as shown on Exhibit A, the commencement and anniversary dates shall be delayed in accordance with Exhibit D.

5.1 Tenant Finish-Out

(Check one):

__X__ (a) Lessor shall provide no tenant finish-out or improvements since Lessee has taken Lessee's office space "as is".

_______(b) Lessor shall perform any special construction described in Exhibit E. Costs of tenant finish-out or special construction shall be paid for pursuant to such exhibit.

6.1 Quiet Possession

If Lessee is current and in compliance with all of Lessee's obligations under this lease, Lessee shall be entitled to peaceful and quiet possession and enjoyment of Lessee's office space, subject to the terms and conditions of this lease. Lessee shall have access to the building parking garage, if applicable and common parking areas at all times, subject to parking fees and the rules referred to in paragraphs 9.2 and 23.1. Lessor shall make diligent efforts to have all other tenants in the building comply with building rules. Otherwise, failure of other tenants to comply with such rules shall not be considered a default by Lessor. Construction noise or vibrations shall not be considered a default by Lessor.

7.1 Utilities and Services by Lessor

Except where otherwise stated in this lease, Lessor shall pay for and furnish in a timely and diligent manner to Lessee the following utilities (subject to Lessee being required to pay for same directly to the utility provider) and services and no others, subject to paragraph 32.1 regarding Lessee's payment of Lessee's prorata share of building operating expenses.

(a) air conditioning and heating as reasonably required for comfortable use and occupancy under normal office conditions from 7:00 a.m. to 6:00 p.m. on Monday through Friday, but not on Saturday, Sunday, New Year's Day, Memorial Day, July 4th, Labor Day, Thanksgiving or Christmas so long as these times and dates comply with present and future governmental laws or guidelines, including utilities such as electricity, gas, and water necessary for operation of same;
(b) water and wastewater services;
(c) janitorial and cleaning services;
(d) electrical current for areas of the building and common facilities which are not served by Lessee's individual electric meters or submeters for Lessee's office space;
(e) trash collection services (dumpster or garbage cans);
(f) pest control services as needed in the reasonable judgment of Lessor;
(g) landscaping and parking lot maintenance services;
(h) repair and maintenance services pursuant to paragraph 8.1;
(i) replacement of fluorescent light bulbs and ballasts in building standard lighting fixtures (but not incandescent light bulbs for nonstandard fixtures or for Lessee's lamps); and
(j) elevator service, if there is an elevator in the building.

7.2 Utilities and Services by Lessee

If applicable, Lessee shall pay for all utilities and services not expressly furnished by Lessor under paragraph 7.1. Lessee shall pay for all electricity consumed through any individual electrical meter(s) or submeter(s) serving Lessee's office space. Costs of such utilities are not considered building operating expenses to be allocated among all tenants under paragraph 32.1. Service through individual electrical meters which exclusively serve Lessee's office space shall be in the name of Lessee. Lessor reserves the right to submeter electricity and/or water. Any electricity or water submetering shall be billed to and paid by Lessee at Lessor's average cost per KWH or gallon, and no more. If the water bill from the utility company includes wastewater charges, Lessee's liability for water submetering shall include corresponding wastewater costs (if any).

7.3 Interruption of Utilities or Services

Temporary interruption or malfunction of utilities, services, and/or telephones shall not render Lessor liable for damages, rent abatements, or release of any Lessee obligation. Lessor shall use diligent efforts to have such utilities and services restored as soon as reasonably possible.

7.4 Extra Electricity

There shall be no extra electricity charges for typewriters, facsimile machines, word processors, dictating equipment, adding machines, desk top calculators, lamps, or other standard 110 volt office equipment. However, Lessee shall pay Lessor monthly, as billed, for charges which are separately metered or which Lessor may reasonably compute for electricity utilized by Lessee for the following purposes: x-ray machines, hotplates, electric heaters, 220 volt equipment, computers (other than desktop or word processor computers), or other electrical service not standard for the building.

7.5 Extra Heating or Air Conditioning

If Lessee requests air conditioning or heating after the hours as set forth in paragraph 7.1(a), Lessor may charge Lessee the extra hourly fee for after-hour air conditioning or heating charged to other tenants in the building.

8.1 Maintenance and Repairs by Lessor

Lessor shall repair and/or replace, as needed, the following items as a building expense under paragraph 32.1, so long as they are building standard items: light bulbs, ballasts, and fixtures; plumbing; hardware; doors; and wall and window coverings. Lessor shall use diligence to provide for the reasonable cleaning, maintenance, repair, reconnection of interrupted utilities or services, and landscaping of common areas, subject to any reimbursement obligations of Lessee under paragraph 8.2. Lessor may rekey at any time. Lessor may temporarily close any part of the common facilities if reasonably necessary for repairs or construction. Repairs and maintenance shall be in accordance with applicable governmental requirements.

8.2 Maintenance and Repairs by Lessee

Lessee shall promptly reimburse Lessor for the cost of repairing or replacing appliances, non-building standard items and the cost of repairing or replacing damage which is caused inside Lessee's office space by Lessee, Lessee's agents, employees, family, or licensees, invitees, visitors, or customers or outside Lessee's office space by Lessee or Lessee's employee's, agents, or contractors. Cost of repair shall include 5% for supervision fee. Lessor may require advance payment therefor prior to repair or replacement. Lessor shall have right of approval of all repairmen or maintenance personnel. Lessee shall not damage or allow other persons listed above to damage any portion of the leased premises. Lessee shall pay for replacement of all non-building standard light bulbs and for unstopping any drains or water closets in Lessee's office space. If Lessee or Lessee's workmen or contractors are permitted to repair, alter, or modify Lessee's office space, Lessee shall warrant that no mechanic or materialman's lien shall be filed against the leased premises and that all such contractors shall provide evidence of liability insurance as required by Lessor. All such work shall be in accordance with applicable governmental requirements.

8.3 Telecommunications

All telecommunications equipment necessary to serve Lessee shall be located in Lessee's office space and paid for by Lessee, or, at Lessor's option and at Lessee's expense, in a lockable enclosure in a common area location designated by Lessor. Lessee will be required to remove all telecommunications equipment and voice/data cabling from the Leased Premises upon expiration of Lease or Lessor may deduct costs to remove it from the Security Deposit. Lessee may be allowed to leave equipment and cabling in Leased Premises if written approval from Lessor is obtained prior to expiration of the Lease. Lessee may not require Lessor to install or allow others to install telecommunication lines or equipment elsewhere in the building. Lessee expressly waives any rights to require same under any circumstances.

9.1 Access, Keys, Locks, and Security

(a) *Access.* Lessee shall have access to Lessee's office space at all times. Lessor shall have access to Lessee's office space at reasonable times for reasonable business purposes upon prior notice to Lessee except notice shall not be necessary in the event of an emergency threatening life or property or the lawful exercise of Lessor's remedies in case of default by Lessee. Lessor may show Lessee's office space ninety (90) days before the lease expiration date or the date Lessee gives Lessor notice to vacate, whichever is earlier.

