

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

FORM 10-K

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2022

or

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

For the transaction period from _____ to _____

Commission File No. 001-40071

AUDDIA INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

45-4257218

(I.R.S. Employer
Identification No.)

**2100 Central Ave. , Suite 200
Boulder , CO**

Address of Principal Executive Offices

80301

Zip Code

(303) 219-9771

(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.001 per share	AUUD	The Nasdaq Stock Market
Warrants, each exercisable for one share of Common Stock	AUUDW	The Nasdaq Stock Market

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

N/A

(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ☐ No ☒

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

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

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

Large Accelerated Filer ☐

Non-accelerated Filer ☒

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. Yes ☐ No ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

As of June 30, 2022, the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was approximately \$ 8,876,258 based on a closing price of \$0.99 per share as quoted by the Nasdaq Global Select Market as of such date. In determining the market value of non-affiliate common stock, shares of the registrant's common stock beneficially owned by officers, directors and affiliates have been excluded. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of March 10, 2023, 12,850,709 shares of the registrant's common stock, \$0.001 par value per share, were outstanding.

**AUDDIA INC.
2021 ANNUAL REPORT ON FORM 10-K
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Unless we state otherwise or the context otherwise requires, the terms "Auddia," "we," "us," "our" and the "Company" refer to Auddia Inc., a Delaware corporation.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K, or Annual Report, contains forward-looking statements that involve risks and uncertainties. We make such forward-looking statements pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and other federal securities laws. All statements other than statements of historical facts contained in this Annual Report are forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as "may", "will", "should", "expects", "intends", "plans", "anticipates", "believes", "estimates", "predicts", "potential", "continue" or the negative of these terms or other comparable terminology.

Forward-looking statements are neither historical facts nor assurances of future performance, and are based only on our current beliefs, expectations and assumptions regarding the future of our business, future plans and strategies, projections, anticipated events and trends, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of our control. Therefore, you should not rely on any of these forward-looking statements. Important factors that could cause our actual results and financial condition to differ materially from those indicated in the forward-looking statements include, among others, the following:

- the ultimate impact of the ongoing coronavirus (COVID-19) pandemic, or any other health epidemic, on our business, results of operations, cash flows, financial condition and liquidity, and the global economy as a whole;
- the sufficiency of our existing cash and cash equivalents to meet our working capital and capital expenditure needs over the next 12 months and our need to raise additional capital;
- our ability to generate revenue from new software services;
- our limited operating history;
- our ability to maintain proper and effective internal financial controls;
- our ability to continue to operate as a going concern;
- changes in laws, government regulations and policies and interpretations thereof;
- our ability to obtain and maintain protection for our intellectual property;
- the risk of errors, failures or bugs in our platform or products;
- our ability to attract and retain qualified employees and key personnel;
- our ability to manage our rapid growth and organizational change effectively;

- the possibility of security vulnerabilities, cyberattacks and network disruptions, including breaches of data security and privacy leaks, data loss, and business interruptions;
- our compliance with data privacy laws and regulations;
- our ability to develop and maintain our brand cost-effectively; and
- the other factors set forth in Part I, Item 1A, “[Risk Factors](#)” of this Form 10-K.

These forward-looking statements speak only as of the date of this Form 10-K and are subject to business and economic risks. We do not undertake any obligation to update or revise the forward-looking statements to reflect events that occur or circumstances that exist after the date on which such statements were made, except to the extent required by law.

PART I

Item 1. Business

Overview of Auddia

Auddia is a technology company headquartered in Boulder, CO that is reinventing how consumers engage with audio through the development of a proprietary AI platform for audio and innovative technologies for podcasts. Auddia is leveraging these technologies within its industry-first audio Superapp, **faidr** (previously known as the Auddia App).

faidr gives consumers the opportunity to listen to any AM/FM radio station with no commercials while personalizing the listening experience through skips and the insertion of on-demand content, including popular and new music, news, and weather. The faidr app represents the first-time consumers can combine the local content uniquely provided by AM/FM radio with commercial-free and personalized listening many consumers demand from digital-media consumption. In addition to commercial-free AM/FM, faidr includes podcasts and exclusive content, branded faidrRadio, which includes new artist discovery, curated music stations, and Music Casts. Music Casts are unique to faidr. Hosts and DJs can combine on-demand talk segments with dynamic music streaming, which allows users to hear podcasts with full music track plays embedded in the episodes.

Auddia has also developed a podcasting platform that provides a unique suite of tools that helps Podcasters create additional digital content for their podcast episodes as well as plan their episodes, build their brand, and monetize their content with new content distribution channels. This podcast platform also gives users the ability to go deeper into the stories through supplemental, digital content, and eventually comment and contribute their own content to episode feeds.

Both of Auddia's offerings address large and rapidly growing audiences.

The Company has developed its AI platform on top of Google's TensorFlow open-source library that is being “taught” to know the difference between all types of audio content on the radio. For instance, the platform recognizes the difference between a commercial and a song and is learning the differences between all other content to include weather reports, traffic, news, sports, DJ conversation, etc. Not only does the technology learn the differences between the various types of audio segments, but it also identifies the beginning and end of each piece of content.

The Company is leveraging this technology platform within its premium AM/FM radio listening experience through the faidr App. The faidr App is intended to be downloaded by consumers who will pay a subscription fee in order to listen to any streaming AM/FM radio station without commercials, podcasts and the faidrRadio exclusive content offerings. Advanced features will allow consumers to skip any content heard on the station, request audio content on-demand, and program an audio routine. We believe the faidr App represents a significant differentiated audio streaming product, or Superapp, that will be the first to come to market since the emergence of popular streaming music apps such as Pandora, Spotify, Apple Music, Amazon Music, etc. We believe that the most significant point of differentiation is that in addition to ad-free AM/FM streaming, the faidr App is intended to deliver non-music content that includes local sports, news, weather, traffic and the discovery of new music alongside exclusive programming and podcasts. No other radio streaming app available today, including category leaders like TuneIn, iHeart, and Audacy, can compete with faidr's full product offerings.

The Company commissioned two separate surveys to establish subscription pricing in accordance with an industry standard pricing analysis. Results of both surveys, which included nearly 3,000 responses, suggested \$12/month as the optimal price to maximize revenue and \$7.99 to maximize market share and indicated that 29% of respondents were at least likely to subscribe to the product. The majority of respondents who self-identified as being listeners to paid services such as SiriusXM and streaming radio indicated a likely intent to purchase. We believe this implies a preference for the local content inherent in AM/FM broadcasting.

The Company launched all major U.S. radio stations on its faidr App on February 15, 2022.

The Company has also developed its podcasting platform, which leverages technologies and proven product concepts to differentiate its podcasts offering from other competitors in the radio streaming product category.

With podcasting growing and predicted to grow at a rapid rate, the Auddia podcast platform was conceptualized to fill a void in the emerging audio media space. The platform aims to be the preferred podcasting solution for podcasters by enabling them to deliver digital content feeds that match the audio of their podcast episodes, and by enabling podcasters to make additional revenue from new digital advertising channels; subscription channels; on-demand fees for exclusive content; and through direct donations from their listeners. Today, podcasters do not have a preference as to where their listeners access their episodes, as virtually all listening options (mobile apps and web players) deliver only their podcast audio. By creating a platform on which they can make net new and higher margin revenue, we believe that podcasters will promote faidr to their listeners, thus creating a powerful, organic marketing dynamic.

One innovative and proprietary part of the podcast platform is the availability of tools to create and distribute an interactive digital feed which supplements podcast episode audio with additional digital. These content feeds allow podcasters to tell deeper stories to their listeners while giving podcasters access to digital revenue for the first time. Podcasters will be able to build these interactive feeds using The Podcast Hub, a content management system that also serves as a tool to plan and manage podcast episodes. The digital feed activates a new digital ad channel that turns every audio ad into a direct-response, relevant-to-the-story, digital ad, increasing the effectiveness and value of their established audio ad model. The feed also presents a richer listening experience, as any element of a podcast episode can be supplemented with images, videos, text and web links. This feed will appear fully synchronized in the faidr mobile App, and it also can be hosted and accessed independently (e.g., through any browser), making the content feed universally distributable.

Over time, users will be able to comment, and podcasters will be able to grant some users publishing rights to add content directly into the feed on their behalf. This will create another first for podcasting, a dialog between creator and fan, synchronized to the episode content.

The podcast capabilities within fairdr will also introduce a unique and industry first multi-channel, highly flexible set of revenue channels that podcasters can activate in combination to allow listeners to choose how they want to consume and pay for content. "Flex Revenue" allows podcasters to continue to run their standard audio ad model and complement those ads with direct response enabled digital ads in each episode content feed, increasing the value of advertising on any podcast. "Flex Revenue" will also activate subscriptions, on-demand fees for content (e.g., listen without audio ads for a micro payment fee) and direct donations from listeners. Using these channels in combination, podcasters can maximize revenue generation and exercise higher margin monetization models, beyond basic audio advertising.

fairdr is available today through the iOS and Android app stores.

Recent Developments

On March 16, 2023, the Company announced the following recent results for its products:

- A 10% user subscription conversion rate since launching subscriptions in its iOS only app 45 days previously.
- fairdrRadio, the Company's exclusive content programming available in the iOS fairdr app, has maintained 33% of the app's total plays alongside traditional AM/FM radio.
- The Company has continued to make significant progress in cost per installs, a top metric for indicating consumer interest in the fairdr product. Across the combined iOS and Android platforms, the Company is on track to reach its mid-2023 target of \$1.80 cost per install.

History of Auddia

The Company was originally formed in 2012 as Clip Interactive, LLC to provide the broadcast radio industry with digital consumer products (mobile apps and web applications) that increased radio listener engagement and generated new revenue for radio stations from digital ads synchronized to the audio ad. In late 2017 the Company recognized a need to provide the radio industry with a new capability that would allow for a more efficient business model, similar to the subscription models that had emerged for music and video through companies like Apple, Spotify, SiriusXM and Netflix. The Company began to conceptualize what would become Auddia, a commercial-free subscription platform for broadcasters and radio listeners.

Management of the Company commenced evaluating essential aspects of the opportunity such as technical feasibility, consumer viability, basic economics, intellectual property matters and basic legality. The Company's Executive Chairman, Chief Executive Officer and Chief Technology Officer all have experience in performing similar assessments for consumer facing products in various industries, including elections, gaming, secure document processing, and digital advertising. Further, our Executive Chairman has extensive experience developing strategy and determining business viability of products in the several previous companies that he founded.

Management's assessment also included metrics from subscription platforms for broadcast audio content, which show that consumers are willing to pay a subscription fee for commercial-free audio content. For example, SiriusXM, Inc. offers a service that demonstrates the viability of a commercial-free broadcast audio product that is purchased by consumers, in their case, for an average \$13 (estimated) per month. SiriusXM has 34.6 million subscribers (end of 2020) at this average price point. SiriusXM does not offer the local content and personalities that local broadcast radio exclusively delivers.

In early 2018 and over the period of next year, management analyzed and assessed the commercial viability of the proposed fairdr platform to determine whether a subscription-based commercial free radio service would generate consumer interest. This assessment was based upon: (a) the Company's experience in having developed, deployed and operated over 580 mobile apps for broadcast radio companies over the last seven years; (b) discussions of the Auddia concept with radio industry leaders, most of whom were our current or previous customers; (c) discussions with radio industry analysts; and (d) research into the state of broadcast and subscription radio industries. As part of the management assessment, in January of 2019, we commenced discussions with a Harris Insights and Analytics, LLC ("Harris"), to assist management in gauging consumer response to our planned service, and in March of 2019 we commissioned Harris to conduct a survey. The results of that survey, when integrated with our internally developed analysis, supported our conclusion of consumer interest and viability of the product. Harris asked consumers to answer a variety of questions exploring their interest in such a service; how much they would be willing to pay; and several other related topics. Our interpretation of the results of the survey, also supported our assessment that consumers will continue to listen to local radio channels, and they are willing to pay a monthly subscription fee to avoid commercials.

Based upon management's analysis, the above discussions, and industry research, the Company concluded that a subscription product for local radio's audio content, where commercials are removed, was of great interest to the radio broadcast industry. Further, the Company also concluded that consumers would be interested in subscribing to commercial free local audio content that only local radio produces and broadcasts, and that fairdr would have commercial viability.

The Company's podcast platform was conceptualized during this transition period described above, when management recognized the opportunity to leverage previously developed technology and mobile app capabilities to provide products to podcasters and podcast listeners in the burgeoning podcasting space. Having provided interactive digital content feeds for radio stations for several years, a similar product for podcasting was explored. The Company presented a product concept to podcasters and podcaster "rep firms" and sufficient interest from those explorations warranted the development of a minimally viable mobile app product, branded Vodacast. Eventually, with further support and interest from prospect podcasters and listeners, the product was expanded to include both iOS and Android mobile apps and the development of the podcast Hub, which is the platform's content management system.

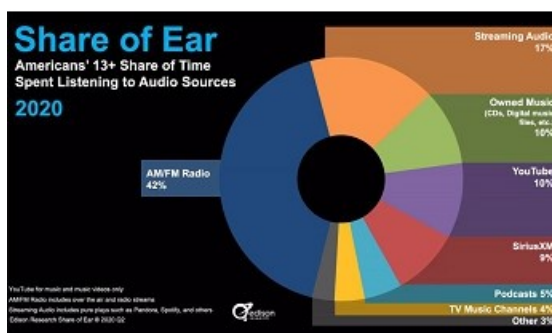
The Company was poised to execute early, small-scale marketing trials in which podcasters would promote the Vodacast mobile app to their listeners via the audio of their podcast episodes. The incentive for podcasters to promote Vodacast came from the monetization features that are inherent on the platform, where podcasters understand that a "download" or unique listening session would generate more revenue for podcasters when it occurs on the

Vodcast mobile app. The expectation was that listeners will convert at sufficiently high rates to justify wide scale launch and broad promotion by podcasters. After the launch of the proof-of-concept Vodacast app, and monitoring engagement and retention for close to a year, Auddia was confident the podcast platform achieved differentiation and should be moved into the company's audio Superapp fairr as the podcast offering.

Overview of the Evolving Audio Ecosystem and the Positioning of AM/FM Broadcast Radio

We believe that audio as a medium is experiencing a renaissance as advanced artificial intelligence capabilities such as voice recognition are ushering in an era where voice is becoming the most efficient interface to interact with audio and video content. Historically, audio has been a passive medium where content is selected by a professional program director and delivered to large audiences who have no choice in personalizing the delivered content. But audio is now transitioning to an active medium where consumers can interact with streaming content through advanced algorithms and feedback mechanisms that include skipping content, providing thumbs up and thumbs down input, sharing content socially, creating playlists, following other playlists and customizing the programming of content routines for specific parts of the day through smart speakers like Alexa (e.g., providing a morning routine). Advanced artificial intelligence capabilities are facilitating these new capabilities and accelerating the trend towards consumer consumption of on-demand personalized content. To support this trend, audio content needs to be understood, indexed, stored and made retrievable through search methods so it can be provided to consumers when they ask for particular content.

Broadcast radio remains the dominant force in audio. The 2022 Share of Ear Study shows broadcast radio with a 39% share of listening and the next most popular form of listening being music videos on YouTube at 14% followed by owned music at 10%. Although AM/FM radio continues to dominate audio listening, streaming audio is the fastest growing segment according to Share of Ear studies going back to 2014. We believe streaming audio will continue to grow as on-demand content in the form of streaming music podcasting, short-form audio and other emerging formats of audio content become more prevalent and artificial intelligence technologies facilitate the introduction of new and improved listening experiences. As streaming audio has demonstrated its growth trajectory, AM/FM radio has responded by streaming their radio stations but with, we believe, very little success in comparison to the streaming music players as measured by consumer listening.



Most common streaming platforms in the U.S. offer a paid subscription model to eliminate or reduce advertisements during the listening experience. With very few exceptions, AM/FM radio has not adopted this model to date. Most AM/FM streams are simulcasts of the on-air station and carry the same advertisement load as the on-air product. In 2020, the average advertisement load was 16.7 minutes per hour (an increase of approximately 2 30-second ads from 2018's average of 16.1 minutes). This means that if these 16.7 minutes were filled with the common 30-second spot, this would equate to 33.4 advertisements per hour. Given that the free ad-supported tiers of the music streaming services commonly limit ads to 4 per hour, a streaming service with 32 audio ads per hour is more disruptive to the content listening experience. We believe the combination of AM/FM radio's advertisement load and the inability for listeners to skip content or request on-demand content in an AM/FM radio stream is the main reason broadcast radio is not gaining ground in the audio streaming market relative to the other music players.

There are a handful of successful radio-streaming mobile applications on the market today. Between the top five, there are more than 150 million users, which includes some overlap. According to Statista, the reach of online radio, which includes AM/FM streaming, has increased sharply over the past decade, with 68% of the US population having listened to online radio within a month in 2021 compared to only 34% ten years earlier. This migration of audience is expected to continue. The total addressable market for radio streaming is expanding year-over-year, and fairr is the only app currently available that can (1) provide ad-free listening and (2) can aggregate all stations in the US in one place, as it is not beholden to any exclusivity deals with the larger AM/FM media corporations.

The Company believes the fairr App will give subscribers the technology solution they need to enjoy the local content presented by AM/FM radio while not only avoiding the interruption of 16.7 minutes of ads per hour, but also personalizing the listening experience with skips and on-demand content. We believe the fairr App represents the consumer product that modernizes the radio-listening experience, combines AM/FM with the right mix of other content options—podcasts and exclusive content and programming—and gives users the control they expect in the current audio-streaming landscape.

Overview of Podcasting in the Audio Ecosystem

Another area of significant change within the broader audio ecosystem, we believe, is that podcasting is an emerging new type of audio media and that there are opportunities to develop new forms of content consumption, distribution, and monetization around this new form of audio media. With more than 120 million monthly listeners in the U.S. in 2022, podcasting has exploded within a relatively short period of time. Yet the core offering of a podcast is still very basic, including only audio content for the listener and leveraging audio advertising (embedded within the podcast episode content) as the primary and often exclusive mechanism for generating revenue. Like AM/FM radio, podcasting is ripe for disruption by third parties that bring new and expanded revenue models to the industry.

Additionally, we believe podcasting is still in its infancy and because of that, opportunities exist to improve the overall media creation and consumption experience for podcasters and listeners alike, and that these improvements can create new channels of revenue for content creators. By leveraging more than six years of experience delivering synchronized digital content feeds for radio stations through their mobile apps and web players, the Company believes that basic podcasting audio, as a generic form of audio media, can be enhanced to provide a better content experience for listeners while providing a more robust platform on which podcasters as content creators can more effectively monetize their work.

Software Products and Services

The fairr App

The fairr App is our flagship product and is expected to generate the majority of the Company's future revenue.

How the fairr App Works

A fairr subscriber will select a specific streaming radio station to record and be able to listen to the recording of that station in a customized manner. The App will record the station in real time and its AI algorithm will identify the beginning and end of audio content segments including music and commercials. When the recorded station is played back by the App subscriber, fairr will identify the audio content segments the user chooses not to consume and automatically switch the audio playback of the recording to a different piece of audio content. For example, if a consumer chooses not to listen to commercials during the playback of their recording of a station, the fairr App will automatically cover the commercial segments with other content such as additional music.

The Company is developing strategies and content relationships to access additional content sources to cover commercials and respond to skips across many content segments in addition to music and commercials, such as sports, news, talk and weather. As the audio content ecosystem continues to expand, the Company believes fairr will represent an attractive distribution platform for content providers. There is no guarantee the audio content ecosystem will continue to expand along its current trajectory or that the Company will be able to secure access to content in an economically advantageous manner, both of which would negatively impact the user experience within fairr. The Company has not yet secured the rights from content providers to place any audio content into the platform in an on-demand use case.

Users of fairr can also access any podcast that's publicly available as well as exclusive programming, music stations and Music Casts, through fairrRadio.

The fairr App is built on a proprietary artificial intelligence platform developed and owned by the Company and subject to one issued patent and additional patent applications that are pending.

Copyright Law

To secure the rights to stream music and other content through the fairr app, the Company may enter into license agreements with copyright owners of sound recordings and musical works or their authorized agents. In June 2021, the Company filed a Notice of Use of Sound Recordings Under Statutory License in accordance with 37 CFR § 370.2, which authorized the Company to make noninteractive digital audio transmissions and reproductions of certain sound recordings pursuant to the statutory licenses set forth in 17 U.S.C. §§ 112 and 114. The Company is also in the process of obtaining licenses with the performing rights organizations ("PROs") in the United States, which negotiate blanket licenses with copyright users for the public performance of compositions in their repertoire, collect royalties under such licenses, and distribute those royalties to copyright owners.

The fairr App's architecture presents a built-in digital audio recorder ("DAR") that will allow consumers to record third-party transmissions made available through the fairr App. The Company believes such consumer-initiated recordings are authorized as non-infringing, fair use time shifting by consumers pursuant to the Supreme Court's decision in *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417 (1984). The Supreme Court also ruled that the manufacturers of home video recording devices were not liable for reproductions made by consumers where the devices had substantial non-infringing uses. fairr's DAR is analogous to the Betamax television recorders found non-infringing in the *Universal City Studios* decision. With the fairr's DAR, users can select radio stations to record. Users can also control their listening experience by deciding whether they will listen to commercials or other programming categories selected by the user. The Company believes giving users the ability to avoid commercials is protected, non-infringing activity.

If a court were to hold that one or more functionalities offered by the fairr App resulted in the violation of protected rights of third parties, the Company could be subject to liability for infringement, the damages for which could be material.

Podcast Platform

Auddia's Podcast Platform, which includes the Vodacast mobile app, is an interactive podcasting platform the Company has built that allows podcasters to give their audiences an interactive audio experience. Podcast listeners are able to see video and other digital content that correlates with the podcast audio and is presented to the listener as a digital feed. All content presented in the digital feed can be synched to the podcast audio content. This allows podcast listeners to visually experience, interact with, and eventually comment on audio content in podcasts.

Much of the technology we use in this platform to create the feed of digital content synchronized to the audio content of the podcast is based on the core functionality and product concepts the Company has used historically to provide synchronized digital feeds to over 580 radio stations.

The digital feed introduces a new digital revenue stream to podcasters, such as synchronized digital advertising while providing end users a new digital content channel that complements the core audio channel of the podcast. Below are hypothetical screenshots for a generic Podcast. The image on the right is an example of an episode feed in the Vodacast mobile app while the image on the left is an example of a typical user experience of a podcast episode in most other listening apps. Within the Vodacast episode feed, digital ads can be placed to drive revenue.

All of the content and functionality that is made available within the Podcast Platform, through the Vodacast mobile app, is currently being added to the fairr app, diversifying the podcast offering of fairr and bringing that app up to parity with the major, competing apps like iHeart Radio, TuneIn and Audacy.



Business Model and Customer Acquisition Strategy for fairr

The Company has an eight-year plus history of working closely with the broadcast radio industry in the United States to help the industry adapt to both digital advertising and digital media technologies.

The Company announced several broadcast radio partnerships during 2021 in which we performed commercial trials within these markets. Based on the initial results from our commercial trials, the Company believes consumers are drawn to an interruption-free radio experience. We executed a full launch in February 2022 that initially included approximately 4,000 radio stations on the fairr App. The Company has continued to add stations to the App which now presents more than 6,200 AM/FM streams.

Radio stations owned by broadcasters will be economically incentivized to promote fairr to their listeners. We intend to leverage subscription revenue to compensate participating radio broadcasters for promotional support and their increased music streaming fees. We believe that if participating broadcasters can generate increased revenue from their content, they can decrease their on-air advertising load while increasing the price paid for each commercial, as the commercial is more likely to be heard by consumers in a less cluttered advertising environment. In addition, we intend to offer tiered subscriptions to the fairr App where lower priced subscriptions allow a lower level of functionality and control. We believe that our history and existing relationships with broadcast radio will drive customer acquisition for the fairr App.

Our business model is based on creating a pool of subscription revenue across all streaming stations and other content providers utilizing the fairr platform. This subscription pool, less direct subscriber acquisition costs and increased music streaming fees, is expected to be shared with radio stations and other content providers based on the time each listener spends listening to a station on fairr. We believe this business model will result in broadcasters promoting the listening of their stations within fairr, similar to how radio stations are currently using airtime to promote the listening of their stations on Alexa and other smart speaker systems.

The podcast platform, once implemented in fairr, will be marketed to podcasters and podcasting companies with business-to-business strategies that focus on communicating the value proposition. The potential to earn new, incremental revenue on the fairr platform, in addition to the other key value propositions of the platform, is expected to organically drive podcasters to promote the platform directly to their listeners. Direct-to-consumer marketing will be done independently by the Company and, in some cases, in partnership with podcasters who leverage their audio content programs to promote to their established audiences. As is the case with other proven marketing strategies, we intend to have our partners benefit from a participative revenue share, higher ad revenue, and higher margins on advertising through the Vodacast platform.

Our Legacy Interactive Radio Platform

From 2014 through 2020, the Company was successful in deploying our legacy platform across 580 major radio stations and 1.6 million monthly active users. Although this represents a meaningful user base, it is a small fraction of the listening audience represented by the 580 stations on the Company's legacy platform. We believe the two main reasons radio was not able to drive more users to the platform are that the number of consumers willing to download an individual radio station app is small and that to appeal to a greater digital audience the core listening experience of radio needs to incorporate a premium offering that includes skips, on-demand content and a commercial-free option.

The Company's legacy product served the broadcast industry by providing a platform that allowed for the delivery of actionable digital ads that are synchronized with broadcast and streaming audio ads. Broadcasters offered mobile and web digital interfaces to their listeners, typically for their individual stations. Our Interactive Radio Platform provided mobile and web products that provided end users (listeners) with a visual display of everything a radio station has played in recent history (referred to as a "station feed"). In addition to displaying album art for songs played, and digital insertions for station promotions and programs (e.g., a radio station contest), the station feed also included a digital element for each audio ad that was played. These interactive, synchronized digital ads generate additional revenue for broadcasters and allow for the collection of meaningful advertising analytics which we present to broadcasters through an analytics dashboard.

The Company began phasing out the Interactive Radio Platform in 2020 and ceased operations related to all legacy deployments and services by July 1, 2020. Much of the core technology of this platform is being leveraged for re-use within fairr. Furthermore, our well-established relationships with more than a dozen broadcasters through the sales, marketing and digital services operations are being maintained as we seek to deploy the fairr App at national scale.

Intellectual Property

We rely on a combination of patents, trade secrets, non-disclosure agreements, and other intellectual property to protect the proprietary technologies that we believe are important to our business. Our success will depend in part on our ability to obtain and maintain patent and other proprietary protection for commercially important inventions and know-how, defend and enforce our patents, maintain our licenses, preserve our trade secrets, and operate without infringing valid and enforceable patents and other proprietary rights of third parties. We also rely on continuing technological innovation to develop, strengthen, and maintain our proprietary position in the field of interactive audio.

The Company holds issued patents and has patents pending in the areas of audio content monitoring, identification, distribution and presentation. The Company's intellectual property has been used in the development of products that allow broadcasters and audio content distributors to present digital content and supplemental audio and video content along with and even synchronized with their standard audio content. These products introduce new consumer use scenarios, such as offering direct response to audio ads (such as a standard broadcast radio commercial). The products give consumers, via smartphone applications, a mechanism to identify both the content and the source of content and allow the consumer to act on what they may have heard and/or receive additional information about what they heard.

On March 12, 2019, the United States Patent and Technology Office issued a patent to the Company (titled "Method and System for Sub-Audible Signaling") that covers an advanced "watermarking" technology to attach source-attribution information, as well as highly detailed content descriptors into an audio broadcast or stream. We believe this technology improves the state of the art by potentially increasing the amount of information that can be embedded in an audio stream or broadcast, as well as supporting the real time addition of sub-audio information. The Company does not utilize this patent technology in its current products, but the technology may be useful for future products or potential licensing to others. However, there can be no assurance that this patent or the technology underlying the patent will be utilized or licensed by the Company or, even if utilized or licensed, this patented technology will result in revenues or profits.

The most recent intellectual property to be submitted for patent application is a set of technologies that are integral to the development and operation of consumer-oriented platform that can deliver commercial free broadcast radio content. These technologies involve distributed content monitoring (e.g., on the smartphones of consumers) and content identification, including the identification of the beginning and end of specific segments of content, such as a song or an ad. Combining these capabilities with time-shifting and real-time audio content replacement provides the end user with a dynamic, multi-source, commercial free audio content experience that can include the local content heard on the radio as well as any other content available from an accessible source. This intellectual property serves as the cornerstone of the Company's new focus and allows the Company to eventually expand to provide numerous and various audio content sources on a single platform.

In June 2020 the United States Patent and Technology Office approved the first of these patent applications (titled "Seamless Integration of Radio Broadcast Audio with Streaming Audio") that details a process that can be used to monitor, time shift and play an over the air radio broadcast. This patent will protect key Company functionality that is central to the delivery of our core offering of commercial free radio. For example, using this technology, when a commercial break is detected on the over the air broadcast, alternate content from local or streaming sources can be injected to cover the break. Additionally, a second broadcast radio station can be similarly time shifted and used as alternate content. This intellectual property gives the Company exclusive advantages when dealing with established music rights and content costs issues related to broadcast versus streaming music. This gives the Company leverage when working with both the broadcast industry and the music industry, and options to deliver services from lower cost, over the air audio content sources.

The Company holds trademarks and is in the process of applying for trademarks for key products and brands. The Company holds the trademark for a product named PLAZE, which is a potential commercial-free music streaming product that is a future, strategic opportunity of the business. The Company also holds the trademark for AUDDIA which is used as both the corporate brand name as well as the name of the consumer-facing mobile application that delivers the Company's commercial free radio service. The Company holds the trademark for faidr, which is used as the brand name for their audio Superapp.

In addition, any intellectual property litigation to which we become a party may require us to do one or more of the following:

- cease selling, licensing, or using products or features that incorporate the intellectual property rights that we allegedly infringe, misappropriate, or violate;
- make substantial payments for legal fees, settlement payments, or other costs or damages, including indemnification of third parties;
- obtain a license or enter into a royalty agreement, either of which may not be available on reasonable terms or at all, in order to obtain the right to sell or use the relevant intellectual property; or
- redesign the allegedly infringing products to avoid infringement, misappropriation, or violation, which could be costly, time-consuming, or impossible.

Intellectual property litigation is typically complex, time consuming, and expensive to resolve and would divert the time and attention of our management and technical personnel. It may also result in adverse publicity, which could harm our reputation and ability to attract or retain customers. As we grow, we may experience a heightened risk of allegations of intellectual property infringement. An adverse result in any litigation claims against us could have a material adverse effect on our business, financial condition, and results of operations.

Competition

Our audio service offerings face competition from alternative media platforms and technologies, such as broadband wireless, satellite radio, audio broadcasting by cable television systems and internet-based streaming music services, as well as consumer products, such as portable digital audio players and other mobile devices, smart phones and tablets, gaming consoles, in-home entertainment and enhanced automotive platforms. These alternative platforms and technology are offered by much larger and well-established radio-streaming applications such as iHeart Media, Audacy, and TuneIn. These technologies and alternative media platforms compete with our services for audience share and advertising revenues. There can be no assurance that we will be able to compete successfully in the audio marketplace. We are a small, relatively new company and we do not currently consider the Company to be a significant participant in its industry.

All the top-three radio streamers listed above have the same core weaknesses against faidr. First, none of them can offer complete commercial-free listening. And two, not one is willing to aggregate all the US stations within their platform due to various conflicts of interest. iHeart and Audacy are only interested in allowing users to stream the stations they own and operate, and TuneIn's relationship with iHeart prevents it from offering Audacy stations.

However, our success is dependent upon our development of new services as well as competitive advertising spend, and there can be no assurance that we will have the resources to acquire new users at a compelling rate to out-compete those top-three platforms or to introduce new services to compete with other new technologies or services. Other companies employing new technologies or services could more successfully implement such new technologies or services or otherwise increase competition with our business.

Employees

As of December 31, 2022, we had 15 total employees, 9 of whom were engaged in full-time research and development activities and 6 of whom were engaged in general administration. The Company also works with 1 full-time contractor who supports research and development and 2 part-time contractors who support general administration activities. None of our employees is represented by any collective bargaining unit. We believe that we maintain good relations with our employees.

Health, Safety and Wellness

We believe that our employees are the summation of our successes, which is why we offer an excellent health and benefits program to our employees and their families. We offer our employees comprehensive health insurance as well as optional dental and vision coverage. Additionally, we provide our employees with paid vacation, holiday, family leave and sick leave, with numerous other benefits offered to our employees.

In response to the COVID-19 pandemic, we took immediate steps to protect our employees, clients, and communities in which we operate by making changes to work locations, work protocols, and information services. We continue to maintain our commitment to ensuring our employees' health, safety, and wellness by providing our employees the option to work in office or fully remote. Any employee who works in office must adhere to the Auddia's policy regarding vaccination status to ensure the health and safety of our employees.

Legal Proceedings

From time to time, we may be involved in litigation relating to claims arising out of our operations in the normal course of business. We are not currently a party to any material legal proceedings, the adverse outcome of which, in our management's opinion, individually or in the aggregate, would have a material adverse effect on the results of our operations or financial position. There are no material proceedings in which any of our directors, officers, or affiliates or any registered or beneficial stockholder of more than 5% of our common stock is an adverse party or has a material interest adverse to our interest.

Facilities

In April 2021, the Company entered a twelve-month non-cancelable operating sublease for approximately 8,600 square feet of office space, with an initial base rent of \$7,150 per month with three, separate six-month renewal options, subject to fixed rate escalation increases. In November of 2022, the Company amended the sublease to reflect a new term that now expires on December 14, 2023, unless specifically renewed by the parties. The square footage rented was reduced to approximately 2,160 square feet at the cost of \$4,018 per month. Rent expense was \$104,223 and \$75,336 for the year ended December 31, 2022, and 2021, respectively.

Regulatory and Certifications

We are subject to varying degrees of regulations in each of the jurisdictions in which we provide services. Local laws and regulations, and their interpretation and enforcement, differ significantly among those jurisdictions.

Data privacy has become a significant issue in the United States and in other countries. The regulatory framework for privacy issues worldwide is rapidly evolving and is likely to remain uncertain for the foreseeable future. Many federal, state and foreign government bodies and agencies have adopted or are considering adopting laws and regulations affecting or regarding the collection, use and disclosure of personal information. In the United States, these include, for example, rules and regulations promulgated under the authority of the Federal Trade Commission, the Health Insurance Portability and Accountability Act of 1996, the Family Medical Leave Act of 1993, the ACA, state breach notification laws and state privacy laws, such as the California Consumer Privacy Act of 2018 (the "CCPA"), the California Privacy Rights Act (the "CPRA") and the Illinois Biometric Information Privacy Act (the "BIPA"). Further, because some of our clients have establishments internationally, the European Union's General Data Protection Regulation ("GDPR") and other foreign data privacy laws may impact our processing of certain client and employee information.

We rely on a combination of copyrights, trademarks, service marks, trade secret laws and contractual restrictions to establish and protect our intellectual property rights. We also have a number of registered and unregistered trademarks and will continue to evaluate the registration of additional trademarks as appropriate. We do not have any patents or patent applications pending.

Segment Information

We operate in a single operating segment and a single reporting segment. Operating segments are defined as components of an enterprise about which separate financial information is regularly evaluated by the chief operating decision maker function (which is fulfilled by our chief executive officer) in deciding how to allocate resources and in assessing performance. Our chief executive officer allocates resources and assesses performance based upon financial information at the level. Since we operate in one operating segment, all required financial segment information is presented in the financial statements.

Corporate Information

We were originally formed as Clip Interactive, LLC in January 2012, as a limited liability company under the laws of the State of Colorado. In connection with our initial public offering ("IPO") in February 2021, we converted into a Delaware corporation pursuant to a statutory conversion under the name Auddia Inc. Our principal executive offices are located at 2100 Central Avenue, Suite 200, Boulder, CO 80301. Our main telephone number is (303) 219-9771. Our internet website is www.auddia.com and corporate website is www.auddiainc.com. The information contained in or accessible from our website is not incorporated into this Annual Report, and you should not consider it part of this Annual Report. We have included our website address in this Annual Report solely as an inactive textual reference.

We are an "emerging growth company" as defined in the Jumpstart Our Business Startups Act of 2012. We will remain an emerging growth company until the earlier of: (i) the last day of the fiscal year (a) following the fifth anniversary of the completion of our IPO, (b) in which we have total annual gross revenue of at least \$1.07 billion, or (c) in which we are deemed to be a large accelerated filer, which means the market value of our common stock that is held by non-affiliates exceeds \$700.0 million as of the prior June 30th, and (ii) the date on which we have issued more than \$1.0 billion in non-convertible debt during the prior three-year period.

Available Information

Our internet address is www.auddia.com and our investor relations website is located at investors.auddiainc.com. Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports can be found on our investor relations website, free of charge, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Information contained on our website is not incorporated by reference into this Form 10-K. The SEC maintains a public website, www.sec.gov, which includes information about and the filings of

issuers that file electronically with the SEC.

Item 1A. Risk Factors

This Annual Report on Form 10-K contains forward-looking information based on our current expectations. Because our business is subject to many risks and our actual results may differ materially from any forward-looking statements made by or on behalf of us, this section includes a discussion of important factors that could affect our business, operating results, financial condition and the trading price of our securities. This discussion should be read in conjunction with the other information in this Annual Report on Form 10-K, including our financial statements and the related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations. The occurrence of any of the events or developments described below could have a material adverse effect on our business, results of operations, financial condition, prospects and securities trading prices. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations.

Risks related to the COVID-19 pandemic

Public health officials have recommended and mandated precautions to mitigate the spread of COVID-19. Our research and development and our entire business may be adversely impacted by actions taken to contain or treat the impact of COVID-19, and the extent of such impact will depend on future developments, which are highly uncertain and cannot be predicted. The COVID-19 pandemic has adversely impacted economic activity and conditions worldwide. Although our business has not been adversely impacted by the COVID-19 pandemic to date, the Company cannot predict with certainty the full extent the COVID-19 pandemic will have on our business including macroeconomic conditions and customer demand for our products in the future.

Risks related to our financial position and need for additional capital

Our auditors have expressed substantial doubt about our ability to continue as a going concern, which may hinder our ability to obtain further financing.

Our past working capital deficiency, stockholders' deficit and recurring losses from operations raised substantial doubt about our ability to continue as a going concern. As a result, our independent registered public accounting firm has included an explanatory paragraph in its report on our financial statements for the year ended December 31, 2022 with respect to this uncertainty. Our existing cash of \$1.66 million at December 31, 2022 will only be sufficient to fund our current operating plans into the second quarter of 2023. The Company has based these estimates, however, on assumptions that may prove to be wrong. We will need additional funding to complete the development of our full product line and scale products with a demonstrated market fit. Management has plans to secure such additional funding. If we are unable to raise capital when needed or on acceptable terms, we would be forced to delay, reduce, or eliminate our technology development and commercialization efforts.

We have incurred significant net losses since inception and anticipate that we will continue to incur net losses for the foreseeable future and may never achieve or maintain profitability.

Since inception, we have incurred significant net losses. We expect to continue to incur net losses in the near term. Our net losses were \$6,897,446 and \$13,478,069 for the years ended December 31, 2022, and 2021, respectively. For the year ended December 31, 2022, our cash used in operations was \$4,752,750. At December 31, 2022, we had cash and equivalents on hand of \$1,661,434. To date, we have devoted our efforts towards securing financing, building, and evolving our technology platform, marketing our mobile app product for radio stations as well as initiating our marketing efforts for our music player. We expect to continue to incur significant expenses and operating losses for the foreseeable future. We anticipate that our expenses will increase substantially if, and as, we:

- incur costs related to the national launch of our fairr App and as we continue obtaining market acceptance;
- recruit and retain podcasters and content creators to fairr and retaining listeners on the platform;
- continue to develop and improve our technology;
- effectively addressing any competing technological and market developments;
- add operational, business development & marketing personnel; and
- incur legal expenses related to avoiding and defending against intellectual property infringement, misappropriation and other claims.

To become profitable, we must develop and eventually commercialize the fairr product or the Vodacast platform, with significant market potential. This will require us to be successful in a range of challenging activities, and our expenses will increase substantially as we acquire and retain users. We may never succeed in any or all of these activities and, even if we do, we may never generate revenue that is significant or large enough to achieve profitability. If we do achieve profitability, we may not be able to sustain or increase profitability on a quarterly or annual basis. Our failure to become and remain profitable would decrease the value of our company and could impair our ability to raise capital, develop new products, expand our business or continue our operations. A decline in the value of our Company also could cause stockholders to lose all or part of their investment.