(b) *Keys.* Lessor shall furnish Lessee up to two (2) keys or access codes or cards for Lessee's office space, up to two (2) keys or access codes or cards for the main exterior entry doors of the building if such door is locked after hours, and one (1) keys or access codes or cards to Lessee's mailbox in the building. An initial deposit of $10.00 may be charged for each mailbox key and office key, or access card. Additional or replacement keys or access codes or cards shall be furnished at the same cost charged to all other tenants in the building at the time of Lessee's request. Lessor shall not be liable for risk of loss resulting from Lessee's keys, access codes, or cards being stolen, lost or used by unauthorized persons. Lessor reserves the right to rekey or change locks for security reasons if new keys are timely furnished to Lessee.

(c) *Locks.* Lessee may not add locks, change locks, or rekey locks without written permission of Lessor. Locks may be changed at Lessee's request and expense. If locks to the office space are changed, Lessor may specify kind and brand of locks, placement, installation, master key compatibility, etc. If Lessee or any of Lessee's employees lock themselves out of Lessee's suite, said person must call a fellow-employee to gain access.

(d) *Security.* Lessor shall have no duty to provide any security services of any kind unless expressly provided in this lease. Lessor shall not be liable to Lessee or Lessee's employees, family, customers, invitees, contractors, or agents for injury, damage, or loss to person or property caused by criminal conduct of other persons, including theft, burglary, assault, vandalism or other crimes. Lessee shall lock its office space doors when the last person leaves such office space for the day.

9.2 Parking

(a) Lessor shall have sole control over the parking of all vehicles (including but not limited to cars, trucks, recreational vehicles, trailers, bicycles, and motorcycles) and shall designate parking areas and building service areas. Parking rules are contained in attached Exhibit F-1.

If vehicles are parked in violation of Lessor parking rules or in violation of state statutes, Lessor may exercise vehicle removal remedies under Article 6701g-2 of the Texas Civil Statutes upon compliance with statutory notice. There shall be no reserved parking spaces unless agreed in writing by Lessor.

(b) Lessor shall have sole control over the parking of all vehicles (including but not limited to cars, trucks, recreational vehicles, trailers, bicycles and motor cycles) and shall designate parking areas and building service areas. Parking rules are contained in attached Exhibit F-1.

(c) Lessee shall be entitled to parking spaces as specified in Basic Lease Summary #9. In the event the use of parking facilities by Lessee’s employees, visitors, customers and invitees at any time exceeds their allocation, Lessor shall have the right to require Lessee to make alternate parking provisions off-site, at Lessee’s sole cost and expense, for all of such excess parking. Lessee’s failure to comply with the provisions of this paragraph will constitute a Lessee default under this Lease, provided however that Lessor shall not be required to give Lessee written notice or the opportunity to cure violations of this paragraph more than three (3) times during the term of this Lease.

10.1 Occupancy, Nuisance, and Hazards

Lessee's office space shall be occupied only by Lessee or Lessee's employees and shall not be left entirely vacant or used exclusively for storage. Lessee and Lessee's agents, employees, family, licensees, invitees, visitors, and contractors shall comply with all federal, state, and local laws relating to occupancy or to criminal conduct while such persons are on the leased premises. Lessee and the persons listed above shall not (1) use, occupy, or permit the use or occupancy of the leased premises for any purpose which is directly or indirectly forbidden by such laws or which may be dangerous to life or property, (2) permit any public or private nuisance, (3) disturb the quiet enjoyment of other tenants, (4) do anything which might emit offensive odors or fumes, (5) make undue noise or vibrations, (6) permit anything which would cancel insurance coverage or increase the insurance rate on the building or contents, or (7) otherwise damage the leased premises.

11.1 Taxes

Lessor shall be responsible for payment of all taxes and assessments against the building subject to Lessee's obligation to pay Lessor for Lessee's share thereof, on a prorata square foot basis, as additional rent pursuant to paragraph 32.1. Lessee shall timely pay all taxes assessed against Lessee's furniture, equipment, fixtures, or other personal property in Lessee's office space. LESSEE HEREBY WAIVES ALL RIGHTS TO PROTEST THE APPRAISED VALUE OF THE PROJECT OR TO APPEAL THE SAME AND ALL RIGHTS TO RECEIVE NOTICES OF REAPPRAISALS AS SET FORTH IN SECTIONS 41.413 AND 42.015 OF THE TEXAS TAX CODE.

12.1 Insurance

Lessor and Lessee shall comply with the respective insurance obligations as set forth below:

(a) *Lessor.* Lessor shall maintain (1) fire and extended coverage insurance, including vandalism and malicious mischief, on the office building, and (2) comprehensive general liability insurance. The amounts shall be as required by Lessor's mortgagee or as Lessor may deem reasonably appropriate, whichever is greater. Lessor shall have no responsibility to maintain fire and extended coverage insurance on Lessee's contents. The portion of Lessor's insurance premiums reasonably due to Lessee's acts or omissions or Lessee's special use, improvements, or tenant finish-out (over and above Lessee's normal use as contemplated in paragraph 1.1(a)) shall be paid for by Lessee.

(b) *Lessee*. Lessee shall provide Lessee's own public liability insurance for its operations on the leased premises in an amount equal to the minimum "primary coverage" amount required by Lessor's insurance carrier as a condition for purchasing umbrella liability insurance by Lessor. In no event shall such coverage be less than $2,000,000. Upon written notice by Lessor to Lessee, such dollar amount of Lessee's liability policy shall be increased by the amount of any increase required by Lessee's carrier for "primary coverage" under an umbrella liability policy. Lessee is encouraged to maintain fire and extended coverage insurance (including theft, vandalism and malicious mischief) on the contents in Lessee's office space, including fixtures, furniture, equipment, supplies, inventory, and other personal property. Such property is not covered by Lessor's insurance. Lessor reserves the right to, from time to time during the Term, require additional or different coverage types or amounts if it becomes standard practice for buildings of comparable size and in a similar geographic submarket as the Project or if required by Lessor's mortgagee. In the event Lessee fails to maintain and pay for any of the insurance required under this Section 12.1(b), Lessor may (but without any obligation to do so) upon two (2) business days' notice to Lessee, procure such insurance and pay the premiums therefor, in which event Lessee shall repay Lessor, as additional rent, all sums so paid by Lessor within thirty (30) days following Lessor's written demand therefor.

(c) *Insurance certificates.* Lessee shall provide Lessor with a certificate of Lessee's insurance or a copy thereof as required above within 7 days after Lessee initially occupies Lessee's office space or any portion thereof. Lessor and Lessor's managing agent (if any) shall be named as additional insureds on Lessee's liability insurance policy. Upon written request by Lessor, changes in the name of Lessor or Lessor's managing agent shall be reflected on such certificate.