We will need additional funding, which may not be available on acceptable terms, or at all. Failure to obtain this capital when needed may force us to delay, limit or terminate our product development efforts or other operations.

We expect our expenses to increase in connection with our ongoing activities, particularly as we continue to invest in sales, marketing and engineering resources and bring our products to market. Furthermore, we continue to incur additional costs associated with operating as a public company. Our existing cash of \$1.66 million at December 31, 2022 will only be sufficient to fund our current operating plans into the second quarter of 2023. The Company has based these estimates, however, on assumptions that may prove to be wrong. We will need additional funding to complete the development of our full product line and scale products with a demonstrated market fit. Management has plans to secure such additional funding. If we are unable to raise capital when needed or on acceptable terms, we would be forced to delay, reduce, or eliminate our technology development and commercialization efforts.

Building and scaling technology products is a time-consuming, expensive and uncertain process that takes years to complete, and we may never generate the necessary user experience required to obtain market acceptance and achieve meaningful product sales. In addition, our product candidates, once developed, may not achieve commercial success. The majority of revenue will be derived from or based on sales of software products that may not be commercially available for many years, if at all. Accordingly, we will need to continue to rely on additional financing to achieve our business objectives. Adequate additional financing may not be available to us on acceptable terms, or at all.

Raising additional capital may cause dilution to our existing stockholders, restrict our operations or require us to relinquish rights to our technologies and product candidates.

We may seek additional capital through a combination of public and private equity offerings, debt financings, strategic partnerships and alliances and licensing arrangements. To the extent that we raise additional capital through the sale of equity or convertible debt securities, the ownership interest of stockholders will be diluted, and the terms may include liquidation or other preferences that adversely affect the rights of existing stockholders. The incurrence of indebtedness would result in increased fixed payment obligations and could involve restrictive covenants, such as limitations on our ability to incur additional debt, limitations on our ability to acquire or license intellectual property rights and other operating restrictions that could adversely impact our ability to conduct our business. If we raise additional funds through strategic partnerships and alliances and licensing arrangements with third parties, we may have to relinquish valuable rights to our technologies, or our other product candidates, or grant licenses on terms unfavorable to us.

We have generated historical revenue from our mobile app platform for radio stations, but future revenue growth is dependent on new software services.

Our ability to generate revenue from product sales and achieve profitability depends on our ability to successfully complete the development and commercialization of future software products. Our ability to generate meaningful revenue from product sales depends heavily on our success in:

- obtaining market acceptance;
- effectively addressing any competing technological and market developments;
- negotiating favorable terms in any collaboration, licensing or other arrangements into which we may enter and performing our obligations under such arrangements;
- maintaining, protecting, enforcing, and expanding our portfolio of intellectual property rights, including patents, trademarks, trade secrets and know-how;
- avoiding and defending against intellectual property infringement, misappropriation and other claims;
- implementing additional internal systems and infrastructure, as needed; and
- attracting, hiring and retaining qualified personnel.

Our limited operating history of our current business plan may make it difficult for investors to evaluate the success of our business to date and to assess our future viability.

We are an early-stage company founded in 2012, with a limited operating history that has recently changed its business plan to develop and sell our new and potential products. There can be no assurance that any of our future products and services will be successfully developed, protected from competition by others, or marketed successfully. Accordingly, there can be no assurance that we will ever have positive net earnings.

We have identified material weaknesses in our internal control over financial reporting. Failure to achieve and maintain effective internal control over financial reporting could result in our failure to accurately or timely report our financial condition or results of operations, which could have a material adverse effect on our business and securities prices.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our financial statements will not be prevented or detected on a timely basis. Management is working to remediate our current material weaknesses and prevent potential future material weaknesses by hiring additional qualified accounting and financial reporting personnel, and further reviewing and enhancing our accounting processes. We may not be able to fully remediate any future material weaknesses until these steps have been completed and have been operating effectively for a sufficient period of time. If we are not able to maintain effective internal control over financial reporting, our financial statements and related disclosures may be inaccurate, which could have a material adverse effect on our business and our securities prices.

We are required to comply with the SEC's rules implementing Sections 302 and 404 of the Sarbanes-Oxley Act, which requires management to certify financial and other information in our quarterly and annual reports and provide an annual management report on the effectiveness of our controls over financial reporting. This assessment includes disclosure of any material weaknesses identified by our management in our internal control over financial reporting, as well as a statement that our independent registered public accounting firm has issued an opinion on the effectiveness of our internal control over financial reporting, *provided that* our independent registered public accounting firm will not be required to attest to the effectiveness of our internal control over financial reporting until our first annual report required to be filed with the SEC following the later of the date we are deemed to be an "accelerated filer" or a "large accelerated filer," each as defined in the Securities and Exchange Act of 1934, as amended (the "Exchange Act"), or the date we are no longer an emerging growth company, as defined in the JOBS Act. We could be an emerging growth company for up to five years.

If we fail to maintain proper and effective internal controls, our ability to produce accurate financial statements on a timely basis could be impaired, which would adversely affect our business.

Ensuring that we have adequate internal financial and accounting controls and procedures in place to produce accurate financial statements on a timely basis is a costly and time-consuming effort that needs to be re-evaluated frequently. The rapid growth of our operations and the completed IPO has created a need for additional resources within the accounting and finance functions due to the increasing need to produce timely financial information and to ensure the level of segregation of duties customary for a U.S. public company. We continue to reassess the sufficiency of finance personnel in response to these increasing demands and expectations.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Our management does not expect that our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within our company will have been detected.

We expect to expend significant resources in developing the necessary documentation and testing procedures required by Section 404 of the Sarbanes-Oxley Act. We cannot be certain that the actions we will be taking to improve our internal controls over financial reporting will be sufficient, or that we will be able to implement our planned processes and procedures in a timely manner. In addition, if we are unable to produce accurate financial statements on a timely basis, investors could lose confidence in the reliability of our financial statements, which could cause the market price of our common stock to decline and make it more difficult for us to finance our operations and growth.

Risks related to the development of our products

Our subscription revenue margins and our freedom to operate our fair radio platform rely on continuity of the established music licensing framework.

Present music licensing costs and general rights to play music are determined by an established statutory rate framework which could change in the future. Changes in licensing costs and general rights to play music content could impact our direct costs for content or even prohibit access to content that is fundamental to the platform. Changes could adversely impact our cost to operate the platform and/or our rights to deliver content to end users.

Our fairr platform will rely on the established “personal use exemption” which allows individuals to record content for time-shifting purposes.

The fairr platform will allow consumers to access broadcast audio content “live,” in real-time with a slight delay, and also enables consumers to buffer audio content on the user’s device for delayed playback, that can take advantage of the App’s intelligent listening capabilities. We believe that the limited buffering provided for within the fairr App is lawful and falls within the United States Supreme Court’s ruling allowing consumers the right to time shift programming for later consumption. The fairr App only permits buffering on the user’s mobile device in a manner that does not permit librarying of content by the consumer and no right to offload content from the fairr App to another device, other than through the exploitation of the “analog hole” (e.g., allowing another device to record audio while it is playing through the fairr App). While we believe that the functionality of the fairr App is protected under current law, there is a risk that one or more aspects of the fairr App may be found to violate the rights of third parties. If it is determined that we are not permitted to give consumers the right to buffer content locally and also control their listener experience by receiving alternative programming to what is included in an AM/FM station’s transmission, certain features of the fairr App may have to be disabled or discontinued, the costs to the Company for access to content could increase significantly, and result in an increase in the consumer price of the App, thus making the fairr App less desirable in the marketplace.

If we are unable to obtain and maintain patent protection for our products and product candidates, or if the scope of the patent protection obtained is not sufficiently broad, our competitors could develop and commercialize products and product candidates similar or identical to ours, and our ability to successfully commercialize our products and product candidates may be adversely affected.

Our commercial success will depend, in part, on our ability to obtain and maintain patent protection in the United States and other countries with respect to our products and product candidates. We seek to protect our proprietary position by filing patent applications in the United States and abroad related to our products and product candidates that are important to our business.

We cannot be certain that additional patents will be issued or granted with respect to applications that are currently pending or that we may apply for in the future with respect to one or more of our products and product candidates, or that issued or granted patents will not later be found to be invalid and/or unenforceable.

The patent prosecution process is expensive and time-consuming. We may not be able to file and prosecute all necessary or desirable patent applications at a reasonable cost or in a timely manner. It is also possible that we will fail to identify patentable aspects of our research and development output before it is too late to obtain patent protection. Although we enter into non-disclosure and confidentiality agreements with parties who have access to patentable aspects of our research and development output, such as our employees, collaboration partners, consultants, advisors and other third parties, any of these parties may breach the agreements and disclose such output before a patent application is filed, thereby jeopardizing our ability to seek patent protection.

Real or perceived errors, failures or bugs in our platform or products could materially and adversely affect our operating results and growth prospects.

The software underlying our platform and products is highly technical and complex. Our software has previously contained, and may now or in the future contain, undetected errors, bugs or vulnerabilities. In addition, errors, failures and bugs may be contained in open source software utilized in building and operating our products or may result from errors in the deployment or configuration of open source software. Some errors in our software may only be discovered after the software has been deployed or may never be generally known. Any errors, bugs or vulnerabilities discovered in our software after it has been deployed, or never generally discovered, could result in interruptions in platform availability, product malfunctioning or data breaches, and thereby result in damage to our reputation, adverse effects upon customers and users, loss of customers and relationships with third parties, including social media networks, loss of revenue or liability for damages. In some instances, we may not be able to identify the cause or causes of these problems or risks within an acceptable period of time.

Risks related to our business operations

Our future success depends on our ability to retain key employees, consultants and advisors and to attract, retain and motivate qualified personnel.

We are highly dependent on members of our executive team; the loss of whose services may adversely impact the achievement of our objectives. While we have entered into employment agreements with certain of our executive officers, any of them could leave our employment at any time. We currently do not have “key person” insurance on any of our employees. The loss of the services of one or more of our current employees might impede the achievement of our research, development and commercialization objectives.

Recruiting and retaining other qualified employees, consultants and advisors for our business, including scientific and technical personnel, will also be critical to our success. Competition for skilled personnel is intense and the turnover rate can be high. We may not be able to attract and retain personnel on acceptable terms given the competition among numerous technology companies for individuals with similar skill sets. The inability to recruit, or loss of services of certain executives, key employees, consultants or advisors, may impede the progress of our product development and commercialization objectives.

If we are unable to manage expected growth in the scale and complexity of our operations, our performance may suffer.

If we are successful in executing our business strategy, we will need to expand our managerial, operational, financial and other systems and resources to manage our operations, continue our technology development activities and, in the longer term, scale a commercial infrastructure to support our product roll out and end user projections. Future growth would impose significant added responsibilities on members of management. It is likely that our management, finance, sales, marketing and engineering systems and facilities currently in place may not be adequate to support this future growth. Our need to effectively manage our operations, growth and future product commercialization requires that we continue to develop more robust business processes and improve our systems and procedures in each of these areas and to attract and retain sufficient numbers of talented employees. We may be unable to successfully implement these tasks on a larger scale and, accordingly, may not achieve our product development and growth goals.

Any cybersecurity-related attack, significant data breach or disruption of the information technology systems or networks on which we rely could negatively affect our business.

Our operations rely on information technology systems for the use, storage and transmission of sensitive and confidential information with respect to our customers, our customers' consumers or other social media audiences, the third-party technology platforms of other parties and our employees. A malicious cybersecurity-related attack, intrusion or disruption by either an internal or external source or other breach of the systems on which our platform and products operate, and on which our employees conduct business, could lead to unauthorized access to, use of, loss of or unauthorized disclosure of sensitive and confidential information, disruption of our services, and resulting regulatory enforcement actions, litigation, indemnity obligations and other possible liabilities, as well as negative publicity, which could damage our reputation, impair sales and harm our business. Cyberattacks and other malicious internet-based activity continue to increase, and cloud-based platform providers of products and services have been and are expected to continue to be targeted. In addition to traditional computer "hackers," malicious code (such as viruses and worms), phishing, employee theft or misuse and denial-of-service attacks, sophisticated nation-state and nation-state supported actors now engage in attacks (including advanced persistent threat intrusions). Despite efforts to create security barriers to such threats, it is not feasible, as a practical matter, for us to entirely mitigate these risks. If our security measures are compromised as a result of third-party action, employee, customer, or user error, malfeasance, stolen or fraudulently obtained log-in credentials or otherwise, our reputation would be damaged, our data, information or intellectual property, or those of our customers, may be destroyed, stolen or otherwise compromised, our business may be harmed and we could incur significant liability. We have not always been able in the past and may be unable in the future to anticipate or prevent techniques used to obtain unauthorized access to or compromise of our systems because they change frequently and are generally not detected until after an incident has occurred. We also cannot be certain that we will be able to prevent vulnerabilities in our software or address vulnerabilities that we may become aware of in the future. Further, as we rely on third-party cloud infrastructure, we depend in part on third party security measures to protect against unauthorized access, cyberattacks and the mishandling of data and information. Any cybersecurity event, including any vulnerability in our software, cyberattack, intrusion or disruption, could result in significant increases in costs, including costs for remediating the effects of such an event, lost revenue due to network downtime, and a decrease in customer and user trust, increases in insurance premiums due to cybersecurity incidents, increased costs to address cybersecurity issues and attempts to prevent future incidents, and harm to our business and our reputation because of any such incident.

There can be no assurance that any limitation of liability provisions in our technical and/or subscription agreements would be enforceable or adequate or would otherwise protect us from any such liabilities or damages with respect to any claim related to a cybersecurity incident. We also cannot be sure that our existing general liability insurance coverage and coverage for cyber liability or errors or omissions will continue to be available on acceptable terms or will be available in sufficient amounts to cover one or more large claims or that the insurer will not deny coverage as to any future claim. The successful assertion of one or more large claims against us that exceed available insurance coverage, or the occurrence of changes in our insurance policies, including premium increases or the imposition of large deductible or co-insurance requirements, would harm our business.

Many governments have enacted laws requiring companies to provide notice of data security incidents involving certain types of personal data. In addition, some of our customers require us to notify them of data security breaches. Security compromises experienced by our competitors, by our customers or by us may lead to public disclosures, which may lead to widespread negative publicity. Any security compromise in our industry, whether actual or perceived, could harm our reputation, erode confidence in the effectiveness of our security measures, negatively affect our ability to attract new customers, encourage consumers to restrict the sharing of their personal data with our customers or the social media networks, cause existing customers to elect not to renew their subscriptions or subject us to third-party lawsuits, regulatory fines or other action or liability, which could harm our business.

Changing regulations and increased awareness relating to privacy, information security and data protection could increase our costs, affect or limit how we collect and use personal information and harm our brand.

We receive, store and otherwise process personal information and other data from and about our customers and our employees. We also receive personal information and other data about our customers' consumers or other social media audiences. There are numerous federal, state, local and international laws and regulations regarding privacy, data protection, information security and the storing, sharing, use, processing, transfer, disclosure, retention and protection of personal information and other content, the scope of which is rapidly changing, subject to differing interpretations and may be inconsistent among countries and states, or conflict with other rules. We are also subject to the terms of our privacy policies and contractual obligations to third parties related to privacy, data protection and information security. We strive to comply with applicable laws, regulations, policies and other legal obligations relating to privacy, data protection and information security. However, the regulatory framework for privacy, data protection and information security worldwide is, and is likely to remain, uncertain for the foreseeable future, and it is possible that these or other actual or alleged obligations may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another and may conflict with other rules or our practices.

We also expect that there will continue to be new laws, regulations and industry standards concerning privacy, data protection and information security proposed and enacted in various jurisdictions. The United States, the European Union ("EU"), and other countries in which we currently or may operate are increasingly adopting or revising privacy, copyright, information security and data protection laws and regulations that could have a significant impact on our current and planned privacy, data protection and information security-related practices, our collection, use, sharing, retention and safeguarding of customer, consumer and/or employee information, as well as any other third-party information we receive, and some of our current or planned business activities. New and changing laws, regulations, and industry standards concerning privacy, data protection and information security may also impact the social media platforms and data providers we utilize, and thereby indirectly impact our business. In the United States, this includes increased privacy-related regulations and enforcement activity at both the federal level and state levels that impose requirements on the personal information we collect in the course of our business activities. In the EU, this includes the General Data Protection Regulation ("GDPR"), which came into effect in May 2018. While we have taken measures to comply with applicable requirements contained in the GDPR, we may need to continue to make adjustments as more clarification and guidance on the requirements of the GDPR and how to comply with such requirements becomes available. Further, following a referendum in June 2016 in which voters in the United Kingdom approved an exit from the EU, the United Kingdom government has initiated a process to leave the EU, known as Brexit. Brexit has created uncertainty with regard to the regulation of data protection in the United Kingdom. In particular, although the United Kingdom enacted a Data Protection Act in May 2018 that is designed to be consistent with the GDPR, uncertainty remains regarding how data transfers to and from the United Kingdom will be regulated. Additionally, although we have self-certified under the U.S.-EU and U.S.-Swiss Privacy Shield Frameworks with regard to our transfer of certain personal data from the EU and Switzerland to the United States, some regulatory uncertainty remains surrounding the future of data transfers from the EU and Switzerland to the United States, and we are monitoring regulatory developments in this area. California also recently enacted legislation, the California Consumer Privacy Act of 2018, (the "CCPA"), that will afford consumers expanded privacy protections and control over the collection, use and sharing of their personal information when it goes into effect on January 1, 2020. The CCPA was recently amended, and it is possible that it will be amended again before it goes into effect. The potential effects of this legislation are far-reaching and may require us to modify our data processing practices and policies and to incur substantial costs and expenses in an effort to comply. For example, the CCPA gives California residents expanded rights to access and require deletion of their personal information, opt out of certain personal information sharing and receive detailed information about how their personal information is used. The CCPA also provides for civil penalties for violations, as well as a private right of action for data breaches that may increase data breach litigation.

With laws and regulations such as the GDPR in the EU and the CCPA in the United States imposing new and relatively burdensome obligations, and with substantial uncertainty over the interpretation and application of these and other laws and regulations, we may face challenges in addressing their requirements and making necessary changes to our policies and practices, and may incur significant costs and expenses in an effort to do so. For example, the increased consumer control over the sharing of their personal information afforded by CCPA may affect our customers' ability to share such personal information with us or may require us to delete or remove consumer information from our records or data sets, which may create considerable costs for our organization. In addition, any failure or perceived failure by us to comply with our privacy policies, our privacy-, data protection- or information security-related obligations to customers, users or other third parties or any of our other legal obligations relating to privacy, data protection or information security may result in governmental investigations or enforcement actions, litigation, claims or public statements against us by consumer advocacy groups or others, and could result in significant liability, loss of relationships with key third parties including social media networks and other data providers, or cause our users to lose trust in us, which could have an adverse effect on our reputation and business. Furthermore, the costs of compliance with, and other burdens imposed by, the laws, regulations and policies that are applicable to the businesses of our users may limit the adoption and use of, and reduce the overall demand for, our platform.

Additionally, if the third parties we work with, such as vendors or developers, violate applicable laws or regulations or our policies, such violations may also put our customers' and their users' and consumers' or other social media audiences' content at risk and could in turn have an adverse effect on our business. Any significant change to applicable laws, regulations or industry practices regarding the collection, use, retention, security or disclosure of such content, or regarding the manner in which the express or implied consent of such persons for the collection, use, retention or disclosure of such content is obtained, could increase our costs and require us to modify our services and features, possibly in a material manner, which we may be unable to complete and may limit our ability to store and process user data or develop new services and features. All of these implications could adversely affect our revenue, results of operations, business and financial condition.

We may also face different obligations in foreign jurisdictions when providing access to AM/FM radio station simulcasts through the fairr App. In the United States, we will generally not be liable for monetary damages for copyright infringement arising from a radio station's transmissions made accessible through the fairr App even if the owner of the station has failed to obtain all necessary licenses to simulcast music over the Internet. In the UK and the EU, the laws differ from those in the United States for companies that operate directory services and we may either have to disable access to stations that have failed to obtain the necessary licenses for accessibility through the fairr App in different jurisdictions or obtain licenses to cover the communications to the public made by such stations and accessed through the fairr App. The costs for such licenses could be excessive and negatively impact our business, operations and financial condition.

Our business depends on a strong brand, and if we are not able to develop, maintain and enhance our brand, our business and operating results may be harmed. Moreover, our brand and reputation could be harmed if we were to experience significant negative publicity.

We believe that developing, maintaining and enhancing our brand is critical to achieving widespread acceptance of our platform and products, attracting new customers, retaining existing customers, persuading existing customers to adopt additional products and use-cases, and hiring and retaining our employees. We believe that the importance of our brand will increase as competition in our market further intensifies. Successful promotion of our brand will depend on a number of factors, including the effectiveness of our marketing efforts, including thought leadership, our ability to provide a high-quality, reliable and cost-effective platform, the perceived value of our platform and products and our ability to provide quality customer success and support experience. Brand promotion activities require us to make substantial expenditures. To date, we have made significant investments in the promotion of our brand. The promotion of our brand, however, may not generate customer awareness or increase revenue, and any increase in revenue may not offset the expenses we incur in building and maintaining our brand.

We operate in a public-facing industry in which every aspect of our business is impacted by social media. Negative publicity, whether or not justified, can spread rapidly through social media. To the extent that we are unable to respond timely and appropriately to negative publicity, our reputation and brand could be harmed. Moreover, even if we are able to respond in a timely and appropriate manner, we cannot predict how negative publicity may affect our reputation and business. We and our employees also use social media to communicate externally. There is risk that the use of social media by us or our employees to communicate about our business may give rise to liability or result in public exposure of personal information of our employees or customers, each of which could affect our revenue, business, results of operations and financial condition.

Enacted and future legislation may increase the difficulty and cost for us to commercialize our product candidates and may affect the prices we may set.

Our business and financial prospects could be affected by changes in laws, regulations, and policies in the United States and abroad. We operate in a highly regulated industry and new laws or judicial decisions, or new interpretations of existing laws or decisions, including those related to copyright, and the amount of payment for content rights could negatively impact our business, operations and financial condition.

We may be subject to litigation, disputes or regulatory inquiries for a variety of claims, which could adversely affect our results of operations, harm our reputation or otherwise negatively affect our business.

From time to time, we may be involved in litigation, disputes or regulatory inquiries that arise in the ordinary course of business. These may include claims, lawsuits and proceedings involving labor, and employment, wage and hour, commercial, alleged securities law violations or other investor claims, claims for trademark or copyright infringement and other matters. We expect that the number and significance of these potential disputes may increase as our business expands, our company grows larger and more users listen to streaming audio through our fairr App. While our agreements with customers limit our liability for damages arising from our platform, we cannot assure you that these contractual provisions will protect us from liability for damages in the event we are sued or protect us from claims against third parties with whom we do not have agreements. Radio station owners may object to our providing access to their simulcast streams through the fairr App in a manner that gives the consumer the ability to control whether the consumer listens to audio advertisements included in the station's transmissions. The copyright owners of musical works and sound recordings may object to our providing users with the ability to buffer audio content for time shifting purposes. Although we carry general liability insurance coverage, our insurance may not cover all potential claims to which we are exposed or may not be adequate to indemnify us for all liability that may be imposed. Any claims against us, whether meritorious or not, could be time consuming, result in costly litigation, require significant amounts of management time, adversely affect our reputation and result in the diversion of significant operational resources. Because litigation is inherently unpredictable, we cannot assure you that the results of any of these actions will not have a material adverse effect on our revenue, business, brand, results of operations and financial condition.

Risks related to our intellectual property

Our business is subject to the risks of earthquakes, fire, floods and other natural catastrophic events, and to interruption by man-made problems such as power disruptions, computer viruses, cyberattack, data security breaches or terrorism.

A significant natural disaster, such as an earthquake, fire or a flood, occurring where a business partner is located could adversely affect our business, results of operations and financial condition. Further, if a natural disaster or man-made problem were to affect our network service providers or Internet service providers, this could adversely affect the ability of our customers to use our products and platform. In addition, natural disasters and acts of terrorism could cause disruptions in our or our customers' businesses, national economies, or the world economy. We also rely on our network and third-party infrastructure and enterprise applications and internal technology systems for our engineering, sales and marketing and operations activities. If a major disruption is caused by a natural disaster or man-made problem, we may be unable to continue our operations and may endure system interruptions, reputational harm, delays in our development activities, lengthy interruptions in service, breaches of data security and loss of critical data, any of which could adversely affect our business, results of operations and financial condition.

Any failure to protect our intellectual property rights could impair our business.

Our success and ability to compete depend in part upon our intellectual property. We attempt to protect our intellectual property rights, both in the United States and in foreign countries, through a combination of patent, trademark, copyright and trade secret laws, as well as licensing agreements and third-party nondisclosure and assignment agreements. However, the steps we take to protect our intellectual property rights may be inadequate. Because of the differences in foreign trademark, patent and other laws concerning proprietary rights, our intellectual property rights may not receive the same degree of protection in foreign countries as they would in the United States. Our failure to obtain or maintain adequate protection of our intellectual property rights for any reason could have a material adverse effect on our business, results of operations and financial condition.

We have applied for patent protection in the United States relating to certain existing and proposed systems, methods and processes. We cannot assure that any of our patent applications will result in an issued patent. Any patent(s) we own could be challenged, invalidated or circumvented by others and may not be of sufficient scope or strength to provide us with any meaningful protection or commercial advantage. Further, we cannot assure you that competitors will not infringe our patent(s), or that we will have adequate resources to enforce our patent(s).

We also rely on unpatented proprietary technology. It is possible that others will independently develop the same or similar technology or otherwise obtain access to our unpatented technology. To protect our trade secrets and other proprietary information, we have entered into confidentiality agreements with most of our employees and consultants. We cannot assure you that these agreements will provide meaningful protection for our trade secrets, know-how or other proprietary information in the event of any unauthorized use, misappropriation or disclosure of such trade secrets, know-how or other proprietary information. If we are unable to maintain the proprietary nature of our technologies, our business, financial condition and results of operations could be harmed.

We rely on our trademarks, service marks, trade names, and brand names to distinguish our products and services from the products and services of our competitors and have registered or applied to register many of these trademarks in the United States and other jurisdictions. We cannot assure you that our trademark applications will be approved. Third parties may also oppose our trademark applications, or otherwise challenge our use of the trademarks, or use and register confusingly similar trademarks in these or other jurisdictions. In the event that our trademarks are successfully challenged, we could be forced to rebrand our products and services, which could result in loss of brand recognition, and could require us to devote resources advertising and marketing new brands. Further, we cannot assure you that third parties will not infringe our trademarks, or that we will have adequate resources to enforce our trademarks.

Although we rely on copyright laws to protect the works of authorship (including software) created by us, we do not register the copyrights in any of our copyrightable works. Copyrights of U.S. origin must be registered before the copyright owner may bring an infringement suit in the United States. Furthermore, if a copyright of U.S. origin is not registered within three months of publication of the underlying work, the copyright owner is precluded from seeking statutory damages or attorney's fees in any United States enforcement action and is limited to seeking actual damages and lost profits. Accordingly, if one of our unregistered copyrights of U.S. origin is infringed by a third party, we will need to register the copyright before we can file an infringement suit in the United States, and our remedies in any such infringement suit may be limited.

In order to protect our intellectual property, we may be required to spend significant resources to monitor and protect our rights. Litigation brought to protect and enforce our intellectual property rights could be costly, time-consuming and distracting to management, and could result in the impairment or loss of portions of our intellectual property. Furthermore, our efforts to enforce our intellectual property rights may be met with defenses, counterclaims and countersuits attacking the validity and enforceability of our intellectual property rights. Our failure to secure, protect and enforce our intellectual property rights could adversely affect our brand and adversely affect our business.

If third parties claim that we infringe upon or otherwise violate their intellectual property rights, our business could be adversely affected.

We face the risk of claims that we have infringed or otherwise violated third parties' intellectual property rights. There is considerable patent and other intellectual property development activity in our industry. Our future success depends in part on not infringing upon or otherwise violating the intellectual property rights of others. From time to time, our competitors or other third parties may claim that we are infringing upon or otherwise violating their intellectual property rights, and we may be found to be infringing upon or otherwise violating such rights. We may be unaware of the intellectual property rights of others that may cover some or all of our technology or conflict with our trademark rights. Any claims of intellectual property infringement or other intellectual property violations, even those without merit, could:

- be expensive and time consuming to defend;
- cause us to cease making, licensing or using our platform or products that incorporate the challenged intellectual property;
- require us to modify, redesign, reengineer or rebrand our platform or products, if feasible;
- divert management's attention and resources; and/or
- require us to enter into royalty or licensing agreements in order to obtain the right to use a third party's intellectual property.

Any royalty or licensing agreements, if required, may not be available to us on acceptable terms or at all. A successful claim of infringement against us could result in our being required to pay significant damages, enter into costly settlement agreements, or prevent us from offering our platform or products, any of which could have a negative impact on our operating profits and harm our future prospects. We may also be obligated to indemnify our customers or business partners in connection with any such litigation and to obtain licenses, modify our platform or products, or refund subscription fees, which could further exhaust our resources. Such disputes could also disrupt our platform or products, adversely affecting our customer satisfaction and ability to attract customers.

Our use of "open source" software could negatively affect our ability to offer and sell access to our platform and products and subject us to possible

litigation.

We use open source software in our platform and products and expect to continue to use open source software in the future. There are uncertainties regarding the proper interpretation of and compliance with open source licenses, and there is a risk that such licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our ability to use such open source software, and consequently to provide or distribute our platform and products. Although use of open source software has historically been free, recently several open source providers have begun to charge license fees for use of their software. If our current open source providers were to begin to charge for these licenses or increase their license fees significantly, this would increase our research and development costs and have a negative impact on our results of operations and financial condition.

Additionally, we may from time-to-time face claims from third parties claiming ownership of, or seeking to enforce the terms of, an open source license, including by demanding release of source code for the open source software, derivative works or our proprietary source code that was developed using or that is distributed with such open source software. These claims could also result in litigation and could require us to make our proprietary software source code freely available or require us to devote additional research and development resources to change our platform or incur additional costs and expenses, any of which could result in reputational harm and would have a negative effect on our business and operating results. In addition, if the license terms for the open source software we utilize change, we may be forced to reengineer our platform or incur additional costs to comply with the changed license terms or to replace the affected open source software. Further, use of certain open source software can lead to greater risks than use of third-party commercial software, as open source licensors generally do not provide warranties or controls on the origin of software or indemnification for third party infringement claims. Although we have implemented policies to regulate the use and incorporation of open source software into our platform and products, we cannot be certain that we have not incorporated open source software in our platform and products in a manner that is inconsistent with such policies.

In addition, any intellectual property litigation to which we become a party may require us to do one or more of the following:

- cease selling, licensing, or using products or features that incorporate the intellectual property rights that we allegedly infringe, misappropriate, or violate;
- make substantial payments for legal fees, settlement payments, or other costs or damages, including indemnification of third parties;
- obtain a license or enter into a royalty agreement, either of which may not be available on reasonable terms or at all, in order to obtain the right to sell or use the relevant intellectual property; or
- redesign the allegedly infringing products to avoid infringement, misappropriation, or violation, which could be costly, time-consuming, or impossible.

Intellectual property litigation is typically complex, time consuming, and expensive to resolve and would divert the time and attention of our management and technical personnel. It may also result in adverse publicity, which could harm our reputation and ability to attract or retain customers. As we grow, we may experience a heightened risk of allegations of intellectual property infringement. An adverse result in any litigation claims against us could have a material adverse effect on our business, financial condition, and results of operations.

Indemnity provisions in various agreements potentially expose us to substantial liability for intellectual property infringement and other losses.

Our agreements with customers and other third parties may include indemnification or other provisions under which we agree to indemnify or otherwise be liable to them for losses suffered or incurred as a result of claims of intellectual property infringement, damages caused by us to property or persons, or other liabilities relating to or arising from our platform, products or other acts or omissions. The term of these contractual provisions often survives termination or expiration of the applicable agreement. Large indemnity payments or damage claims from contractual breach could harm our business, operating results and financial condition.

From time to time, customers may require us to indemnify or otherwise be liable to them for breach of confidentiality or failure to implement adequate security measures with respect to their data stored, transmitted or processed by our employees, platform or products. Although we normally contractually limit our liability with respect to such obligations, we may still incur substantial liability related to them. Any dispute with a customer with respect to such obligations could have adverse effects on our relationship with that customer and other current and prospective customers, reduce demand for our platform or products, and harm our revenue, business and operating results.

Risks related to ownership of our common stock

Our executive officers, directors, and principal stockholders will maintain the ability to control all matters submitted to our stockholders for approval.

Our executive officers, directors and stockholders who owned more than 5% of our outstanding common stock will, in the aggregate, beneficially own common shares representing approximately 37% of our outstanding common stock as of March 10, 2023. As a result, if these stockholders were to act together, they would most likely be able to control most or all matters submitted to our stockholders for approval, as well as our management and affairs. For example, these persons, if they act together, they would likely control the election of directors and approval of any merger, consolidation, or sale of all or substantially all of our assets. This concentration of voting power could delay or prevent an acquisition of our company on terms that other stockholders may desire or result in management of our company with which our public stockholders disagree.

A significant portion of our total outstanding shares are eligible for sale into the public market. Substantial sales of our shares into the public market could cause the market price of our common stock to drop significantly, even if our business is performing well.

Sales of a substantial number of shares of our common stock in the public market could occur at any time, subject to certain restrictions described below. These sales, or the perception in the market that holders of a large number of shares intend to sell shares, could reduce the market price of our common stock. We have 12,850,709 shares of common stock issued and outstanding as of March 10, 2023. Substantially all of these shares, unless held by our affiliates, may be resold in the public market immediately without restriction. Shares held by our affiliates may be resold into the public market subject to compliance with the requirements of the SEC's Rule 144.

The issuance of warrants in the IPO will cause existing stockholders to experience additional dilution if those warrants are exercised.

In addition to the shares of common stock we issued in the IPO, we also issued 4,590,590 Series A Warrants. The Series A Warrants issued in the IPO are exercisable for an equal number of shares of our common stock. If the holders of the Series A Warrants exercise their warrants, existing stockholders will experience dilution at the time they exercise their warrants.

In July 2021, certain holders of our publicly traded Series A Warrants exercised 3,498,898 warrants. As of March 10, 2023, we currently have 1,091,692 Series A Warrants that remain outstanding.

We also offered a warrant to the representative of the IPO underwriters that is exercisable for 319,345 shares (the "Representative's Warrant"). If the representative of the underwriters exercises these warrants in the future, existing stockholders will experience additional dilution.

The price of our common stock may be volatile and fluctuate substantially, which could result in substantial losses for investors in our securities.

Our common stock price and Series A Warrant price are likely to be volatile. The stock market in general and the market for technology companies has experienced extreme volatility that has often been unrelated to the operating performance of particular companies. As a result of this volatility, you may not be able to sell your common stock at or above your investment price. The market price for our common stock may be influenced by many factors, including:

- the success of competitive products or technologies;
- regulatory or legal developments in the United States;
- the recruitment or departure of key personnel;
- the level of expenses related to any of our product candidates, and our commercialization efforts;
- actual or anticipated changes in our development timelines;
- our ability to raise additional capital;
- disputes or other developments relating to proprietary rights, including patents, litigation matters and our ability to obtain patent protection for our product candidates;
- significant lawsuits, including patent or stockholder litigation;
- variations in our financial results or those of companies that are perceived to be similar to us;
- general economic, industry and market conditions; and
- the other factors described in this "Risk Factors" section.

If our quarterly operating results fall below the expectations of investors or securities analysts, the price of our common stock could decline substantially. Furthermore, any quarterly fluctuations in our operating results may, in turn, cause the price of our stock to fluctuate substantially. We believe that quarterly comparisons of our financial results are not necessarily meaningful and should not be relied upon as an indication of our future performance.

In the past, following periods of volatility in the market price of a company's securities, securities class-action litigation often has been instituted against that company. Such litigation, if instituted against us, could cause us to incur substantial costs to defend such claims and divert management's attention and resources.

If securities analysts do not publish research or reports about our business or if they publish negative evaluations of our stock, the price of our stock could decline.

The trading market for our common stock will rely, in part, on the research and reports that industry or financial analysts publish about us or our business. We do not currently have, and may never obtain, research coverage by industry or financial analysts. If no, or few, analysts commence coverage of us, the trading price of our stock would likely decrease. Even if we do obtain analyst coverage, if one or more of the analysts covering our business downgrade their evaluations of our stock, the price of our stock could decline. If one or more of these analysts cease to cover our stock, we could lose visibility in the market for our stock, which in turn could cause our stock price to decline.

We may not be able to continue our current listing of our common stock on the Nasdaq Capital Market. A delisting of our common stock from Nasdaq could limit the liquidity of our stock, increase its volatility and hinder our ability to raise capital.

We may not be able to satisfy the requirements for the continued listing of our common stock on Nasdaq.

In particular, the Nasdaq listing rules require listed securities to maintain a minimum bid price of \$1.00 per share. As previously reported in our Current Report on Form 8-K filed on July 20, 2022, we received a written notice from Nasdaq indicating that the Company was not in compliance with the \$1.00 minimum bid price requirement set forth in Nasdaq Listing Rule 5550(a)(2) for continued listing. On August 1, 2022, Nasdaq notified the Company that the Company had regained compliance with the minimum bid price and that matter was closed.

The Nasdaq listing rules also require companies with listed securities to maintain a minimum stockholders equity of \$2.5 million. As of December 31, 2022, we had stockholders equity of \$3.85 million.

If our common stock is delisted by Nasdaq, our common stock may be eligible for quotation on an over-the-counter quotation system or on the pink sheets. Upon any such delisting, our common stock would become subject to the regulations of the SEC relating to the market for penny stocks. A penny stock is any equity security not traded on a national securities exchange that has a market price of less than \$5.00 per share. The regulations applicable to penny stocks may severely affect the market liquidity for our common stock and could limit the ability of shareholders to sell securities in the secondary market. In such a case, an investor may find it more difficult to dispose of or obtain accurate quotations as to the market value of our common stock, and there can be no assurance that our common stock will be eligible for trading or quotation on any alternative exchanges or markets.

Delisting from Nasdaq could adversely affect our ability to raise additional financing through public or private sales of equity securities, would significantly affect the ability of investors to trade our securities and would negatively affect the value and liquidity of our common stock. Delisting could also have other negative results, including the potential loss of confidence by employees, the loss of institutional investor interest and fewer business development opportunities.

If we do not keep a registration statement updated for the term of the warrants, the holders will not be able to exercise the warrants.

While we intend to keep a registration statement/prospectus updated until February 16, 2026 (five years from the effective date of the Registration Statement), we may not be able to do so, nor will we necessarily be providing adequate public financial information to allow the holders to sell the common stock underlying the Series A Warrants. Accordingly, investors might not be able to exercise their Series A Warrants and sell the underlying common stock at a time when it is beneficial to do so.

In order to keep a prospectus effective, we will be required to, among other actions, file post-effective amendments to the registration statement containing current financial and other information. Each such registration statement will have to be filed with, and declared effective by the SEC. There

can be no assurance that such post-effective amendments will be declared effective.

We are an “emerging growth company,” and the reduced disclosure requirements applicable to emerging growth companies may make our common stock less attractive to investors.

We are an “emerging growth company” (“EGC”), as defined in the JOBS Act. We will remain an EGC until the earliest of: (i) the last day of the fiscal year in which we have total annual gross revenues of \$1.07 billion or more; (ii) the last day of the fiscal year following the fifth anniversary of the date of the completion of our IPO; (iii) the date on which we have issued more than \$1 billion in nonconvertible debt during the previous three years; and (iv) the date on which we are deemed to be a large accelerated filer under the rules of the SEC. For so long as we remain an EGC, we are permitted and intend to rely on exemptions from certain disclosure requirements that are applicable to other public companies that are not emerging growth companies. These exemptions include:

- not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, or Section 404;
- not being required to comply with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor’s report providing additional information about the audit and the financial statements;
- being permitted to present only two years of audited financial statements, in addition to any required unaudited interim financial statements, and only two years of related “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in this Annual Report;
- reduced disclosure obligations regarding executive compensation in our periodic reports, proxy statements and registration statements; and
- an exemption from the requirement to seek nonbinding advisory votes on executive compensation and stockholder approval of any golden parachute payments not previously approved.

We may choose to take advantage of some, but not all, of the available exemptions. We have taken advantage of reduced reporting burdens in this Annual Report. In particular, we have not included all of the executive compensation information that would be required if we were not an EGC. We cannot predict whether investors will find our common stock less attractive if we rely on certain or all of 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.

We continue to incur increased costs as a result of operating as a public company, and our management will be required to devote substantial time to new compliance initiatives.