(d) *Notice from Lessee's Insurance Carrier.* All policies of insurance to be provided by Lessee shall contain a provision (to the extent legally permitted) that the insurance company shall give Lessor 10 days' written notice to Lessor, in advance of (1) any cancellation or non-renewal of the policy, (2) any reduction in the policy amount, and (3) any deletion of additional insureds.

12.2 Waiver of Subrogation

If waiver of subrogation is not contained in the form language of the insurance policy, Lessor and Lessee may require that the other party's fire, casualty, or liability insurance policy contain a waiver of subrogation clause. FOR PURPOSES OF WAIVER OF SUBROGATION, LESSOR AND LESSEE RELEASE EACH OTHER AND THEIR RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES, AND AGENTS FROM ANY CLAIMS BASED ON NEGLIGENCE OR OTHERWISE, FOR LOSS, DAMAGE, OR INJURY WHICH OCCUR HEREAFTER AND ARE INSURED AGAINST UNDER INSURANCE POLICIES CARRIED BY LESSOR AND/OR LESSEE. The foregoing shall not apply to losses, damages, or injuries that are in excess of policy limits or that are not covered due to a deductible clause in the policy.

(b) Upon written request, Lessor and Lessee shall furnish to each other copies of the policies of insurance referred to in this lease, including any waivers of subrogation, or satisfactory evidence of same.

12.3 Hold Harmless

Lessee shall indemnify, defend and hold harmless Lessor, its agents, owners, mortgagees, and employees (the "Lessor Parties") for and shall hold Lessor harmless from all fines, claims, liabilities, and suits (including costs and expenses of defending against same) resulting from any breach or nonperformance of the lease by Lessee or Lessee's agents, employees, family, licensees, or invitees, **INCLUDING ALL SUCH CAUSES OF ACTION, CLAIMS, DAMAGES, OR LIABILITIES ARISING OUT OF THE NEGLIGENCE OR STRICT LIABILIT OF ANY LESSOR PARTY**. Further, notwithstanding anything to the contrary in this lease, any liability of Lessor under this Lease shall be limited solely to its interest in the Project and the proceeds therefrom, and in no event shall any personal liability be asserted against any Lessor Party in connection with this Lease nor shall any recourse be had to any other property of any Lessor Party. Lessee hereby waives any consequential damages, compensation or claims for inconvenience or loss of business, rents, or profits, whether or not caused by the willful and wrongful acts of Lessor or any of the Lessor Parties.

13.1 Alterations by Lessee
Lessee may not make any alterations, improvements, doorlock changes, or other modifications of any kind to the leased premises without Lessor's written consent. Consent for governmentally required changes may not be unreasonably withheld. "Alterations" include but are not limited to improvements glued, screwed, nailed, or otherwise permanently attached to the building, structural changes, roof and wall penetrations, and all plumbing, electrical, and HVAC changes. Requests for Lessor's approval shall be in writing and shall be detailed to Lessor's reasonable satisfaction. The foregoing shall be done only by Lessor's contractors or employees or by third parties approved by Lessor in writing. Lessee shall pay in advance for any requested alterations, improvements, lock changes, or other modifications which are approved and performed by Lessor. If same are performed by Lessee with Lessor's permission, Lessee shall not allow any liens to be placed against the buildings as a result of such additions or alterations. Alterations, improvements, and modifications done at Lessee's request shall comply with all applicable laws. Changes in Lessee's alterations or improvements in Lessee's space which may be later required by governmental action shall also be paid for by Lessee.

13.2 Americans With Disabilities Act
Lessor shall be responsible for any requirements under the Americans with Disabilities Act or similar state or local laws as relate to any common area entrance and exit doorways and elevators and any doors into Lessee's office space and to structural building items that Lessor is required to maintain under the terms of this lease. Lessee agrees to cooperate fully with Lessor to enable Lessor to timely comply with the provisions of this paragraph and to immediately forward to Lessor any notice Lessee receives regarding complaints, injuries, or claims by anyone claiming that those items which are the responsibility of Lessor do not comply with the provisions of the Americans with Disabilities Act. Lessee shall be responsible for any requirements under such architectural barrier laws as they relate to Lessee's use of the Lessee's office space, including, but not limited to, the positioning of Lessee's furnishings within the office space. Lessee agrees to indemnify Lessor for any liability Lessor shall incur as a result of Lessee's failure to comply with the provisions of this paragraph. In addition to the provisions of this Section 13.2, Lessee shall be responsible for compliance with the Texas Architecture Barriers Act, Art. 9102 Tex.Civ.Stat.Ann. (1994) and regulations and guidelines promulgated thereunder, as all of the same may be amended or supplemented from time to time, in the Leased Premises

14.1 Removal of Property by Lessee
Lessee may remove its trade fixtures, furniture, and equipment only if (1) such removal is made prior to the end of the Lease Term and may be accomplished without damage of any kind to the Leased Premises or the Building, (2) Lessee is not in default under this lease at time of removal, and (3) such removal is not in anticipation of an early moveout prior to the end of the lease term. Lessee shall pay all costs of removal. Lessee shall have no rights to property remaining on the leased premises after moveout. Lessee may not remove any alterations as defined in paragraph 13.1 or improvements such as wall-to-wall carpeting, book shelves, window coverings, drapes, cabinets, paneling, counters, kitchen or breakroom built-ins, shelving, wall covering, and anything else attached to the floor, walls, or ceilings. If Lessor requests in writing, Lessee shall, immediately prior to moving out, remove any alterations, fixtures, equipment, and other property installed by Lessee. Lessee shall pay for cleaning or repairing damage caused by Lessee's removal of any property.

15.1 Subletting and Assignment
Lessee may not sublet, assign, pledge, or mortgage this lease and may not grant licenses, commissions, or other rights of occupancy to all or any part of the leased premises without Lessor's prior written approval which shall not be unreasonably withheld. Sublessee's financial strength, reputation, personnel, and length of sublease or assignment shall be important factors in Lessor's approval. Sale, transfer, or merger of the majority of the voting shares or voting partnership interests in Lessee (if a corporation or partnership) shall be considered an assignment; likewise for issuance of treasury stock or admission of a new general partner. However, if Lessor gives such approval, Lessor shall be entitled to (1) 50% of any excess between Lessee's rental per square foot under the lease and the rental per square foot under the sublease or assignment, and (2) 50% of any other consideration flowing directly or indirectly from the sublessee or assignee to Lessee or Lessee's agents. The foregoing is in consideration of additional management performed or to be performed by Lessor under such sublease or assignment. In addition to the foregoing, Lessor may charge Lessee a one-time fee equal to one month's lease rental for such additional administrative, investigative, and management services. Violation of this lease by sublessees or assignees shall be deemed a violation by Lessee. Approval by Lessor of any sublease or assignment shall not release Lessee from any obligation under this lease and shall not constitute approval for subsequent subletting or assignment. Sublessees or assignees shall be liable for all of Lessee's obligations under this lease unless otherwise specified in writing. Upon default by Lessee, any Sublessee shall pay all sublease rentals and other sums due Lessor, direct to Lessor, to be credited against sums owed to Lessor by Lessee under this lease. Unless otherwise agreed in writing, no sublease or assignment shall be valid unless (1) a copy of this lease is attached thereto, (2) the sublessee or assignee agrees in writing to be liable for all of Lessee's obligations under this lease, and (3) Lessor's written approval is attached to the sublease or assignment. At any time, Lessor may, at Lessor's option, release Lessee from further liability for all or any portion of Lessee's office space that has been subleased or assigned to a third party; and Lessor may terminate the lease to the extent that it applies to such space.