As a public company, and particularly after we are no longer an EGC, we will incur significant legal, accounting and other expenses that we did not incur as a private company.

In addition, the Sarbanes-Oxley Act and rules subsequently implemented by the SEC and Nasdaq have imposed various requirements on public companies, including establishment and maintenance of effective disclosure and financial controls and corporate governance practices. Our management and other personnel will need to devote a substantial amount of time to these compliance initiatives. Moreover, these rules and regulations will increase our legal and financial compliance costs and will make some activities more time-consuming and costly. For example, we expect that these rules and regulations may make it more difficult and more expensive for us to obtain director and officer liability insurance.

Failure to establish and maintain effective internal controls in accordance with Section 404 of the Sarbanes-Oxley Act could have a material adverse effect on our business and stock price.

We are not currently required to comply with the rules of the SEC implementing Section 404 of the Sarbanes-Oxley Act and therefore are not required to make a formal assessment of the effectiveness of our internal control over financial reporting for that purpose. Upon becoming a publicly traded company, we will be required to comply with the SEC’s rules implementing Sections 302 and 404 of the Sarbanes-Oxley Act, which will require management to certify financial and other information in our quarterly and annual reports and provide an annual management report on the effectiveness of controls over financial reporting. Though we will be required to disclose changes made in our internal controls and procedures on a quarterly basis, we will not be required to make our first annual assessment of our internal control over financial reporting pursuant to Section 404 until the year following our first annual report required to be filed with the SEC. Our independent registered public accounting firm will not be required to attest to the effectiveness of our internal control over financial reporting until the later of the year following our first annual report required to be filed with the SEC or the date we are no longer an emerging growth company and are an accelerated or large accelerated filer.

To comply with the requirements of being a public company, we may need to undertake various actions, such as implementing new internal controls and procedures and hiring additional accounting or internal audit staff. In this regard, we will need to continue to dedicate internal resources, engage outside consultants and adopt a detailed work plan to assess and document the adequacy of internal control over financial reporting, continue steps to improve control processes, validate through testing that controls are functioning as documented and implement a continuous reporting and improvement process for internal control over financial reporting. In addition, we have identified material weaknesses in our internal control over financial reporting and may identify further such material weaknesses, either of which we may not be able to remediate in time to meet the applicable deadline imposed upon us for compliance with the requirements of Section 404.

If unable to comply with the requirements of Section 404 to address and remediate in a timely manner material weaknesses identified in our internal control over financial reporting, or to assert that our internal control over financial reporting is effective, or if our independent registered public accounting firm is unable to express an opinion as to the effectiveness of our internal control over financial reporting, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our common stock could be negatively affected, and we could become subject to investigations by the Nasdaq Capital Market on which our securities are listed, the SEC or other regulatory authorities, which could require additional financial and management resources.

Pursuant to Section 404, we will be required to furnish a report by our management on our internal control over financial reporting, including, once we are no longer an EGC, an attestation report on internal control over financial reporting issued by our independent registered public accounting firm. To achieve compliance with Section 404 within the prescribed period, we will be engaged in a process to document and evaluate our internal control over financial reporting, which is both costly and challenging. Despite our efforts, there is a risk that neither we nor our independent registered public accounting firm will be able to conclude within the prescribed timeframe that our internal control over financial reporting is effective as required by Section 404. This could result in an adverse reaction in the financial markets due to a loss of confidence in the reliability of our financial statements.

Provisions in our corporate charter and our bylaws and under Delaware law could make an acquisition of us, which may be beneficial to our stockholders, more difficult and may prevent attempts by our stockholders to replace or remove our current management.

We are a Delaware corporation. The anti-takeover provisions of the Delaware General Corporation Law (the "DGCL") may discourage, delay or prevent a change in control by prohibiting us from engaging in a business combination with an interested stockholder for a period of three years after the person becomes an interested stockholder, even if a change in control would be beneficial to our existing stockholders.

Provisions in our corporate charter and our bylaws may discourage, delay or prevent a merger, acquisition or other change in control of us that stockholders may consider favorable, including transactions in which you might otherwise receive a premium for your shares. These provisions also could limit the price that investors might be willing to pay in the future for shares of our common stock, thereby depressing the market price of our common stock. In addition, because our board of directors is responsible for appointing the members of our management team, these provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors. Among other things, these provisions:

- allow the authorized number of our directors to be changed only by resolution of our board of directors;
- limit the manner in which stockholders can remove directors from the board;
- establish advance notice requirements for stockholder proposals that can be acted on at stockholder meetings and nominations to our board of directors;
- require that stockholder actions must be effected at a duly called stockholder meeting and prohibit actions by our stockholders by written consent;
- limit who may call stockholder meetings; and
- authorize our board of directors to issue preferred stock without stockholder approval, which could be used to institute a stockholder rights plan, or so-called "poison pill," that would work to dilute the stock ownership of a potential hostile acquirer, effectively preventing acquisitions that have not been approved by our board of directors.

Moreover, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the DGCL, which prohibits a person who owns in excess of 15% of our outstanding voting stock from merging or combining with us for a period of three years after the date of the transaction in which the person acquired in excess of 15% of our outstanding voting stock, unless the merger or combination is approved in a prescribed manner.

Because we do not anticipate paying any cash dividends on our capital stock in the foreseeable future, capital appreciation, if any, will be your sole source of gain.

We have never declared or paid cash dividends on our capital stock. We currently intend to retain all of our future earnings, if any, to finance the growth and development of our business. In addition, the terms of any future debt agreements may preclude us from paying dividends. As a result, capital appreciation, if any, of our common stock will be your sole source of gain for the foreseeable future.

Our charter provides that the Court of Chancery of the State of Delaware is the exclusive forum for certain litigation that may be initiated by our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for such disputes with us or our directors, officers or employees.

Our certificate of incorporation provides that the Court of Chancery of the State of Delaware is the exclusive forum for the following types of actions or proceedings: any derivative action or proceeding brought on behalf of the Company, any action asserting a claim of breach of a fiduciary duty owed by any director, officer or other employee of the Company to the Company or the Company's stockholders, any action asserting a claim against the Company arising pursuant to any provision of the DGCL or the Company's certificate of incorporation or bylaws, or any action asserting a claim against the Company governed by the internal affairs doctrine. Our certificate of incorporation also provides that unless the Company consents in writing to the selection of an alternative forum, the federal district courts of the United States of America shall be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act of 1933, as amended (the "Securities Act"), as amended. Despite the fact that the certificate of incorporation provides for these exclusive forum provisions to be applicable to the fullest extent permitted by applicable law, Section 27 of the Exchange Act, creates exclusive federal jurisdiction over all suits brought to enforce any duty or liability created by the Exchange Act or the rules and regulations thereunder and 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. As a result, this provision of the Company's certificate of incorporation would not apply to claims brought to enforce a duty or liability created by the Exchange Act, or any other claim for which the federal courts have exclusive jurisdiction. However, there is uncertainty as to whether a Delaware court would enforce the exclusive Federal forum provisions for Securities Act claims and that investors cannot waive compliance with the federal securities laws and rules and regulations thereunder.

The choice of forum provisions 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 or other employees, which may discourage such lawsuits against us and our directors, officers and other employees. Alternatively, if a court were to find the choice of forum provisions contained in our charter to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

We own no properties. Our current corporate headquarters is based in a leased office in Boulder, Colorado. Our current lease term expires on December 14, 2023, unless renewed. If we do not renew the lease, we believe that we will find suitable space elsewhere on acceptable terms.

Item 3. Legal Proceedings

From time to time, we are involved in various disputes, claims, suits, investigations, and legal proceedings arising in the ordinary course of business. We believe that the resolution of current pending legal matters will not have a material adverse effect on our business, financial condition, results of operations or cash flows. Nonetheless, we cannot predict the outcome of these proceedings, as legal matters are subject to inherent uncertainties, and there exists the possibility that the ultimate resolution of these matters could have a material adverse effect on our business, financial condition, results of operations or cash flows. For additional information, see "Note 7. Commitments and Contingencies" to our financial statements included in this Form 10-K.

Item 4. Mine Safety Disclosures

None.

PART II

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

Our common stock has been traded on the Nasdaq Stock Market under the symbol "AUUD" since our IPO on February 17, 2021. Our Series A Warrants have been traded on the Nasdaq Stock Market under the symbol "AUUDW" since our IPO on February 17, 2021. As of March 10, 2023, there were approximately 138 holders of record of our common stock and 1 holder of record of our Series A warrants. These numbers are based on the actual number of holders registered at such date and does not include holders whose shares are held in "street name" by brokers and other nominees.

Dividends

We have never paid any cash dividends on our common stock. We currently intend to retain all available funds and any future earnings for use in the operation of our business and do not anticipate paying any cash dividends on our common stock in the foreseeable future. Any future determination to declare dividends will be made at the discretion of our board of directors and will depend on our financial condition, operating results, capital requirements, general business conditions and other factors that our board of directors may deem relevant.

Recent Sales of Unregistered Securities

During the year ended December 31, 2022, all sales of unregistered securities by the Company have been previously reported on a Form 8-K or Form 10-Q.

Use of Proceeds

On February 16, 2021, the U.S. Securities and Exchange Commission declared effective our registration statement on Form S-1 (File No. 333-235891), as amended, filed in connection with our IPO. There has been no material change in the planned use of proceeds from our IPO from that described in the related prospectus dated February 16, 2021, filed with the SEC pursuant to Rule 424(b)(4) under the Securities Act. As described in such IPO prospectus, we have used IPO proceeds to reduce our bank debt by \$4.0 million, to fund a \$2.0 million cash reserve to serve as collateral for our remaining \$2.0 million of bank debt that replaced collateral previously provided by a related party, to pay down a significant percentage of our accounts payable as of December 31, 2020, and to pay deferred compensation owed to a related party.

In July 2021, certain holders of our publicly traded Series A Warrants exercised approximately 1.1 million warrants for approximately 1.1 million shares of common stock at the cash exercise price of \$4.5375 per share and as a result, we received additional cash proceeds of approximately \$5.0 million. In addition, we paid the remaining \$2.0 million, out of our restricted cash, to pay off and terminate our line of credit.

Issuer Purchases of Equity Securities

We did not repurchase any of our equity securities during the period covered by this Annual Report.

Item 6. [Reserved]

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with the audited financial statements (prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") and related notes included elsewhere in this Annual Report on Form 10-K (this "Form 10-K"). The following discussion contains forward-looking statements that are subject to risks and uncertainties. See "Special Note Regarding Forward-Looking Statements" for a discussion of the uncertainties, risks, and assumptions associated with those statements. Actual results could differ materially from those discussed in or implied by forward-looking statements as a result of various factors, including those discussed below and elsewhere in this Form 10-K, particularly in the section entitled "Risk Factors." Unless we state otherwise or the context otherwise requires, the terms "we," "us," "our" and the "Company" refer to Auddia Inc. and its subsidiaries. All amounts presented in tables, other than per share amounts, are in thousands unless otherwise noted.

Overview

Auddia is a technology company headquartered in Boulder, CO that is reinventing how consumers engage with audio through the development of a proprietary AI platform for audio and innovative technologies for podcasts. Auddia is leveraging these technologies within its industry-first audio Superapp, fairdr (previously known as the Auddia App).

fairdr gives consumers the opportunity to listen to any AM/FM radio station with no commercials while personalizing the listening experience through skips and the insertion of on-demand content, including popular and new music, news, and weather. The fairdr app represents the first-time consumers can combine the local content uniquely provided by AM/FM radio with commercial-free and personalized listening many consumers demand from digital-media consumption. In addition to commercial-free AM/FM, fairdr includes podcasts and exclusive content, branded fairdrRadio, which includes new artist discovery, curated music stations, and Music Casts. Music Casts are unique to fairdr. Hosts and DJs can combine on-demand talk segments with dynamic music streaming, which allows users to hear podcasts with full music track plays embedded in the episodes.

Auddia has also developed a podcasting platform that provides a unique suite of tools that helps Podcasters create additional digital content for their podcast episodes as well as plan their episodes, build their brand, and monetize their content with new content distribution channels. This podcast platform also gives users the ability to go deeper into the stories through supplemental, digital content, and eventually comment and contribute their own content to episode feeds.

Both of Auddia's offerings address large and rapidly growing audiences.

The Company has developed its AI platform on top of Google's TensorFlow open-source library that is being "taught" to know the difference between all types of audio content on the radio. For instance, the platform recognizes the difference between a commercial and a song and is learning the differences between all other content to include weather reports, traffic, news, sports, DJ conversation, etc. Not only does the technology learn the differences between the various types of audio segments, but it also identifies the beginning and end of each piece of content.

The Company is leveraging this technology platform within its premium AM/FM radio listening experience through the fairdr App. The fairdr App is intended to be downloaded by consumers who will pay a subscription fee in order to listen to any streaming AM/FM radio station without commercials, podcasts and the fairdrRadio exclusive content offerings. Advanced features will allow consumers to skip any content heard on the station, request audio content on-demand, and program an audio routine. We believe the fairdr App represents a significant differentiated audio streaming product, or Superapp, that will be the first to come to market since the emergence of popular streaming music apps such as Pandora, Spotify, Apple Music, Amazon Music, etc. We believe that the most significant point of differentiation is that in addition to ad-free AM/FM streaming, the fairdr App is intended to deliver non-music content that includes local sports, news, weather, traffic and the discovery of new music alongside exclusive programming and podcasts. No other radio streaming app available today, including category leaders like TuneIn, iHeart, and Audacy, can compete with fairdr's full product offerings.

We launched an MVP version of fairdr through several consumer trials in 2021 to measure consumer interest and engagement with the App. The full app launched on February 15, 2022, and included all major U.S. radio stations in the US. In February 2023, we added fairdrRadio, our exclusive content offerings, to the app. Podcasts will be added before the end of Q1, 2023.

The Company has also developed its podcasting platform, which leverages technologies and proven product concepts to differentiate its podcasts offering from other competitors in the radio streaming product category.

With podcasting growing and predicted to grow at a rapid rate, the Auddia podcast platform was conceptualized to fill a void in the emerging audio media space. The platform aims to be the preferred podcasting solution for podcasters by enabling them to deliver digital content feeds that match the audio of their podcast episodes, and by enabling podcasters to make additional revenue from new digital advertising channels; subscription channels; on-demand fees for exclusive content; and through direct donations from their listeners. Today, podcasters do not have a preference as to where their listeners access their episodes, as virtually all listening options (mobile apps and web players) deliver only their podcast audio. By creating a platform on which they can make net new and higher margin revenue, we believe that podcasters will promote fairdr to their listeners, thus creating a powerful, organic marketing dynamic.

One innovative and proprietary part of the podcast platform is the availability of tools to create and distribute an interactive digital feed which supplements podcast episode audio with additional digital. These content feeds allow podcasters to tell deeper stories to their listeners while giving podcasters access to digital revenue for the first time. Podcasters will be able to build these interactive feeds using The Podcast Hub, a content management system that also serves as a tool to plan and manage podcast episodes. The digital feed activates a new digital ad channel that turns every audio ad into a direct-response, relevant-to-the-story, digital ad, increasing the effectiveness and value of their established audio ad model. The feed also presents a richer listening experience, as any element of a podcast episode can be supplemented with images, videos, text and web links. This feed will appear fully synchronized in the fairdr mobile App, and it also can be hosted and accessed independently (e.g., through any browser), making the content feed universally distributable.

Over time, users will be able to comment, and podcasters will be able to grant some users publishing rights to add content directly into the feed on their behalf. This will create another first for podcasting, a dialog between creator and fan, synchronized to the episode content.

The podcast capabilities within fairdr will also introduce a unique and industry first multi-channel, highly flexible set of revenue channels that podcasters can activate in combination to allow listeners to choose how they want to consume and pay for content. "Flex Revenue" allows podcasters to continue to run their standard audio ad model and complement those ads with direct response enabled digital ads in each episode content feed, increasing the value of advertising on any podcast. "Flex Revenue" will also activate subscriptions, on-demand fees for content (e.g., listen without audio ads for a micro payment fee) and direct donations from listeners. Using these channels in combination, podcasters can maximize revenue generation and exercise higher margin monetization models, beyond basic audio advertising. These revenue channels are expected to be available to Podcasters in 2022.

The fairdr mobile App is available today through the iOS and Android App stores.

We have funded our operations with proceeds from the February 2021 IPO and Series A warrants exercise in July 2021. Since inception we have incurred significant operating losses. As of December 31, 2022, we had an accumulated deficit of \$71.7 million. Our ability to generate product revenue sufficient to achieve profitability will depend heavily on the successful development and commercialization of one or more of our Apps. We expect that our expenses and capital requirements will increase substantially in connection with our ongoing activities, particularly if and as we:

- nationally launch our fairdr App and as we continue training our proprietary AI technology and make product enhancements;
- continue to develop and expand our technology and functionality to advance the fairdr app;
- rollout our product on a national basis, which will include increasing our sales and marketing costs related to the promotion of our products. fairdr promotion will include a combination of a) purchasing ads directly from broadcasters or b) participating broadcasters to promote without purchasing ads, but sharing a portion of subscription proceeds based on listening activity on those stations;
- hire additional business development, product management, operational and marketing personnel;
- continue market studies of our products; and
- add operational and general administrative personnel which will support our product development programs, commercialization efforts and our transition to operating as a public company.

As a result, we will need substantial additional funding to support our continuing operations and pursue our growth strategy. Until such time as we can generate significant revenue from product sales, if ever, we expect to finance our operations through the sale of equity, debt financings or other capital sources, which may include collaborations with other companies or other strategic transactions. We may be unable to raise additional funds or enter into such other agreements or arrangements when needed on favorable terms, or at all. If we fail to raise capital or enter into such agreements as and when needed, we may have to significantly delay, scale back or discontinue the development and commercialization of one or more of our product candidates.

Because of the numerous risks and uncertainties associated with product development, we are unable to predict the timing or amount of increased expenses or when or if we will be able to achieve or maintain profitability. Even if we are able to generate product sales, we may not become profitable. If we fail to become profitable or are unable to sustain profitability on a continuing basis, then we may be unable to continue our operations at planned levels and be forced to reduce or terminate our operations.

As of December 31, 2022, we had cash of \$1.66 million, which will only be sufficient to fund our current operating plans into the second quarter of 2023. The Company has based these estimates, however, on assumptions that may prove to be wrong. We will need additional funding to complete the development of our full product line and scale products with a demonstrated market fit. Management has plans to secure such additional funding. If we are unable to raise capital when needed or on acceptable terms, we would be forced to delay, reduce, or eliminate our technology development and commercialization efforts.

Components of our results of operations

Operating expenses

Direct costs of services

Direct cost of services consists primarily of costs incurred related to our technology and development of our Apps, including hosting and other technology related expenses. We will continue to incur such costs as we develop and enhance our technology related to fairr and the Vodacast platform.

Sales and marketing

Our sales and marketing expenses consist primarily of salaries and consulting services, related to the sales, promotion and commercial trials performed during the year related to our products. We expected our sales and marketing expenses to increase substantially as we promoted the national commercial launch of our fairr product on February 15, 2022, and look to generate revenue for our products through customer acquisition and retention.

Research and development

Since our inception, we have focused significant resources on our research and development activities related to the software development of our technology. We account for costs incurred in the development of computer software as software research and development costs until the preliminary project stage is completed, management has committed to funding the project, and completion and use of the software for its intended purpose is probable. We cease capitalization of development costs once the software has been substantially completed and is available for its intended use. Software development costs are amortized over a useful life estimated by the Company's management of three years. Costs associated with significant upgrades and enhancements that result in additional functionality are capitalized. Capitalized costs are subject to an ongoing assessment of recoverability based on anticipated future revenues and changes in software technologies. Unamortized capitalized software development costs determined to be in excess of anticipated future net revenues are impaired and expensed during the period of such determination.

General and administrative

Our general and administrative expenses consist primarily of salaries and related costs, including payroll taxes, benefits, stock-based compensation, and professional fees related to auditing, tax, general legal services, and consulting services. We expect our general and administrative expenses to continue to increase in the future as we right-size our operating activities and prepare for commercialization of our products and support our operations as a public company, including increased expenses related to legal, accounting, insurance, regulatory and tax-related services associated with maintaining compliance with exchange listing and Securities and Exchange Commission requirements, directors and officers liability insurance premiums and investor relations activities.