16.1 Destruction by Fire or Other Casualty

(a) *Total destruction, rent abatement, and restoration.* If Lessee's office space is totally damaged by fire or other casualty so that it cannot reasonably be used by Lessee and if this lease is not terminated as provided in subparagraph (d) below, there shall be a total abatement of Lessee's rent and Lessee's obligation to pay office building operating expenses until Lessee's office space is restored by Lessor and Lessee.

(b) *Partial destruction, rent abatement, and restoration.* If Lessee's office space is partially destroyed or damaged by fire or other hazard so that it can be only partially used by Lessee for the purposes allowed in this lease and if this lease is not terminated as provided in subparagraph (d) below, there shall be a partial abatement of Lessee's rent and Lessee's obligation to pay office building operating expenses which fairly and reasonably corresponds to the time and extent to which Lessee's office space cannot reasonably be used by Lessee.

(c) *Restoration*. Lessor's obligation to restore shall be limited to the condition of the leased premises existing prior to the casualty. Lessor shall proceed with diligence to restore. During restoration, Lessee shall continue business to the extent practical in Lessee's reasonable judgment. To the extent Lessor does not receive insurance proceeds for the use of restoration from its mortgagee, Lessor may terminate this Lease pursuant to subsection (d) below.

(d) *Lease termination.* If Lessee's office space or the office center is so badly damaged that restoration and repairs cannot be completed within 6 months after the fire or casualty, as determined by Lessor following receipt of information from its insurance adjuster then this lease may be terminated as of the date of the destruction by either Lessor or Lessee by serving written notice upon the other. Termination notice must be delivered within 30 days after the casualty. If the casualty is caused by the act or negligence of Lessee or any of its agents, employees, visitors or contractors, Lessee shall be responsible for all costs and expenses associated with the repairs and restoration and Lessor shall be under no obligation to make any repairs, and Lessor may terminate this Lease and pursue all remedies available against Lessee, under this Lease, at law or in equity.

17.1 Condemnation

If the leased premises or any material portion thereof, including any portion of the parking lot is taken by condemnation and if the leased premises is thereby reasonably rendered unusable for Lessee's business use and activities, this lease shall automatically terminate as of the date title vests in the condemning authority pursuant to such taking or acquisition; and Lessor and Lessee shall be relieved of all further obligations under this lease. Lessor shall be entitled to recover from the condemning authority the full amount of Lessor's interest in this lease and in the property which is taken in condemnation; provided, however, if Lessee is not in default hereunder on the day of taking or acquisition by the condemning authority, Lessee shall be allowed to recover from the condemning authority, at Lessee's own expense, the value of Lessee's remaining leasehold interest and Lessee's trade fixtures, if any, which are taken in condemnation; but not otherwise. Lessee shall be responsible for Lessee's own attorney's fees and for proving its own damages.

18.1 Default by Lessor

Lessee shall be entitled (as its sole and exclusive remedy) to recover actual damages and/or sue Lessor for injunctive relief if Lessor remains in default on any other obligation for thirty (30) days after Lessee's written demand for performance. However, Lessor shall not be in default if Lessor promptly commences to cure such noncompliance and diligently proceeds in good faith to cure same after receiving written notice of such default. If taxes and utilities are not timely paid, Lessee may pay same to the extent that it is necessary to avert foreclosure or cutoff. If Lessor fails to perform any covenant, term or condition of this lease that Lessor is obligated to perform and, as a consequence of such nonperformance, Lessee shall recover a money judgment against Lessor, such judgment shall be satisfied only out of Lessor's equity in the property. Lessor shall have no liability whatsoever for any deficiency, and no other property or assets of Lessor shall be subject to levy, execution or other enforcement procedures as a result of such judgment. Except for Lessee’s express rights of termination under this Lease, Lessee hereby waives all rights of termination or rescission.

19.1 Default by Lessee

If Lessee defaults, Lessor shall have any or all remedies set forth below.

(a) *Definition of default.* The occurrence of any of the following shall constitute a default by Lessee: (1) failure to pay rent or any other sum due by Lessee under this lease within 7 days after written demand therefor by Lessor Lessor (provided, however, Lessor shall not be required to provide written notice and cure rights for such monetary default more than two (2) times in any twelve month lease year);(2) failure to vacate on or before the last day of the lease term, renewal term, or extension period in accordance with the terms of this lease; (3) failure to pay rent in advance on a daily basis in the event of unlawful holdover by Lessee in the amounts required under this Lease (provided, however, that the inclusion of this item as a default by Lessee shall not act to extend the Lease);; (4) unauthorized early move-out or notice of same as set forth below; (5) acquisition of Lessee's interest in the lease by a third party by judicial or non-judicial process; (6) failure to comply with any other provision of the lease (including rules) if such failure to comply is not cured as soon as possible l but not more than thirty (30) days following Lessor’s written notice of such failure or breach to Lessee); or (7) Lessee makes a general assignment or general arrangement for the benefit of creditors, a petition for adjudication of bankruptcy or for reorganization or arrangement is filed against Lessee [or Guarantor] and same is not removed within 90 days from the date of filing; Lessee [or any Guarantor] files a voluntary bankruptcy proceeding or consents to the appointment of a receiver.

(b) *Utilities and services.* If Lessee is in default for nonpayment of rent or other sums due and if Lessee fails to pay same in full within 3 days after Lessor hand delivers to Lessee or to Lessee's representative written notice of Lessor's intent to terminate utilities or services which are furnished by Lessor, then Lessor may terminate such utilities or services after such 3-day notice period, without further notice. Lessor's right to terminate such utilities or services shall occur automatically and without notice if Lessee's rent is accelerated under subparagraph (d) below, relating to unlawful early move-out.

(c) *Acceleration after notice of rental delinquency.* If Lessee is in default for nonpayment of rent or other sums due and if Lessee fails to pay same in full within 3 days after Lessor delivers to Lessee or to Lessee's office space a written notice of Lessor's intent to accelerate or if Lessee is otherwise in default under any other provision in subsection (a) above and Lessee fails to cure same within 3 days after Lessor delivers to Lessee or to the Leased Premises a written notice of Lessor’s intent to accelerate, then all rent (including base rent and additional rent) for the remainder of the lease term shall be accelerated, due, and delinquent at the end of such 3-day notice period without further demand or notice. Such acceleration rights are in consideration of the rentals for the entire term being payable in monthly installments rather than in one lump sum at the beginning of the lease term. If Lessee has already vacated the Leased Premises, notice of acceleration may be delivered to Lessee pursuant to paragraph 29.1. Liability for additional rents accruing in the future (over and above any base rents) shall not be waived by such acceleration.

(d) *Acceleration upon early move-out.* If, following an uncured default by Lessee, Lessee is lawfully evicted, or if Lessee moves out or gives verbal or written notice (in person or by an authorized employee or agent) of intent to move-out prior to the end of the lease term without the rent being paid in full for the entire remainder of the lease term or renewal or extension period or without prior written consent of Lessor, all remaining rents for the remainder of the lease term shall be accelerated immediately and automatically, without demand or notice. Such accelerated rents shall be due and delinquent without notice before or after such acceleration. Such acceleration shall not occur if the rent for the current month has been paid in full.

(e) *Termination of possession.* If Lessee is in default as defined in subparagraph (a) above and if Lessee remains in default for 3 days after Lessor gives notice of such default to Lessee, or if Lessee abandons the leased premises, Lessor may (with or without demand for performance) terminate Lessee's right of possession by giving one day's written notice to vacate; and Lessor shall be entitled to immediate possession without termination of Lessee's obligations under the lease. Lessor's repossession shall not be considered an election to terminate this lease unless written notice of such intention to terminate is given to Lessee by Lessor. Repossession may be by voluntary agreement or by eviction lawsuit. Commencement of an eviction lawsuit shall not preclude other Lessor remedies under this lease or other laws.

(f) *Reletting costs.* If Lessee is in default under this lease and if Lessor terminates Lessee's right of possession without terminating this lease and Lessee's space is released, Lessee shall pay upon Lessor's demand the following: (1) all costs of reletting (which in no event shall be less than one month's rent), including leasing commissions, rent concessions (whether in the form of assuming or buying out lease remainders elsewhere, free rent for a period of time, or reduced rental rates), utilities during the vacancy, advertising costs, administrative overhead, and all costs of repair, remodeling, or redecorating for replacement tenants in the Leased Premises, (2) all rent and other indebtedness due from Lessee to Lessor through the date of termination of Lessee's right of possession, and (3) all rent and other sums required to be paid by Lessee during the remainder of the entire lease term, subject to the acceleration paragraphs above.

(g) *Mitigation by Lessor.* Upon eviction or voluntary vacation of the Leased Premises by Lessee without the lease being terminated by Lessor, Lessor shall make reasonable efforts to relet the Leased Premises. After deduction of reasonable expenses incurred by Lessor, Lessee shall receive credit for any rentals received by Lessor through reletting the Leased Premises during the remainder of the lease term or renewal or extension period. Such deductible expenses may include real estate commissions, attorney's fees, and all other expenses in connection with reletting. Lawsuit to collect amounts due by Lessee under this lease may be brought from time to time on one or more occasions without the necessity of Lessor's waiting until the expiration of the lease term. If judgment for accelerated rents is recovered, Lessor shall give credit against such judgment for subsequent payments made by Lessee and subsequent rentals received by Lessor from other tenants of Lessee's the Leased Premises, less lawful deductions and expenses of reletting. Lessor's obligation to mitigate its damages resulting from a default shall be satisfied by Lessor taking any of the following actions to procure a substitute tenant and subject to the following criteria: (i) Lessor shall have no obligation to solicit or entertain negotiations with another prospective tenant for the Leased Premises until Lessor obtains full and complete possession of the Leased Premises (including without limitation, the final and unappealable legal right to relet the Leased Premises free from any claim of Lessee; Lessor shall not be obligated to offer the Leased Premises to a substitute tenant when other premises in the Project suitable for such prospective tenant's use are (or soon will be) available; Lessor shall not be obligated to lease the Leased Premises to a substitute tenant for a rental less than the current fair market rental then prevailing for similar space, nor shall Lessor be obligated to enter into a new lease under terms and conditions unacceptable to Lessor in its reasonable discretion. Lessor shall have the right to take a substitute tenant's financial status into account when determining whether to lease the Leased Premises to such substitute tenant. Lessor's commercially reasonable efforts to relet the Leased Premises using the above-referenced criteria shall be deemed to satisfy its obligations to mitigate damages.

(h) *Termination of lease.* Lessor may terminate this lease (as contrasted to termination of possession rights only) upon default by Lessee or at any time after Lessor's lawful re-entry or repossession following default by Lessee. Lessor's agents have authority to terminate the lease only by written notice given pursuant to paragraph 29.1.

(i) *Damages*. In addition to other remedies and rights under this Lease and available to Lessor at law or in equity (none of which are waived), Lessor may recover actual damages incurred following and as a result of such default.

20.1 Lien for Rent

(a) Notwithstanding anything to the contrary in this lease, Lessor's landlord lien shall be subordinate to any existing security interest and any future purchase money security interests on Lessee's personal property if such security interest is properly perfected and timely recorded as required by the Texas Business Code. Lessor shall cooperate in signing lien subordinations in accordance with the foregoing. Any lien subordination shall be on forms reasonably acceptable to Lessor.

(b) Subject to the limitations of subparagraph (a) above, Lessee gives to Lessor a contractual lien on all of Lessee's property which may be found on the leased premises to secure payment of all monies and damages owed by Lessee under the lease. Such lien also covers all insurance proceeds on such property. Lessee shall not remove such property while rent or other sums remain due and unpaid to Lessor and such property shall not be removed until all Lessee's obligations under the lease have been complied with. This lien is in addition to Lessor's statutory lien under Section 54.021 of the Texas Property Code. If Lessee is in default for nonpayment of rent or any other sums due by Lessee, Lessor's representatives may peacefully enter the leased premises and remove and store all property. If Lessor removes any property under this lien, Lessor shall leave the following information in a conspicuous place inside Lessee's office space: (1) written notice of exercise of lien, (2) a list of items removed, (3) the name of Lessor's representative who removed such items, and (4) the date of such removal. Lessor shall be entitled to reasonable charges for packing, removing, or storing abandoned or seized property, and may sell same at public or private sale (subject to any properly recorded chattel mortgage or recorded financing statement) after 30 days' written notice of time and place of sale is given to Lessee by certified mail, return receipt requested. Upon request by Lessor, Lessee shall acknowledge the above lien rights by executing a UCC-1 form or similar form reflecting same.