Other income and expense

Our other income and expense during 2021 consist of interest income related to our cash at financial institutions, debt extinguishment related to our PPP loans, interest expense from our line of credit, and a finance charge related to conversion of outstanding debt into shares of common stock related to the February 2021 IPO. On November 14, 2022, the Company entered into a secured bridge note ("Note") financing with one accredited investor, who is a significant existing shareholder of the Company, for \$2.2 million. The interest expense for 2022 is primarily attributed to the debt and conversion features of such Note.

Results of operations

Comparison of the Years ended December 31, 2022, and 2021

The following table summarizes our results of operations:

	Year Ended December 31,		Increase/ (Decrease)
	2022	2021	
Revenue	\$ —	\$ —	\$ —
Operating expenses			
Direct cost of service	180,690	190,187	(9,497)
Sales and marketing	1,673,692	740,652	933,040
Research and development	654,879	399,521	255,358
General and administrative	3,223,520	4,072,419	(848,899)
Depreciation and amortization	991,639	166,656	824,983
Total operating expense	6,724,420	5,569,435	1,154,985
Loss from operations	(6,724,420)	(5,569,435)	(1,154,985)
Other income (expense), net	(173,026)	(7,908,634)	7,735,608
Net loss	\$ (6,897,446)	\$ (13,478,069)	\$ 6,580,623

Revenue

Total revenues for the twelve months ended December 31, 2022, and 2021 were \$0 as we continue to develop our fairr product and the Vodacast platform to establish new revenue streams.

Direct Cost of Services

Direct Cost of Services decreased by \$9,497 or 5%, from \$190,187 for the year ended December 31, 2021, to \$180,690 for the year ended December 31, 2022. This decrease was primarily the result of a reduction in platform hosting costs which were partially offset by an increase in other music services. We continue to incur direct cost of services expense related to hosting and other music services related to fairdr and Vodacast and expect these costs to increase in the future.

Sales and marketing

Sales and marketing expenses increased by \$933,040 or 126%, from \$740,652 for the year ended December 31, 2021, to \$1,673,692 for the year ended December 31, 2022, primarily attributed to the increased marketing and promotion costs associated with fairdr and Vodacast.

Research and development

Research and development expenses increased by \$255,358 or 64%, from \$399,521 for the year ended December 31, 2021, to \$654,879 for the year ended December 31, 2022, primarily related to additional staffing on our development team as we continue to advance the fairdr Superapp. Our research and development staffing costs were \$2,408,737 and our software amortization expenses were \$956,144 for the year ended December 31, 2022, as compared to staffing costs of \$1,835,451 and software amortization expenses of \$146,737 for the year ended December 31, 2021.

General and administrative

General and administrative expenses decreased by \$848,899 or 21%, from \$4,072,419 for the year ended December 31, 2021, compared to \$3,223,520 for the year ended December 31, 2022. The decrease resulted primarily from reduced stock compensation expense related to cancelled employee stock option grants. Stock compensation expense was \$951,106 and \$1,237,480 for the year ended December 31, 2022, and 2021, respectively. We also saw a reduction of approximately \$522,000 in public company expenses related to legal and other professional fees associated with the IPO in 2021.

Other expense, net

Total other expense decreased by \$7,735,608 or 98%, from \$7,908,634 for the year ended December 31, 2021, to \$173,026 for the year ended December 31, 2022. The decrease was due almost entirely to a finance charge of \$8,141,424 to interest expense related to the conversion of outstanding debt into 6.8 million shares of common stock related to the February 2021 IPO. This was offset by our extinguishment of debt related to our PPP loans in 2021 in the amount of \$536,144, which was approved in full under the loan forgiveness program.

Income taxes

Since our inception in 2012, until the corporate conversion in February 2021, we were organized as a Colorado limited liability company for federal and state income tax purposes and treated as a partnership for U.S. income tax purposes. As such, we were not viewed as a taxpaying entity in any jurisdiction and do not require a provision for income taxes. Each member of our company was responsible for the tax liability, if any, related to its proportionate share of our taxable income.

Effective on February 16, 2021, we became treated as a corporation for U.S. income tax purposes and thus became subject to U.S. federal, state and local income taxes and are be taxed at the prevailing corporate tax rates. Among other things, we may begin to generate net operating losses at the corporate level. We will account for income taxes using an asset and liability approach, which requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in the financial statements but have not been reflected in taxable income. A valuation allowance is established to reduce deferred tax assets to its estimated realizable value, which is zero based on our operating history.

Going Concern

Our existing cash of \$1.66 million at December 31, 2022 will only be sufficient to fund our current operating plans into the second quarter of 2023. The Company has based these estimates, however, on assumptions that may prove to be wrong. We will need additional funding to complete the development of our full product line and scale products with a demonstrated market fit. Management has plans to secure such additional funding. If we are unable to raise capital when needed or on acceptable terms, we would be forced to delay, reduce, or eliminate our technology development and commercialization efforts.

As a result of the Company's recurring losses from operations, and the need for additional financing to fund its operating and capital requirements, there is uncertainty regarding the Company's ability to maintain liquidity sufficient to operate its business effectively, which raises substantial doubt as to the Company's ability to continue as a going concern.

Liquidity and capital resources

Sources of liquidity

We have incurred operating losses since our inception and have an accumulated deficit as a result of ongoing efforts to develop and commercialize our fairdr app and Vodacast platform. As of December 31, 2022, and 2021 we had cash of \$1,661,434 and \$6,345,291, respectively. We have a deficiency in working capital in the amount of approximately \$600,000 at December 31, 2022. We anticipate that operating losses and net cash used in operating activities will continue over the next 12 months as we continue to develop and market our products.

\$2.0 Million Secured Bridge Note Financing

On November 14, 2022, the Company entered into a secured bridge note ("Note") financing with one accredited investor who is a significant existing stockholder of the Company. The Company received \$2.0 million of net proceeds in connection with the Note. The principal amount of the Note is \$2.2 million. The Note has a 10% interest rate and matures on May 31, 2023. The Note is secured by a lien on substantially all of the Company's assets. At maturity, the investor has the option to convert any original issue discount and accrued but unpaid interest into shares of the Company's Common stock at a fixed conversion price of \$1.23 per share. In connection with the Note financing, the Company issued to the investor 300,000 common stock warrants with a five-year term and a fixed \$2.10 per share exercise price. The Company has the option to extend the maturity date by six months to November 30, 2023. In the event of an extension, the interest rate on the Note will increase to 20% and the Company will issue to the investor an additional 300,000 warrants.

The investor will not be able to receive shares upon conversion or exercise, unless prior stockholder approval is obtained, if the number of shares to be issued to the investor, when aggregated with all other shares of common stock then owned by the investor beneficially or deemed beneficially owned by

the investor, would (i) result in the investor owning more than the Beneficial Ownership Limitation (as defined below), as determined in accordance with Section 13 of the Securities Exchange Act of 1934 or (ii) otherwise constitute a Change of Control within the meaning of Nasdaq Rule 5635(b). The "Beneficial Ownership Limitation" shall be 19.99% of the number of shares of the common stock outstanding immediately prior to the proposed issuance of shares of common stock.

The foregoing description of the Note and related security agreement and warrants is qualified in its entirety by reference to the full text of those agreements.

Equity Line Common Stock Purchase Agreement

On November 14, 2022, the Company entered into a Common Stock Purchase Agreement (the "White Lion Purchase Agreement") with White Lion Capital, LLC, a Nevada limited liability company ("White Lion"). Pursuant to the White Lion Purchase Agreement, the Company has the right, but not the obligation to require White Lion to purchase, from time to time, the lesser of (a) \$10,000,000 and (b) the amount eligible under Form S-3 (the "Commitment Amount") in aggregate gross purchase price of newly issued shares of the Company's common stock.

Subject to the satisfaction of certain customary conditions, the Company's right to sell shares to White Lion will extend until the earlier of (a) December 31, 2023; and (b) the date that all shares are sold under the White Lion Purchase Agreement (the "Commitment Period"). During such term, subject to the terms and conditions of the White Lion Purchase Agreement, the Company may notify White Lion when the Company exercises its right to sell shares (the effective date of such notice, a "Notice Date"), and shall deliver the applicable shares of common stock to White Lion along with the purchase notice. The number of shares sold pursuant to any such notice may not exceed the lesser of: (i) 30% of the average of the daily trading volume of the Company's common stock over the five business days immediately preceding the date of delivery of a purchase notice; or (ii) \$500,000, divided by the highest closing price of the Common Stock over the most recent five business days immediately preceding receipt of a purchase notice; and the maximum dollar amount of any purchase notice cannot exceed \$500,000, subject to White Lion's waiver of such limitations. The closing date of each sale of shares of common stock under the White Lion Purchase Agreement occurs one business day after the end of the Valuation Period (defined below).

The purchase price to be paid by white Lion for any such shares will equal 97% of the lowest daily volume-weighted average price of common stock during a period of three consecutive trading days commencing on, and following, the applicable Notice Date (the "Valuation Period"). No purchase notice shall result in White Lion beneficially owning (as calculated pursuant to Section 13(d) of the Securities Exchange Act of 1934, as amended, and Rule 13d-3 thereunder) more than 4.9% of the number of shares of the common stock outstanding immediately prior to the issuance of shares of common stock issuable pursuant to a purchase notice.

The Company may terminate the White Lion Purchase Agreement at any time in the event of a material breach of the Agreement by White Lion. In addition, the White Lion Purchase Agreement automatically terminates on the earlier of (i) the end of the Commitment Period or (ii) the date that, pursuant to or within the meaning of any bankruptcy law, the Company commences a voluntary case or any person commences a proceeding against the Company.

In consideration for the commitments of White Lion, as described above, the Company issued to White Lion, 140,186 shares of common stock (the "Commitment Shares").

Any proceeds that the Company receives under the White Lion Purchase Agreement are expected to be used for working capital and general corporate purposes.

The aggregate number of shares of common stock that the Company can sell to White Lion under the White Lion Purchase Agreement (including the Commitment Shares) may in no case exceed 2,501,700 shares of the common stock (which is equal to approximately 19.99% of the shares of the common stock outstanding immediately prior to the execution of the White Lion Purchase Agreement) (the "Exchange Cap"), unless stockholder approval is obtained to issue purchase shares above the Exchange Cap, in which case the Exchange Cap will no longer apply.

Cash Flow Analysis

Our cash flows from operating activities have historically been significantly impacted by revenues received, our investment in sales and marketing to drive growth, and research and development expenses. Our ability to meet future liquidity needs will be driven by our operating performance and the extent of continued investment in our operations. Failure to generate sufficient revenues and related cash flows could have a material adverse effect on our ability to meet our liquidity needs and achieve our business objectives.

The following table summarizes the statements of cash flows for the years ended December 31, 2022, and 2021:

	Year Ended December 31,		% Change
	2022	2021	
Net cash provided by (used in):			
Operating activities	\$ (4,752,750)	\$ (5,471,545)	\$ 718,795
Investing activities	(1,931,107)	(1,552,686)	(378,421)
Financing activities	2,000,000	13,251,608	(11,251,608)
Change in cash, cash equivalents, restricted cash and restricted cash equivalents	\$ (4,683,857)	\$ 6,227,377	\$ (10,911,234)

Operating Activities

Cash used in operating activities for the year ended December 31, 2022, was \$4,752,750, primarily resulting from our net loss of \$6,897,446, partially offset by non-cash charges of \$2,131,362.

Cash used in operating activities for the year ended December 31, 2021, of \$5,471,545 was primarily the result of our net loss of \$13,478,069, and a change in working capital of \$1,002,893 related to paying down our accounts payable balance from the prior year. These uses were partially offset by non-cash charges totaling \$9,009,417.

Cash used in operating activities for both years primarily consisted of personnel-related expenditures, marketing and promotion costs, and public

company administrative support costs such as legal and other professional support services.

Investing Activities

Cash flows used in investing activities for the year ended December 31, 2022, and December 31, 2021, consisted primarily of capitalization of software development expenses of \$1,927,298 and \$1,472,290, respectively.

Financing Activities

Cash flows provided by financing activities for the year ended December 31, 2022, of \$2,000,000 was associated with the proceeds from the secured bridge note financing in November 2022.

Cash flows provided by financing activities for the year ended December 31, 2021, increased by \$13,251,608 from the prior year, primarily related to \$20,041,811 from the issuance of common shares related to our February 2021 IPO. This was partially offset by a \$6,000,000 repayment on our line of credit, and repayment of deferred salary and related party notes payable of \$960,849.

Funding Requirements

We historically have incurred significant losses and negative cash flows from operations since our inception and had an accumulated deficit of \$71,735,834 and \$64,838,389 as of December 31, 2022, and 2021, respectively. As of December 31, 2022, and 2021, we had cash of \$1,661,434 and \$6,345,291, respectively. Our existing cash of \$1.66 million at December 31, 2022, will only be sufficient to fund our current operating plans into the second quarter of 2023. The Company has based these estimates, however, on assumptions that may prove to be wrong. We will need additional funding to complete the development of our full product line and scale products with a demonstrated market fit. Management has plans to secure such additional funding. If we are unable to raise capital when needed or on acceptable terms, we would be forced to delay, reduce, or eliminate our technology development and commercialization efforts

We expect our expenses to increase in connection with our ongoing activities, particularly as we continue the development, and marketing and promotion of fairr. In addition, we expect to continue to incur additional costs associated with operating as a public company, including legal, accounting, investor relations and other expenses. Our future funding requirements will depend on many factors, including, but not limited to:

- the scope, progress, results, and costs related to the market acceptance of our products
- the ability to attract podcasters and content creators to fairr and retain listeners on the platform
- the costs, timing, and ability to continue to develop our technology
- effectively addressing any competing technological and market developments
- avoiding and defending against intellectual property infringement, misappropriation, and other claims

Contractual Obligations

The following table summarizes our contractual obligations not on our Balance Sheet as of December 31, 2022, and the effects that such obligations are expected to have on our liquidity and cash flows in future periods:

	Payments due by period				
	Total	Less Than 1 Year	1 - 3 Years	4 - 5 Years	More Than 5 Years
Operating lease commitments ⁽¹⁾	\$ 46,202	\$ 46,202	\$ –	\$ –	\$ –

(1) Represents minimum payments due for the lease of office space without consideration of renewal options

Off-balance sheet arrangements

We did not have during the periods presented, and we do not currently have, any off-balance sheet arrangements, as defined in the rules and regulations of the SEC.

Critical Accounting Policies and Estimates

Our financial statements and accompanying notes have been prepared in accordance with U.S. GAAP. The preparation of these financial statements requires us to make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenues, costs and expenses, and related disclosures. On an ongoing basis, we continually evaluate our estimates and assumptions believed to be reasonable under current facts and circumstances. Actual amounts and results may materially differ from these estimates made by management under different assumptions and conditions.

Certain accounting policies that require significant management estimates and are deemed critical to our results of operations or financial position, are described below. Accordingly, these are the policies we believe are the most critical to aid in fully understanding and evaluating our financial condition and results of operations.

Software Development Costs

The Company accounts for costs incurred in the development of computer software as software research and development costs until the preliminary project stage is completed, management has committed to funding the project, and completion and use of the software for its intended purpose is probable. The Company ceases capitalization of development costs once the software has been substantially completed and is available for its intended use. Software development costs are amortized over a useful life estimated by the Company's management of three years. Costs associated with significant upgrades and enhancements that result in additional functionality are capitalized. Capitalized costs are subject to an ongoing assessment of recoverability based on anticipated future revenues and changes in software technologies. Unamortized capitalized software development costs determined to be in excess of anticipated future net revenues are impaired and expensed during the period of such determination. Software development costs of \$1,927,298 and \$1,472,290 were capitalized in 2022 and 2021, respectively. Amortization of expense of capitalized software development costs were \$956,144 and \$146,737 for the years ended December 31, 2022, and 2021, respectively and are included in depreciation and amortization expense.

Equity-based compensation

Certain of our employees and consultants have received grants of common shares in our company. These awards are accounted for in accordance with guidance prescribed for accounting for equity-based compensation. Based on this guidance and the terms of the awards, the awards are equity classified. The common shares receive distributions if any in an order of priority in accordance with our limited liability company agreement.

The fair value of each award is determined using the Black-Scholes option-pricing model which values options based on the stock price at the grant date, the expected life of the option, the estimated volatility of the stock, and the risk-free interest rate over the expected life of the option. The expected volatility was determined considering comparable companies historical stock prices as a peer group for the fiscal year the grant occurred and prior fiscal years for a period equal to the expected life of the option. The risk-free interest rate was the rate available from the St. Louis Federal Reserve Bank with a term equal to the expected life of the option. The expected life of the option was estimated based on a mid-point method calculation.

Prior to our IPO in February 2021, we were a private company with no active public market for our common equity. Therefore, we have periodically determined the overall value of our company and the estimated per share fair value of our common equity at their various dates using contemporaneous valuations performed with the assistance of a third-party specialist and in accordance with the guidance outlined in the American Institute of CPA's Practice Aid.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Interest rate sensitivity

We had cash and cash equivalents totaling \$1,661,434 as of December 31, 2022. These amounts are invested primarily in demand deposit accounts and money market funds. We consider all highly liquid debt instruments purchased with a maturity of three months or less and SEC-registered money market mutual funds to be cash equivalents. The primary objectives of our investing activities are capital preservation, meeting our liquidity needs and, with respect to investing client funds, generating interest income while maintaining the safety of principal. We do not enter into investments for trading or speculative purposes.

Our cash equivalents are subject to market risk due to changes in interest rates. The market value of fixed rate securities may be adversely affected due to a rise in interest rates, while floating rate securities may produce less income than expected if interest rates fall. Due in part to these factors, our future investment income may fall short of expectations due to changes in interest rates, or we may suffer losses in principal if we are forced to sell securities that decline in market value due to changes in interest rates.

Item 8. Financial Statements and Supplementary Data

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders
Auddia Inc.
Boulder, Colorado

Opinion on the Financial Statements

We have audited the accompanying balance sheets of Auddia Inc. (the "Company") at December 31, 2022 and 2021, and the related statements of operations, changes in stockholders' equity and cash flows for the years ended December 31, 2022 and 2021, and the related notes (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the years ended December 31, 2022 and 2021, in conformity with accounting principles generally accepted in the United States of America.

Going Concern Uncertainty

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has suffered recurring losses from operations and has a deficiency in working capital and shareholders' equity that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's 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 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 our audits, 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 financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the 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 financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Intangible Assets Impairment Assessment

As described in Notes 1 and 2 to the financial statements, the Company has software development costs of approximately \$4.1 million at December 31, 2022. No directly observable market inputs are available to measure the fair value to determine if the asset is recoverable. Therefore, an estimate is derived indirectly and is based on a mix of cash flow and market models. The estimate that management used in calculating the fair values depend on assumptions specific to the nature of the markets in which its product operates with regard to the amount and timing of projected future revenues, operating cash flows, long-term subscriber demand forecasts, actions of competitors (competing content), capital expenditures, and future tax rates.

The principal considerations for our determination that performing procedures relating to the intangible assets impairment assessment is a critical audit matter are the significant judgment by management when developing the fair value of the intangible assets. This led to a high degree of auditor judgment, subjectivity, and effort in performing procedures and evaluating management's significant assumptions related to the amount and timing of projected future cash flows.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the financial statements. These procedures included testing management's process for developing the fair value estimate; evaluating the appropriateness of the valuation techniques; testing the completeness and accuracy of underlying data used in the model; and evaluating the significant assumptions used by management, including the amount and timing of projected future cash flows. Evaluating management's assumptions related to the amount and timing of projected future cash flows and evaluating whether the assumptions used by management were reasonable considering the current and past performance of the intangible assets, the consistency with external market and industry data, and whether these assumptions were consistent with evidence obtained in other areas of the audit.