21.1 Attorney's Fees, Interest, and Other Expenses

If Lessee or Lessor is in default and if the nondefaulting party places the lease in the hands of an attorney in order to enforce lease rights or remedies, the nondefaulting party may recover reasonable attorney's fees from the defaulting party even if suit has not been filed. In any lawsuit enforcing lease rights, the prevailing party shall be entitled to recover reasonable attorney's fees from the nonprevailing party, plus all out-of-pocket expenses. Trial shall be to judge only. All delinquent sums due by Lessor or Lessee shall bear interest at the maximum lawful rate of interest, compounded annually, from date of default until paid, plus any late payment fees. Late payment fees as set forth in paragraph 3.2 shall be considered reasonable liquidated damages for the time, trouble, inconvenience, and administrative overhead expense incurred by Lessor in collecting late rentals, such elements of damages being uncertain and difficult to ascertain. Late payment fees shall not be liquidated damages for attorney's fees or for Lessor's loss of use of such funds during the time of delinquency.

22.1 Non-Waiver
The acceptance of monies past due or the failure to complain of any action, nonaction, delayed payment, or default, whether singular or repetitive, shall not constitute a waiver of rights or obligations under the lease. Lessor's or Lessee's waiver of any right or any default shall not constitute waiver of other rights, violations, defaults, or subsequent rights, violations, or defaults under this lease. No act or omission by Lessor or Lessor's agents shall be deemed an acceptance or surrender of the leased premises, and no agreement by Lessor to accept a surrender of the leased premises shall be valid unless it is in writing and signed by a duly authorized agent of Lessor.

23.1 Building Rules
Lessor's rules for the office building are attached as Exhibit F-2 and are subject to reasonable change if the changes are applicable to all tenants of the office building. Separate parking rules are contained in paragraph F-1. Lessee agrees to provide a copy of the Office Building Rules (Exhibit F-2) to each of Lessee’s employees.

24.1 Transfer of Ownership by Lessor
If Lessor transfers ownership of the office building (other than as security for a mortgage) and if Lessor has delivered to the transferee all of Lessee's security deposits and any prepaid rents, Lessor shall be released from all liability under the lease; and such transferee shall become liable as Lessor. Such right to be released of liability shall accrue to subsequent owners only if such transfer is in good faith and for consideration. Notwithstanding the foregoing, however, in no event will future owners of the Leased Premises be required to pay leasing commissions that have not accrued prior to the date of their ownership unless such new owner enters into a separate agreement with the broker claiming same.

25.1 Mortgages
Lessee shall subordinate and attorn to mortgage liens now or hereafter on the office building. Lessee agrees to execute, from time to time, documentation therefor which is necessary in the reasonable judgment of Lessor. Other than the provisions already set forth in this lease, there are no special lease provisions which are required by lienholders of the office building. Notwithstanding anything contained herein to the contrary, this lease shall be subordinate to all existing and future mortgages. However, such mortgagees may at any time subordinate their lien to this lease by filing a subordination notice in the county real property records without necessity of notice to Lessee. Lessee waives and holds any mortgagee or holder of a security interest harmless from all claims of Lessee against Lessor arising prior to such mortgagee succeeding to the Lessor's ownership interest in the property. Upon written request by Lessor or Lessor’s mortgagee, Lessee shall execute and deliver a subordination, non-disturbance and attornment agreement in a form required by Lessor or Lessor’s mortgagee no later than 5 business days following the request of Lessor or Lessor’s mortgagee.

26.1 Surrender of Premises
When Lessee moves out, Lessee shall surrender Lessee's office space in the same condition as on the date of lease commencement by Lessee (as changed or improved from time to time in accordance with this lease), less ordinary wear. Removal of property from the leased premises is subject to paragraph 14.1. Upon surrender, Lessee shall provide Lessor with all of Lessee's keys, access codes and cards to the Leased Premises and the combination to all safes and vaults, if any in the Leased Premises.

27.1 Holding Over
If Lessee remains in possession of the leased premises after the expiration or mutually-agreed termination date of the lease, without the execution by Lessor and Lessee of a new lease or a renewal or extension of the lease, then (1) Lessee shall be deemed to be occupying the leased premises as a tenant-at-sufferance on a daily basis, subject to all obligations of the lease, (2) Lessee shall pay rent for the entire holdover period at the rate of 150% of the then-current rental rate plus 150% of all additional rent due hereunder, (3) Lessee shall be subject to all other remedies of Lessor as provided in paragraph 19.1, (4) Lessee shall indemnify Lessor and/or prospective tenants for damages, including lost rentals, storage expenses, and attorney's fees, and (5) at Lessor's sole option, Lessee may extend the lease term for a period of one month at the then current rental rates for the office building, as reasonably determined by Lessor, by hand delivering written notice to Lessee or to Lessee's office space while Lessee is holding over. Holdover rents shall be immediately due on a daily basis and delinquent without notice or demand; and the prior written notice and waiting period requirements of this lease shall not be necessary in order for Lessor to exercise remedies thereunder.

28.1 Signs and Building Name

Except for standard suite signage and building directory listings, there shall be no signs, symbols, or identifying marks on or in the building, halls, elevators, staircases, entrances, parking areas, landscape areas, doors, walls, or windows without prior written approval of Lessor. The cost of initial suite signage for Lessee's space and initial directory strips shall be at Lessee's expense. All signs or lettering shall conform to the sign and lettering criteria established by Lessor. Unless otherwise stated in the rules, suite signage and building directory changes shall be done exclusively by Lessor and at Lessee's expense. Lessor may remove all unapproved signs without prior notice to Lessee and at Lessee's expense. Lessor may change the name of the building upon six months' written notice to Lessee.

28.2 Relocation of Lessee

Upon at least 60 days' notice to Lessee, Lessor shall have the right to relocate Lessee within the building in lease space which is the same size or larger and usable for Lessee's intended use. Such relocation shall be made at Lessor's sole expense, including necessary reprinting of Lessee's stationary, envelopes, business cards, door signs, etc. Rent shall not be increased if the relocation office space is larger or better quality. Relocation date shall be contained in the relocation notice referred to above. Lessor shall not be liable to Lessee in connection with such relocation except for undue delay or property damages caused by Lessor or Lessor's employees, agents, or contractors.

29.1 Notices

Whenever written notice is required or permitted under this lease, such notice shall be in writing and shall be either (a) hand delivered personally to the party being notified, (b) hand delivered to or inside such party's mailing address, or (c) delivered at such party's mailing address by certified mail, return receipt requested, postage prepaid. The mailing address of Lessor shall be the address to which Lessee normally mails or delivers the monthly rent unless Lessor notifies Lessee of a different address in writing. The mailing address of Lessee shall be Lessee's office space under this lease. However, if Lessee moves out, it shall be Lessee's last address known by Lessor. Hand delivered notice is required only when expressly required in the lease. Notice by noncertified mail is sufficient if actually received by the addressee or an employee or agent of addressee. The term "notice" shall be inclusive of notices, billings, requests, and demands.

30.1 Estoppel Certificates

From time to time, upon 7 days' prior written request from Lessor, Lessee shall execute and deliver to Lessor the estoppel certificate attached as Exhibit G. The form in Exhibit G may be changed as reasonably required by a prospective purchaser or lender. If any statement in the estoppel certificate form is contrary to the facts existing at the time of execution of such form, Lessee may correct same before signing. Reasonable modifications in the form may be made as requested by a prospective lienholder or purchaser. The estoppel certificate may be conclusively relied upon by Lessor and by any prospective lienholder or purchaser of the leased premises. If Lessee fails to comply with the foregoing by the end of such 7-day period, it shall be conclusively presumed that (1) this lease is in full force and effect without any subleases or assignments and is unamended or modified except for amendments verified by affidavit of Lessor to the prospective lienholder or purchaser, (2) no rents, security deposits, or other charges have been prepaid, (3) the statements contained in the estoppel certificate form (Exhibit G) are correct, (4) there are no uncured defaults by Lessor, (5) Lessee has no right of offset or rescission, and (6) any prospective purchaser or lienholder may conclusively rely on such silence or noncompliance by Lessee and may conclusively assume no Lessor defaults within the 120 days following Lessee's receipt of Lessor's request for an estoppel certificate.

31.1 Successors

This lease shall bind and inure to the benefit of the parties, any guarantors of this lease, and their respective successors and assigns; provided, nothing herein shall modify any other provision in this Lease.

31.2 Leasing Agent Commissions

No leasing commission shall be due by Lessor to any leasing agent unless in a sperate agreement signed by Lessor and such broker. Commission agreements executed by Lessor shall not be binding on subsequent building owners if the tenant of the lease in question is in possession at the time of transfer of building ownership.

32.1 Building Operating Expense

In addition to the monthly base rent in paragraph 2.1, without right of set-off, counterclaim, defense or abatement, Lessee shall pay additional rent on a monthly basis, equivalent to Lessee's prorata share of actual building operating expenses as per Exhibit C attached hereto. Lessee's responsibility for payment of building operating costs shall be subject to the expense stop referred to in *Basic Lease Information #8.*

33.1 Representations and Warranties by Lessor

Lessor warrants that Lessor is the sole owner of the land and improvements comprising the office building and that Lessor has full right to enter into this lease. Lessor's duties and warranties are limited to those expressly stated in this lease and shall not include any implied duties or implied warranties, now or in the future. No representations or warranties have been made by Lessor other than those expressly contained in this lease.

34.1 Representations and Warranties by Lessee

Lessee warrants to Lessor that (1) the financial statements of Lessee heretofore furnished to Lessor are true and correct to the best of Lessee's knowledge, (2) there has been no significant adverse change in Lessee's financial condition since the date of the financial statements, (3) the financial statements fairly represent the financial condition of Lessee upon those dates and at the time of execution hereof, (4) there are no delinquent taxes due and unpaid by Lessee, and (5) Lessee and none of the officers or partners of Lessee (if Lessee is a corporation or partnership) have ever declared bankruptcy. Lessee warrants that Lessee has disclosed in writing to Lessor all lawsuits pending or threatened against Lessee, and Lessee has made no material misrepresentation or material omission of facts regarding Lessee's financial condition or business operations. All financial statements must be dated and signed by Lessee. Lessee acknowledges that Lessor has relied on the above information furnished by Lessee to Lessor and that Lessor would not have entered into this lease otherwise.

35.1 Place of Performance

Unless otherwise expressly stated in this lease, all obligations under this lease, including payment of rent and other sums due, shall be performed in the county where the office building is located, at the address designated from time to time by Lessor.

36.1 Miscellaneous

This lease contains the entire agreement of the parties. NO OTHER WRITTEN OR ORAL PROMISES OR REPRESENTATIONS HAVE BEEN MADE, AND NONE SHALL BE BINDING. This lease supersedes and replaces any previous lease between the parties on Lessee's office space, including any renewals or extensions thereunder. Except for reasonable changes in written rules, this lease shall not be amended or changed except by written instrument, signed by both Lessor and Lessee. LESSOR'S AGENTS DO NOT AND WILL NOT HAVE AUTHORITY TO (1) MAKE EXCEPTIONS, CHANGES OR AMENDMENTS TO THIS LEASE, OR FACTUAL REPRESENTATIONS NOT EXPRESSLY CONTAINED IN THIS LEASE, (2) WAIVE ANY RIGHT, REQUIREMENT, OR PROVISION OF THIS LEASE, OR (3) RELEASE LESSEE FROM ALL OR PART OF THIS LEASE, UNLESS SUCH ACTION IS IN WRITING AND SIGNED BY BOTH PARTIES TO THIS LEASE. Multiple lessees shall be jointly and severally liable under this lease. Notices, requests, or agreements to, from, or with one of multiple lessees shall be deemed to be to, from, or with all such Lessees. Under no circumstances shall Lessor or Lessee be considered an agent of the other. Nonsubstantial errors in space footage calculations shall entitle the parties to correct the rental figures in the lease and adjust rentals previously paid to present Owner accordingly, but not to terminate the lease. The lease shall not be construed against either party more or less favorably by reason of who drafted the lease or changes in the lease. Texas law applies. If any date of performance or exercise of a right ends on a Saturday, Sunday, or state holiday, such date shall be automatically extended through the next business day. Time is of the essence; and all performance dates, time schedules, and conditions precedent to exercising a right shall be strictly adhered to without delay except where otherwise expressly provided. If any provision of this lease is invalid under present or future laws, the remainder of this lease shall not be affected.

37.1 Special Conditions

Additional provisions of this lease are set forth in Exhibit J.

38.1 Exhibit List

The exhibits attached to this lease are listed below. All exhibits are a part of this lease except for those which have been lined out or which have been shown below as omitted.

Exhibit A Floor Plan of Lessee's Office Space (paragraph 1.1)
Exhibit B Legal Description of Office Building (paragraph 1.1)
Exhibit C Building Operating Expense Passthrough Calculations (paragraphs 2.1 and 32.1)
Exhibit D Acknowledgment of Lease (paragraph 4.2)
Exhibit E Construction by Lessor (paragraph 5.1)
Exhibit F-1 Parking Rules (paragraphs 9.2 and 23.1)
Exhibit F-2 Building Rules (paragraph 23.1)
Exhibit G Estoppel Certificate (paragraph 30.1)
Exhibit H Lease Guaranty (paragraph 37.1)
Exhibit I Corporate Resolution Authorizing Lease or Guaranty (paragraphs 37.1 and 39.1)
Exhibit J Special Conditions (paragraph 37.2)
Exhibit K Hazardous Materials Statement
Exhibit L Acknowledgment of Receipt of Agency Disclosure

39.1 Lease Dates and Authority to Sign

The "identification" date of this lease is the Dateoflease (the same date as at the top of Basic Lease Information). The "effective date" on which this lease becomes binding is the date on which the lease has been signed by lessor, lessee, and any guarantors. The names and signatures of all parties are shown below; and all persons signing have been duly authorized to sign. IF LESSEE IS A CORPORATION, A CORPORATE RESOLUTION AUTHORIZING LESSEE TO EXECUTE THIS LEASE IS ATTACHED AS EXHIBIT I. Corporate seals are unnecessary under Texas law.