/s/ Daszkal Bolton LLP

Daszkal Bolton LLP

We have served as the Company's auditor since 2020

Boca Raton, Florida

March 20, 2023

Auddia Inc. Balance Sheets December 31, 2022, and 2021

	December 31,	
	2022	2021
ASSETS		
Current assets:		
Cash	\$ 1,661,434	\$ 6,345,291
Accounts receivable, net	137	87
Total current assets	<u>1,661,571</u>	<u>6,345,378</u>
Non-current assets:		
Property and equipment, net of accumulated depreciation	41,080	72,766
Software development costs, net of accumulated amortization	4,134,225	3,163,071
Deferred offering costs	222,896	—

Prepays and other non-current assets	51,754	52,918
Total non-current assets	4,449,955	3,288,755
Total assets	<u>\$ 6,111,526</u>	<u>\$ 9,634,133</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 324,138	\$ 223,196
Notes payable to investors	1,775,956	—
Stock awards liability	161,349	—
Total current liabilities	<u>2,261,443</u>	<u>223,196</u>
Commitments and contingencies	—	—
Shareholders' equity:		
Preferred stock - \$ 0.001 par value, 10,000,000 authorized and 0 shares issued and outstanding	—	—
Common stock - \$ 0.001 par value, 100,000,000 authorized and 12,654,949 and 12,416,408 shares issued and outstanding at December 31, 2022 and December 31, 2021	12,654	12,416
Additional paid-in capital	75,573,263	74,236,910
Accumulated deficit	(71,735,834)	(64,838,389)
Total shareholders' equity	<u>3,850,083</u>	<u>9,410,937</u>
Total liabilities and shareholders' equity	<u>\$ 6,111,526</u>	<u>\$ 9,634,133</u>

See Accompanying Notes to Financial Statements.

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Auddia Inc.
Statements of Operations
For the Years Ended December 31, 2022, and 2021

	Year Ended December 31,	
	2022	2021
Revenue	<u>\$ —</u>	<u>\$ —</u>
Operating expenses:		
Direct cost of services	180,690	190,187
Sales and marketing	1,673,692	740,652
Research and development	654,879	399,521
General and administrative	3,223,520	4,072,419
Depreciation and amortization	991,639	166,656
Total operating expenses	<u>6,724,420</u>	<u>5,569,435</u>
Loss from operations	<u>(6,724,420)</u>	<u>(5,569,435)</u>
Other (expense) income:		
Finance charge - convertible debt	—	(8,141,424)
Extinguishment of PPP loan	—	536,144
Interest expense	(173,027)	(306,555)
Interest income	1	3,201
Total other expense	<u>(173,026)</u>	<u>(7,908,634)</u>
Net loss before taxes	<u>(6,897,446)</u>	<u>(13,478,069)</u>
Taxes	—	—
Net loss	<u>\$ (6,897,446)</u>	<u>\$ (13,478,069)</u>
Net loss per share attributable to common shares		
Basic and diluted	<u>\$ (0.55)</u>	<u>\$ (1.30)</u>
Weighted average common shares outstanding		
Basic and diluted	<u>12,518,894</u>	<u>10,397,772</u>

See Accompanying Notes to Financial Statements.

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Auddia Inc.
Statements of Changes in Stockholders' Equity
For the Years Ended December 31, 2022, and 2021

	Common Stock		Additional	Accumulated	Total
	Number of Shares	Par Value	Paid-In- Capital	Deficit	
Balance, December 31, 2020	485,441	\$ 486	\$ 38,256,584	\$ (51,360,320)	\$ (13,103,250)
Issuance of common shares	4,021,818	4,022	14,603,768	—	14,607,790
Exercise of Series A Warrants	1,091,692	1,092	4,952,460	—	4,953,552
Exercise of Pre-IPO Warrants	2,887	2	(2)	—	—
Conversion of debt obligations	6,814,570	6,814	15,186,619	—	15,193,433
Share-based compensation	—	—	1,237,481	—	1,237,481
Net loss	—	—	—	(13,478,069)	(13,478,069)
Balance, December 31, 2021	<u>12,416,408</u>	<u>\$ 12,416</u>	<u>\$ 74,236,910</u>	<u>\$ (64,838,389)</u>	<u>\$ 9,410,937</u>
Issuance of common shares	140,186	140	222,756	—	222,896
Issuance of warrants	—	—	361,878	—	361,878
Exercise of restricted stock units and warrants	98,355	98	(98)	—	—
Reclassification of share-based compensation award to liability	—	—	(250,071)	—	(250,071)
Share-based compensation	—	—	1,001,889	—	1,001,889
Net loss	—	—	—	(6,897,446)	(6,897,446)
Balance, December 31, 2022	<u>12,654,949</u>	<u>\$ 12,654</u>	<u>\$ 75,573,263</u>	<u>\$ (71,735,834)</u>	<u>\$ 3,850,083</u>

See Accompanying Notes to Financial Statements.

Auddia Inc.
Statements of Cash Flows
For the Years Ended December 31, 2022, and 2021

	Year Ended December 31,	
	2022	2021
Cash flows from operating activities:		
Net loss	\$ (6,897,446)	\$ (13,478,069)
Adjustments to reconcile net loss to net cash used in operating activities:		
Finance charge associated with debt issuance cost	137,834	8,141,424
Depreciation and amortization	991,639	166,656
Share-based compensation expense	1,001,889	1,237,481
Extinguishment of PPP loan	—	(536,144)
Change in assets and liabilities:		
Accounts receivable	(50)	41
Prepays and other non-current assets	1,164	(47,418)
Accounts payable and accrued liabilities	12,220	(955,516)
Net cash used in operating activities	<u>(4,752,750)</u>	<u>(5,471,545)</u>
Cash flows from investing activities:		
Software capitalization	(1,927,298)	(1,472,290)
Purchase of property and equipment	(3,809)	(80,396)
Net cash used in investing activities	<u>(1,931,107)</u>	<u>(1,552,686)</u>
Cash flows from financing activities:		
Proceeds from PPP Loan	—	267,482
Proceeds from issuance of promissory notes payable, net of OID	2,000,000	15,000
Repayment of deferred salary	—	(661,651)
Repayments to Line of Credit	—	(6,000,000)
Repayments of related parties notes payable and deferred salary	—	(299,198)
Proceeds from related party debt	—	30,213
Proceeds from issuance of common shares	—	20,041,811
Deferred offering costs capitalized	—	(142,049)
Net cash provided by financing activities	<u>2,000,000</u>	<u>13,251,608</u>
Net (decrease) increase in cash	<u>(4,683,857)</u>	<u>6,227,377</u>
Cash, beginning of year	<u>6,345,291</u>	<u>117,914</u>
Cash, end of year	<u>\$ 1,661,434</u>	<u>\$ 6,345,291</u>
Supplemental disclosures of cash flow information		
Cash paid for interest	<u>\$ 7,082</u>	<u>\$ 66,412</u>
Supplemental disclosures of non-cash activity:		
Shares issued for conversion of indebtedness	<u>\$ —</u>	<u>\$ 15,193,433</u>
PPP loan extinguishment	<u>\$ —</u>	<u>\$ 536,144</u>

See Accompanying Notes to Financial Statements.

Auddia Inc.
Notes to Financial Statements
For the Year Ended December 31, 2022

Note 1 – Description of Business, Basis of Presentation and Summary of Significant Accounting Policies

Description of Business

Auddia Inc., formerly Clip Interactive, LLC, (the “Company”, “Auddia”, “we”, “our”) is a technology company that is reinventing how consumers engage with audio through the development of a proprietary AI platform for audio and innovative technologies for podcasts. Clip Interactive, LLC was initially formed as a Colorado limited liability company on January 14, 2012, and on November 25, 2019 changed its trade name to Auddia.

On February 16, 2021, the Company completed an initial public offering (the “IPO”) of 3,991,818 units, at \$4.125 per unit, consisting of one share of common stock and one warrant to purchase one share of common stock at an exercise price of \$4.54 per share. In addition, the underwriters exercised their option to purchase 598,772 Series A warrants to cover over-allotments and were issued 319,346 in representative warrants at an exercise price of \$5.15625 per share. After deducting underwriter’s commissions and expenses, the Company received net proceeds of approximately \$15.1 million and its common stock commenced trading on Nasdaq under the ticker symbol “AUUD”. Concurrently with the IPO, holders of the Company’s promissory notes, convertible notes, and related party notes, along with accrued interest, were converted into 6,814,570 shares of the Company’s common stock.

Concurrently with the IPO the Company converted from a Colorado limited liability company to a Delaware corporation. This accounting change has been given retrospective treatment in the condensed financial statements.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”).

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

The financial statements include some amounts that are based on management’s best estimates and judgments. The most significant estimates relate to valuation of capital stock, warrants and options to purchase shares of the Company’s common stock, and the estimated recoverability and amortization period for capitalized software development costs. These estimates may be adjusted as more current information becomes available, and any adjustment could be significant.

Risks and Uncertainties

The Company is subject to various risks and uncertainties frequently encountered by companies in the early stages of development. Such risks and uncertainties include, but are not limited to, its limited operating history, competition from other companies, limited access to additional funds, dependence on key personnel, and management of potential rapid growth. To address these risks, the Company must, among other things, develop its customer base; implement and successfully execute its business and marketing strategy; develop follow-on products; provide superior customer service; and attract, retain, and motivate qualified personnel. There can be no guarantee that the Company will be successful in addressing these or other such risks.

Cash

The Company considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents. The Company had no cash equivalents at December 31, 2022 or 2021.

The Company maintains cash deposits at several financial institutions, which are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Company’s cash balance may at times exceed these limits. At December 31, 2022 and December 31, 2021, the Company had approximately \$ 1.4 million and \$ 5.9 million, respectively, in excess of federally insured limits. The Company continually monitors its positions with, and the credit quality of, the financial institutions with which it invests.

Property and Equipment

Property and equipment are stated at cost, net of accumulated depreciation. Depreciation is provided utilizing the straight-line method over the estimated useful lives for owned assets, ranging from two to five years .

Software Development Costs

The Company accounts for costs incurred in the development of computer software as software research and development costs until the preliminary project stage is completed, management has committed to funding the project, and completion and use of the software for its intended purpose is probable.

The Company ceases capitalization of development costs once the software has been substantially completed and is available for its intended use. Software development costs are amortized over a useful life estimated by the Company’s management of five years. Costs associated with significant upgrades and enhancements that result in additional functionality are capitalized. Capitalized costs are subject to an ongoing assessment of recoverability based on anticipated future revenues and changes in software technologies.

Unamortized capitalized software development costs determined to be in excess of anticipated future net revenues are considered impaired and

expensed during the period of such determination. Software development costs of \$ 1,927,298 and \$ 1,472,290 were capitalized for the years ended December 31, 2022, and 2021, respectively. Amortization of capitalized software development costs were \$ 956,144 and \$ 146,737 for the years ended December 31, 2022 and 2021, respectively and are included in depreciation and amortization expense.

Deferred Offering Costs

In November 2022, the Company entered into a Common Stock Purchase Agreement. Pursuant to such, the Company has the right, but not the obligation, to require the investor to purchase up to \$10,000,000 in aggregate gross purchase price of newly issued shares of the Company common stock, subject to eligibility under the Company's Form S-3. The Company's right to sell shares under this agreement extends to December 2023. In consideration for the commitments by the investor under the agreement, the Company issued 140,186 shares of common stock to the investor. The Company recognized \$ 222,896 of deferred offering costs relating to the issuance of these shares.

The Company deferred direct and incremental costs associated with its IPO that occurred in February 2021. The Company capitalized deferred offering costs of \$ 142,049 during the year ended December 31, 2021, which was netted against IPO proceeds in February 2021. Deferred offering costs consisted principally of legal, advisory, and consulting fees incurred in connection with the formation and preparation for the IPO.

Long-Lived Assets

The Company reviews its tangible and limited lived intangible long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recovered. If a potential impairment is indicated, the Company compares the carrying amount of the asset to the undiscounted future cash flows associated with the asset. In the event the future cash flows are less than their carrying value, a loss is recognized based on the amount by which the carrying value exceeds the fair value of the long-lived asset. The Company determined long-lived assets were not impaired at December 31, 2022 and 2021.

Income Taxes

The Company accounts for income taxes using an asset and liability approach, which requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events. A valuation allowance is established to reduce deferred tax assets to their estimated realizable value when, in the opinion of management, it is more likely than not that some portion or all of the deferred income tax assets will not be realized in the future.

The Company recognizes benefits of uncertain tax positions if it is more likely than not that such positions will be sustained upon examination based solely on their technical merits, as the largest amount of benefit that is more likely than not to be realized upon the ultimate settlement. The Company's policy is to recognize interest and penalties related to unrecognized tax benefits as a part of income tax expense.

Prior to the Company's conversion to a Delaware corporation in February 2021, the Company was a limited liability company and had elected to be treated as a pass-through entity for income tax purposes. Accordingly, taxable income and losses of the Company were reported on the income tax returns of its members, and no provision for federal income taxes have been recorded in the accompanying financial statements. Had the Company been a taxable entity, no provision for income taxes would have been recorded as the Company has sustained losses since inception.

Revenue Recognition

Revenue will be measured according to Accounting Standards Codification ("ASC") 606, Revenue – Revenue from Contracts with Customers, and will be recognized based on consideration specified in a contract with a customer and will exclude any sales incentives and amounts collected on behalf of third parties. We will recognize revenue when we satisfy a performance obligation by transferring control over a service or product to a customer. We will report revenues net of any tax assessed by a governmental authority that is both imposed on, and concurrent with, a specific revenue-producing transaction between a seller and a customer in our statements of operations. Collected taxes, if applicable, will be recorded within other current liabilities until remitted to the relevant taxing authority.

Subscriber revenue will consist primarily of subscription fees and other ancillary subscription-based revenues. Revenue is recognized on a straight-line basis when the performance obligations to provide each service for the period are satisfied, which is over time as our subscription services are continuously available and can be consumed by customers at any time. There is no revenue recognized for unpaid trial subscriptions.

Customers may pay for the services in advance of the performance obligation and therefore these prepayments are recorded as deferred revenue. The deferred revenue is recognized as revenue in our statement of operations as the services are provided.

Advertising Costs

The Company expenses advertising costs as incurred. Advertising expense for the year ended December 31, 2022, and December 31, 2021, was \$ 760,940 and \$ 130,565, respectively.

Share-Based Compensation

The Company accounts for share-based compensation arrangements with employees, directors, and consultants and recognizes the compensation expense for share-based awards based on the estimated fair value of the awards on the date of grant.

Compensation expense for all share-based awards is based on the estimated grant-date fair value and recognized in earnings over the requisite service period (generally the vesting period). The Company records share-based compensation expense related to non-employees over the related service periods.

Net Loss per Share

Basic loss per share common share is calculated based on the weighted-average number of common shares outstanding in accordance with FASB ASC Topic 260, *Earnings per Share*. Diluted net (loss) income per share is calculated based on the weighted-average number of common shares outstanding plus the effect of dilutive potential common shares. When the Company reports a net loss, the calculation of diluted net loss per share excludes potential common shares as the effect would be anti-dilutive. Potential common shares are composed of shares of common issuable upon the exercise of options

and warrants.

Liquidity, Capital Resources and Going Concern

Our existing cash of \$1.66 million at December 31, 2022 will only be sufficient to fund our current operating plans into the second quarter of 2023. The Company has based these estimates, however, on assumptions that may prove to be wrong. We will need additional funding to complete the development of our full product line and scale products with a demonstrated market fit. Management has plans to secure such additional funding. If we are unable to raise capital when needed or on acceptable terms, we would be forced to delay, reduce, or eliminate our technology development and commercialization efforts.

As a result of the Company's recurring losses from operations, and the need for additional financing to fund its operating and capital requirements, there is uncertainty regarding the Company's ability to maintain liquidity sufficient to operate its business effectively, which raises substantial doubt as to the Company's ability to continue as a going concern.

Emerging Growth Company Status

The Company is an emerging growth company, as defined in the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"). Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards issued subsequent to the enactment of the JOBS Act until such time as those standards apply to private companies. The Company has elected to use this extended transition period for complying with certain new or revised accounting standards that have different effective dates for public and private companies.

Practical expedients and exemptions

We expensed sales commissions when incurred because the duration of the contracts for which we paid commissions were less than one year. These costs were included in the sales and marketing line item of our Statements of Operations. Currently the Company does not have any significant acquisition costs which have been incurred associated with the acquisition of its customer contracts and therefore, no deferred customer acquisition costs have been recorded.

We did not disclose the value of unsatisfied performance obligations for (i) contracts with an original expected length of one year or less and (ii) contracts for which we recognize revenue at the amount to which we had the right to invoice for services performed.

Note 2 – Property & Equipment and Software Development Costs

Property and equipment and software development costs consisted of the following as of:

	December 31,	
	2022	2021
Computers and equipment	\$ 99,940	\$ 767,318
Furniture	7,262	7,262
Software	–	5,228
Accumulated Depreciation	(66,121)	(707,042)
Total property and equipment, net	<u>\$ 41,080</u>	<u>\$ 72,766</u>
Software development costs	\$ 6,626,049	\$ 4,698,752
Accumulated amortization	(2,491,824)	(1,535,681)
Total software development costs, net	<u>\$ 4,134,225</u>	<u>\$ 3,163,071</u>

The Company recognized depreciation expense of \$ 35,495 and \$ 19,919 for the years ended December 31, 2022, and 2021, respectively related to property and equipment and amortization expense of \$ 956,144 and \$ 146,737 for the years ended December 31, 2022, and 2021, respectively related to software development costs.

Note 3 – Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of the following:

	December 31,	
	2022	2021
Accounts payable and accrued liabilities	\$ 289,955	\$ 210,929
Credit cards payable	6,072	12,267
Accrued interest	28,111	–
	<u>\$ 324,138</u>	<u>\$ 223,196</u>

Note 4 – Line of Credit

On April 10, 2018, the Company entered into a line of credit with a financial institution, which was amended in July 2019 and March 2021. The principal balance was repaid in full on July 8, 2021. Interest expense for the year ended December 31, 2021 was \$ 66,412 .

The line of credit was collateralized by all assets of the Company, including \$2 million of cash held in a control account at the lender. The Company also maintained a minimum balance at the lender to cover two months of interest payments. Prior to our IPO, the line of credit was collateralized by \$6,000,000 of cash assets of two shareholders held in control accounts at the lender.

Following the Company's IPO in February 2021 the line of credit was amended and the Company paid down the outstanding principal balance on its bank line of credit from \$6 million to \$2 million and the available principal balance for the line of credit was reduced from \$6 million to \$2 million. Further,

the \$6 million of cash collateral previously provided by the two shareholders was released. The remaining principal balance of \$2 million was repaid in full and the line of credit was terminated on July 8, 2021.

The shareholder who previously provided the \$2 million control account had a collateral agreement with the Company which is described in Note 5. This agreement was terminated in March 2021.

Note 5 – Convertible Notes Payable, Notes Payable to Related Parties and Deferred Salary and Promissory Notes

Convertible notes payable

During the year ended December 31, 2020, existing investors purchased \$ 404,601 of our convertible notes. These convertible notes accrued interest at 6.0 % per year and were scheduled to mature on December 31, 2021 . In conjunction with the February 2021 IPO, the Notes automatically converted into 2,066,176 shares of common stock at discounts ranging from 50% to 75% of the IPO price. Interest expense for the year ended December 31, 2021, was \$ 16,586 .

Accrued fees to a related party

The Company had an agreement with a shareholder to provide collateral for a bank line of credit described in Note 4 – Line of Credit. The amount of the cash collateral provided by the shareholder to the bank was \$2.0 million. The collateral agreement required a commitment to pay collateral fees of \$710,000 (comprised of annual interest of \$660,000 plus the \$50,000 renewal fee) to the shareholder and issue 3,454 common stock warrants. In January 2019, in connection with the collateral agreement, the Company converted accrued fees of \$ 725,000 into an unsecured note payable, which bore interest at 33 % annually and had a maturity date of December 31, 2021 . The fees that accrued on the collateral arrangement were 33% percent of the collateral amount annually plus an annual renewal fee of \$50,000. Interest expense for the year ended December 31, 2021, \$ 208,727 . This collateral agreement terminated in March 2021.

In conjunction with the February 2021 IPO, the notes payable and accrued interest due to this shareholder were converted to 1,667,859 shares of common stock.

Promissory notes payable

During the twelve months ended December 31, 2020, the Company issued, to a number of existing shareholders, in four separate tranches, \$ 1,857,764 of Promissory Notes that accrue interest at a rate of 6 % per year and were scheduled to mature on December 31, 2021 . When issued, the notes incorporated the following attributes: interest on the Notes accrue at 6% and upon the successful completion of a qualified IPO by December 31, 2021, the notes and accrued interest would convert into equity at a per share valuation equal to \$40.0 million. In addition, each investor in the Promissory Notes would receive shares and warrants based on a formula that takes into account the number of shares and warrants the investor owned before the investment in these Promissory Notes, as well as a portion of the bonus allocation of 1,038,342 shares made available to the investors. Interest expense for the year ended December 31, 2021, was \$ 14,454 .

In conjunction with the February 2021 IPO, all of the Promissory Notes collectively converted into 3,080,535 shares of common stock.