LESSOR

OVERLOOK AT ROB ROY OWNER (DELAWARE), LLC
Printed name of company or firm (if applicable)

/s/ JOEL SHER
Printed name of person signing

/s/ Joel Sher
Signature

PRESIDENT CONGRESS HOLDINGS GROUP
AUTHORIZED MANAGING AGENT
Title of person signing (if applicable)

10/1/2020
Date signed (Please initial all pages and exhibits)

LESSEE

SONIM TECHNOLOGIES INC.
Printed name of company or firm (if applicable)

/s/ Tom Wilkinson
Printed name of person signing

/s/ Tom Wilkinson
Signature

Chief Executive Officer
Title of person signing (if applicable)

10/1/2020
Date signed (Please initial all pages and exhibits)

EXHIBIT A: FLOOR PLAN OF LESSEE'S OFFICE SPACE
(see paragraph 1.1 of lease)

[***]

EXHIBIT B: LEGAL DESCRIPTION OF OFFICE BUILDING

by lot, block, subdivision, and county or
by metes and bounds description
(see paragraph 1.1 of lease)

[***]

EXHIBIT C: BUILDING OPERATING EXPENSE PASSTHROUGH CALCULATIONS
(see paragraphs 2.1 and 32.1 of lease)

[***]

EXHIBIT D: ACKNOWLEDGMENT OF LEASE
(TO BE SIGNED AT MOVE-IN)

[***]

EXHIBIT E: CONSTRUCTION BY LESSEE
(see paragraph 5.1 of lease)

[***]

EXHIBIT F-1: OFFICE BUILDING PARKING RULES
(see paragraph 9.2 of lease)

[***]

EXHIBIT F-2: OFFICE BUILDING RULES
(see paragraphs 9.2 and 23.1 of lease)

[***]

THIS FORM IS NOT TO BE EXECUTED AT TIME OF LEASE EXECUTION.

EXHIBIT G: ESTOPPEL CERTIFICATE
(see paragraph 30.1 of lease)

[***]

EXHIBIT H: OFFICE LEASE GUARANTY
(see paragraph 37.1 of lease)

INTENTIONALLY DELETED.

EXHIBIT I: CERTIFICATE OF CORPORATE RESOLUTION AUTHORIZING LEASE OR GUARANTY
(see paragraphs 37.1 and 39.1 of lease)

INTENTIONALLY DELETED

EXHIBIT J: SPECIAL CONDITIONS

(see special conditions paragraph 37.1 of lease)

The following special conditions shall apply to this lease and shall prevail on any other provisions to the contrary.

FINANCIAL STATEMENTS/CONSUMER CREDIT REPORT. Prior to execution of this lease and thereafter from time to time, Lessee shall, upon written request, furnish to Lessor a financial statement of Lessee's condition and/or a Consumer Credit Report in a reasonably satisfactory form. All financial statements and/or credit reports shall be originally signed and dated by Lessee or Lessee's agent and be current within 90 days.

LESSEE HEREBY WAIVES ALL ITS RIGHTS UNDER THE DECEPTIVE TRADE PRACTICES – CONSUMER PROTECTION ACT, SECTION 17.41 ET SEQ. OF THE TEXAS BUSINESS AND COMMERCE CODE, A LAW THAT GIVES CONSUMERS SPECIAL RIGHTS AND PROTECTIONS, AFTER CONSULTATION WITH AN ATTORNEY OF ITS OWN SECTION, LESSEE VOLUNTARILY CONSENTS TO THIS WAIVER. Lessor and Lessee agree that each provision in this Lease for determining charges amounts and additional rent (operating expenses) payments to be made by Lessee commercially reasonable, and as to each charge or amount, constitutes a “method by which the charge is to be computed” for the purposes of Section 93.102 of the Texas Property Code.

No Recording. Neither Lessee, nor anyone acting through, under, or on behalf of Lessee, shall have the right to record this Lease, nor any memorandum, notice, affidavit, or other writing with respect thereto.

PARKING. Lessee’s parking ratio shall be 3.5 parking spaces per 1,000 PSF of Lease Space on a non-exclusive, first-come, first-serve basis.

TERM. The Lease shall continue on a Month to Month basis (the “Month to Month Extension Periods”) following the Expiration Date whereby either party may terminate the Lease at the end of the month with thirty (30) days’ advance written notice. For the sake of clarity, Section 27.1 Holding Over does not apply during the Month to Month Extension Periods.

EXHIBIT K: HAZARDOUS MATERIALS STATEMENT

[***]

EXHIBIT L: ACKNOWLEDGEMENT OF RECEIPT OF AGENCY DISCLOSURE

[***]

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statement on Form S-3 (No. 333-239664) and Form S-8 (No. 333-239033) of Sonim Technologies, Inc. of our report dated March 17, 2021, relating to the consolidated financial statements of Sonim Technologies, Inc. appearing in this Annual Report on Form 10-K for the year ended December 31, 2020.

/s/ Moss Adams LLP

Campbell, California

March 18, 2021

Exhibit 31.1

SONIM TECHNOLOGIES, INC.
CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

I, Thomas W. Wilkinson, certify that:

1. I have reviewed this Annual Report on Form 10-K of Sonim Technologies, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date March 18, 2021

By: /s/ Thomas W. Wilkinson
Thomas W. Wilkinson
Chief Executive Officer

Exhibit 31.2

SONIM TECHNOLOGIES, INC.
CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

I, Robert Tirva, certify that:

1. I have reviewed this Annual Report on Form 10-K of Sonim Technologies, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date March 18, 2021

By: /s/ Robert Tirva
Robert Tirva
Chief Financial Officer

Exhibit 32.1

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

In connection with the Annual Report of Sonim Technologies, Inc. (the "Company") on Form 10-K for the year ended December 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 18, 2021

By: /s/ Thomas W. Wilkinson
Thomas W. Wilkinson
Chief Executive Officer

Exhibit 32.2

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

In connection with the Annual Report of Sonim Technologies, Inc. (the "Company") on Form 10-K for the year ended December 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: March 18, 2021

By: /s/ Robert Tirva
Robert Tirva
Chief Financial Officer