The Company recognized a finance charge to interest expense of \$ 8,141,424 related to the conversion of the convertible notes, notes payable to related parties and promissory notes during the year ended December 31, 2021.

Note 6 – Notes Payable

Notes payable to related parties and deferred salary

An executive officer of the Company agreed to defer receipt of compensation to preserve liquidity in the Company. The accumulated amount of compensation owed to this executive officer was approximately \$ 631,000 at December 31, 2020. The Company paid this deferred compensation in the first quarter of 2021.

During 2019, the Company issued notes payable (the "Notes") to three related parties for \$ 80,000 , \$ 200,000 , and \$ 50,000 , respectively. The Notes did not accrue interest or have a stated maturity date. The outstanding note payable for \$ 80,000 was repaid in January 2020. In December 2019, the two other note holders elected to convert their notes into convertible Notes due December 31, 2021. Two other existing investors, who were owed a total of \$17,197 for services by the Company, also agreed to convert their payables into convertible Notes. During 2019 the Company issued a note payable to a related party for consulting services incurred by the Company in the amount of \$ 486,198 . As of December 31, 2020, the outstanding balance for consulting services was \$ 440,904 . The Company paid these Notes in the first quarter of 2021.

In February 2020, the Company obtained a new \$500,000 short term loan from the same related party. The Company was advanced \$485,000, net of \$15,000 in closing fees, and immediately placed \$140,741 into an escrow account, owned and controlled by the shareholder to provide funds for the scheduled repayments. Repayment of the principal and loan financing fee occurs through weekly payments of \$17,593 until the loan and financing fee is paid in full. The loan financing fee increases with the length of the payback period and was maximized at \$165,000 after month five. The outstanding balance was repaid in February 2021.

In November 2022, the Company entered into a Secured Bridge Note ("Note") financing with an existing stockholder of the Company. The principal amount of the Note is \$ 2,200,000 including an original issue discount of \$ 200,000 . The Note bears interest at an annual rate of 10 % and matures in May 2023. The Note is secured by a lien on substantially all of the Company's assets. At maturity, the lender has the option to convert any original issue discount and accrued but unpaid interest into shares of the Company's common stock at a fixed conversion price of \$ 1.23 per share. The conversion right is available to the lender at the earlier of (i) maturity, or (ii) payback of all the principal. In connection with the Note financing, the Company issued 300,000 common stock warrants with a five-year term and an exercise price of \$ 2.10 per share. The warrants were valued at \$ 361,878 , which was recorded as an additional debt discount. The Company has the option to extend the maturity date by six months to November 2023. In the event of an extension, the interest rate on the Note will increase to 20% and the Company will issue to the lender an additional 300,000 warrants.

As of December 31, 2022, the balance of the Note, net of debt issuance costs, was \$ 1,775,956 . Interest expense related to the Note for the year ended December 31, 2022, was \$ 165,945 .

Cares Act Paycheck Protection Program loan

In April 2020, the Company entered into a promissory note evidencing an unsecured loan (the "First Loan") in the amount of \$ 268,662 made to the Company under the Paycheck Protection Program (the "PPP"). In January 2021, the Company entered into a second promissory note (the "Second Loan" or combined with the first loan, the "PPP Loans") of \$ 267,482 under the PPP. The PPP was established under the CARES Act and is

administered by the U.S. Small Business Administration.

The First Loan was set to mature in April 2022 and the Second Loan was set to mature in January 2023. The PPP Loans bore interest at a rate of 1% per annum. Beginning November 2020, the Company was required to make 18 monthly payments of principal and interest in the amount of \$14,370 related to the First Loan. The PPP Loans may be prepaid by the Company at any time prior to maturity with no prepayment penalties. The proceeds from the Loans may only be used for payroll costs (including benefits), interest on mortgage obligations, rent, utilities and interest on certain other debt obligations.

The PPP Loans contained customary events of default relating to, among other things, payment defaults, making materially false and misleading representations to the lender or breaching the terms of the Loan documents. The occurrence of an event of default will result in an increase in the interest rate to 18% per annum and provides the lender with customary remedies, including the right to require immediate payment of all amounts owed under the PPP Loans.

Pursuant to the terms of the CARES Act and the PPP, the Company applied for forgiveness for both the PPP Loans. On June 15, 2021, the Company received confirmation that the First Loan was approved for forgiveness and the Company recorded \$ 268,662 in PPP loan extinguishment to other income during the year ended December 31, 2021. On November 2, 2021, the Company received confirmation that the Second Loan was approved for forgiveness and the Company recorded \$ 267,482 in PPP loan extinguishment to other income during the year ended December 31, 2021. The amount eligible for forgiveness was based on the amount of Loan proceeds used by the Company (during the eight-week period after the lender makes the first disbursement of Loan proceeds) for the payment of certain covered costs, including payroll costs (including benefits), interest on mortgage obligations, rent and utilities, subject to certain limitations and reductions in accordance with the CARES Act and the PPP.

Note 7 – Commitments and Contingencies

Operating Lease

In April 2021, the Company entered into a lease agreement for office space in Boulder, Colorado comprising of 8,639 square feet. The lease commenced on May 15, 2021, and terminated after 12 months. The lease had an initial base rent of \$7,150 per month, with the first 15 days rent free and included three separate six month renewal options, subject to fixed rate escalation increases. In November 2022, the Company amended the lease reducing the square footage rented to 2,160 with a base rent of \$4,018 per month. The amended lease terminates after 13 months. The Company previously leased approximately 3,000 square feet of office space that expired on April 30, 2021.

Rent expense was \$ 104,223 and \$ 75,336 for the years ended December 31, 2022, and 2021, respectively.

Litigation

In the normal course of business, the Company is party to litigation from time to time. The Company maintains insurance to cover certain actions and believes that resolution of such litigation will not have a material adverse effect on the Company.

Contingencies

A pre-IPO investor has contacted the Company claiming damages caused by alleged acts and omissions arising from a private financing by the Company. No complaint has been filed by the investor. The alleged damages asserted by the investor are less than approximately \$300,000. The Company believes it has meritorious defense to the investor's claims.

Note 8 - Share-based Compensation

Stock Options

The following table presents the activity for stock options outstanding:

	Options	Weighted Average Exercise Price
Outstanding - December 31, 2020	300,353	\$ 3.65
Granted	1,235,500	\$ 2.79
Forfeited/canceled	(31,062)	\$ 3.01
Exercises	—	—
Outstanding - December 31, 2021	1,504,791	\$ 2.96
Granted	683,136	\$ 1.46
Forfeited/canceled	(524,754)	\$ 2.63
Exercised	—	—
Outstanding - December 31, 2022	1,663,173	\$ 2.45

The following table presents the composition of options outstanding and exercisable:

Exercise Prices	Options Outstanding			Options Exercisable	
	Number	Price*	Life*	Number	Price*
\$2.70	68,518	\$ 2.70	0.76	68,518	\$ 2.70
\$2.90	53,128	\$ 2.90	4.79	53,128	\$ 2.90
\$4.26	171,197	\$ 4.26	6.41	161,388	\$ 4.26
\$2.79	772,194	\$ 2.79	7.90	380,299	\$ 2.79
\$1.79	208,750	\$ 1.79	8.53	59,687	\$ 1.79

	\$1.21	389,386	\$ 1.21	9.62	194,692	\$ 1.21
Total - December 31, 2022		<u>1,663,173</u>	<u>\$ 2.45</u>	<u>7.91</u>	<u>917,712</u>	<u>\$ 2.65</u>

* Price and Life reflect the weighted average exercise price and weighted average remaining contractual life, respectively.

During the year ended December 31, 2022, the Company granted 683,136 stock options to certain executives and key employees. Under the terms of the option agreements, the options are subject to certain vesting requirements.

Restricted Stock Units

The following table presents the activity for restricted stock units outstanding:

	Restricted Stock Units	Weighted Average Exercise Price
Outstanding - December 31, 2020	—	—
Granted	424,500	—
Forfeited/canceled	—	—
Exercised	—	—
Outstanding - December 31, 2021	<u>424,500</u>	—
Granted	282,983	—
Forfeited/canceled	(45,381)	—
Exercised	(98,243)	\$ 1.79
Outstanding - December 31, 2022	<u>563,859</u>	—

During the year ended December 31, 2022, the Company granted 282,983 restricted stock units. Under terms of the restricted stock agreements, the restricted stock units are subject to certain vesting requirements.

The Company recognized share-based compensation expense related to stock options and restricted stock units of \$ 1,001,889 and \$ 1,237,481 for the years ended December 31, 2022, and 2021, respectively. The remaining unvested share-based compensation expense of \$ 1,616,569 is expected to be recognized over the next 37 months.

Warrants

The following table presents the activity for warrants outstanding:

	Warrants Outstanding	Weighted Average Exercise Price
Outstanding - December 31, 2020	358,334	\$ 7.02
Granted	4,909,936	\$ 4.58
Forfeited/cancelled/restored	—	\$ —
Exercised	(1,096,023)	\$ 4.52
Outstanding - December 31, 2021	<u>4,172,247</u>	\$ 4.80
Granted	300,000	\$ 2.10
Forfeited/cancelled/restored	—	\$ —
Exercised	(148)	\$ 0.87
Outstanding - December 31, 2022	<u>4,472,099</u>	\$ 4.62

In connection with the February 2021 IPO, the Company issued 3,991,818 warrants to purchase shares of common stock and issued to 598,772 warrants to its underwriters to cover over-allotments. The Company also issued 319,346 of representative warrants to its underwriters to purchase shares of common stock and these representative warrants contain a cashless exercise feature.

During the year ended December 31, 2021, certain holders of our publicly traded Series A Warrants exercised 1,091,692 warrants for 1,091,692 million shares of common stock at the cash exercise price of \$ 4.5375 per share. In addition, certain holders of our Pre-IPO warrants exercised 4,331 warrants for 2,887 shares of common stock at the net exercise price of \$ 0.87 per share.

During the year ended December 31, 2022, in connection with the issuance of a Secured Bridge Note, the Company issued 300,000 warrants to purchase shares of common stock at the exercise price of \$ 2.10 per share.

During the year ended December 31, 2022, 148 warrants were exercised using the cashless option into 112 shares of common stock.

All the outstanding warrants are exercisable and have a weighted average remaining contractual life of approximately 3 years as of December 31, 2022.

Note 9 – Stockholders' Equity

On February 17, 2021, the Company converted its LLC membership equity units into 485,441 shares of Common Stock with a \$0.001 par value. The conversion has been given retrospective treatment.

Note 10 – Income Taxes

For the year ended December 31, 2022 and 2021, the Company recorded no income tax benefit for the net operating losses incurred during the year, due to the uncertainty of realizing a benefit from those items.

The following is a reconciliation of the statutory federal income tax rate to the effective tax rate reported in the financial statements:

	December 31, 2022	
Income tax expense (benefit) at federal statutory rate	(1,448,463)	21.00 %
State and local income taxes, net of federal tax benefit	(307,021)	4.45 %
Prior year true-ups	39,787	- 0.58 %
Other	31,442	- 0.46 %
Changes in valuation allowance	1,684,255	- 24.42 %
Total provision expense (benefit) for income taxes	<u>\$ 0</u>	<u>0.00 %</u>

Significant components of the Company's deferred taxes consisted of the following:

	December 31, 2022
Deferred tax assets:	
Stock based compensation	618,691
Federal net operation losses	2,324,319
State net operation losses	397,846
Other assets	12,772
Total deferred tax assets	\$ 3,353,628
Less: Valuation allowance	(2,787,033)
Total deferred tax assets, net of valuation allowance	<u>\$ 566,595</u>
Deferred tax liabilities:	
Capitalized software	(556,492)
Property & equipment	(10,103)
Total deferred tax liabilities	<u>\$ (566,595)</u>
Total net deferred tax asset (liability)	<u>\$ —</u>

For the period ended December 31, 2022, the Company has federal and state net operating loss carryforwards of \$ 11,068,185 and \$ 11,068,185 , respectively.

The Federal net operating loss carryforwards do not have an expiration, however, are limited to 80% of the excess of taxable income over the total Net Operating Loss Deduction, the state net operating loss carryforwards will conform to the federal provisions.

Additionally, after weighting all available and positive and negative evidence for the period ended December 31, 2022, the Company has recorded a valuation allowance of \$(2,787,033).

The Company continuously monitors its current and prior filing positions in order to determine if any unrecognized tax positions need to be recorded. The analysis involves considerable judgement and is based on the best information available. For the period ended December 31, 2022, the Company is not aware of any positions which require an uncertain tax position liability.

The Company is subject to taxation in the United States and Colorado. The statute of limitations on the initial tax return filed for 2021 tax year will expire in 2025 for federal and in 2026 for state jurisdictions.

Note 11 – Net Loss Per Share

Basic net loss per share is computed by dividing net loss, which is allocated based upon the proportionate amount of weighted average shares outstanding, to each class of stockholder's stock outstanding during the period. For the calculation of diluted net loss per share, net loss per share attributable to common stockholders for basic net loss per share is adjusted by the effect of dilutive securities, including awards under our equity compensation plans.

As of December 31, 2022, and 2021, 6,318,758 and 5,009,315 , respectively of potentially dilutive weighted average shares were excluded from the calculation of diluted net loss per share because their effect would have been anti-dilutive for the periods presented.

Note 12 – Subsequent Events

On February 10, 2023, the Company's board of directors appointed Timothy J. Ackerman as the Company's new Chief Financial Officer. In connection with Mr. Ackerman's appointment, the compensation committee of Auddia's board of directors granted Mr. Ackerman (i) an inducement stock option to purchase an aggregate of 150,200 shares of Auddia common stock, and (ii) 37,500 restricted stock units for Auddia common stock. These stock options and RSUs were agreed to and granted as an inducement material to Mr. Ackerman entering into employment with Auddia in accordance with Nasdaq Listing Rule 5635(c)(4). The RSUs and options are both subject to certain vesting requirements.

Item 9. Changes and Disagreements with Accountants on Accounting and Financial Disclosure

On March 8, 2023, we were advised by Daszkal Bolton, LLP ("Daszkal"), the Company's independent registered public accounting firm, that Daszkal completed a business combination agreement with CohnReznick LLP ("CohnReznick"). As a result of this transaction, Daszkal will resign as the Company's independent registered public accounting firm following the filing of this Annual Report. The Company's current Daszkal audit team is now part of CohnReznick and the Company expects it will likely engage CohnReznick to serve as the Company's independent registered public accounting firm for the Company's fiscal year ending December 31, 2023 but has not engaged them at this time.

Daszkal's reports on the Company's financial statements for the past two years did not contain an adverse opinion or a disclaimer of opinion, and were not qualified or modified as to uncertainty, audit scope, or accounting principles.

During the years ended December 31, 2022 and 2021, there were (i) no disagreements (as described in Item 304(a)(1)(iv) of Regulation S-K and the related instructions) between the Company and Daszkal on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which, if not resolved to Daszkal's satisfaction, would have caused Daszkal to make reference thereto in its reports on the financial statements for such years; and (ii) no "reportable events" within the meaning of Item 304(a)(1)(v) of Regulation S-K, except that Daszkal advised the Company of material weaknesses in its internal control over financial reporting as of December 31, 2021 and 2020.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Exchange Act) as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures as of the end of the period covered by this report were not effective at a reasonable assurance level due to the material weaknesses in internal control over financial reporting described below. The Company's disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by us in reports that we file or submit under the Exchange Act (i) is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms; and (ii) accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely discussions regarding required disclosure. We believe that a control system, no matter how well designed and operated, cannot provide absolute assurance that the objectives of the control system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

Internal Control Over Financial Reporting

In preparation of our financial statements to meet the requirements of our IPO, we determined that material weaknesses in our internal control over financial reporting existed during fiscal 2018 and remained unremediated as of December 31, 2022. 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 a company's annual and interim financial statements will not be detected or prevented on a timely basis.

The material weaknesses we identified are related to the design and maintenance of an effective control environment commensurate with our financial reporting requirements. Specifically, we lacked a sufficient complement of professionals with an appropriate level of accounting knowledge, training and experience to appropriately analyze, record and disclose accounting matters timely and accurately and we did not design and maintain controls to ensure adequate segregation of duties within our financial reporting function including the preparation and review of journal entries. In response to the material weaknesses, we took a number of actions to improve our internal control over financial reporting and determined that as of December 31, 2022, that although the controls that were designed have been implemented, the documentation and testing of such controls was not yet completed sufficiently enough to conclude that the material weaknesses have been remediated.

Remediation Activities

Management has been actively engaged in remediating the above described material weaknesses. The following remedial actions have been taken during the year ended December 31, 2022:

- continue to strengthen our internal policies, processes and reviews, including drafting of related documentation thereof;
- engage outside consultants to ensure that appropriate level of knowledge and experience is applied based on risk and complexity of transactions and tasks under review;
- started internal control documentation along with engaging outside consultants to assist in the design, implementation and documentation of internal controls to address the relevant risks; and
- hired additional accounting resources with appropriate levels of experience, including a new chief financial officer in 2021

The process of implementing an effective financial reporting system is a continuous effort that requires us to anticipate and react to changes in our business and the economic and regulatory environments and to expend significant resources to maintain a financial reporting system that is adequate to satisfy our reporting obligations. As we continue to evaluate and take actions to improve our internal control over financial reporting, we may take additional actions to address control deficiencies or modify certain of the remediation measures described above.

While progress has been made to enhance our internal control over financial reporting, we are still in the process of documenting and testing these processes, procedures and controls. Additional time is required to complete this phase and to assess and ensure the sustainability of these procedures. We believe the above actions will be effective in remediating the material weaknesses described above and we will continue to devote significant time and attention to these remedial efforts. However, the material weaknesses cannot be considered remediated until the applicable remedial controls have been documented and tested such that management has concluded that these controls are operating effectively.

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 our independent registered public accounting firm due to a transition period established by rules of the SEC for newly public companies.

Changes in Internal Control Over Financial Reporting

Other than the applicable remediation efforts described in "Remediation of Previously Reported Material Weaknesses" above, there have been no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) during the fiscal year ended December 31, 2022, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

PART III

Item 10. Directors, Executive Officers, and Corporate Governance

Executive officers and directors

Set forth below are the names, ages and positions of our executive officers and directors as of March 1, 2023.

Name	Age	Position(s) held	Served as a Director and/or Officer Since
Executive Officers			
Jeffrey Thramann, M.D.	58	Executive Chairman and Director	2012
Michael Lawless	60	Chief Executive Officer, Secretary & Director	2012
Peter Shoebridge	59	Chief Technology Officer	2013
Timothy J. Ackerman	59	Chief Financial Officer	2023
Non-Employee Directors			
Stephen Deitsch	51	Director, Lead Independent Director	2021
Timothy J. Hanlon	57	Director	2021
Thomas Birch	70	Director	2021

Executive officers

Jeffrey Thramann, Executive Chairman. Dr. Thramann founded the Company in 2012 and oversees strategic initiatives, capitalization and governance at the Company. This includes day-to-day involvement in working with senior management to establish the strategic vision of the Company, prioritizing product launches, working with the CEO and CFO on the financial plans of the Company, and assisting the CEO in recruitment and hiring of senior executives and the pursuit of business development activities. It also includes leading efforts to secure capital for the Company, building the board of directors and leading board meetings. In 2002, Dr. Thramann was the founder and became the chairman of Lanx, LLC. Lanx was an innovative medical device company focused on the spinal implant market and created the interspinous process fusion space with the introduction of its patented Aspen product. Lanx was sold to Biomet, Inc., an international orthopedic conglomerate, in 2013. Concurrent with Lanx, in 2006 Dr. Thramann was also the founder and chairman of ProNerve, LLC. ProNerve was a healthcare services company that provided monitoring of nerve function during high risk surgical procedures affecting the brain and spinal cord. ProNerve was sold to Waud Capital Partners, a private equity firm, in 2012.

Prior to ProNerve and concurrent with Lanx, Dr. Thramann was the founder and chairman of U.S. Radiosurgery (USR). USR is a healthcare services company that provides advanced radiosurgical treatments for tumors throughout the body. USR became the largest provider of robotic guided CyberKnife treatments of such tumors in the U.S. and was sold to Alliance Healthcare Services (Nasdaq: AIQ) in 2011. From 2001 through 2008, Thramann was the founder and senior partner of Boulder Neurosurgical Associates, a neurosurgical practice serving Boulder County, Colorado. Dr. Thramann is the named inventor on over 50 U.S. and international issued and pending patents. He completed his neurosurgical residency and complex spinal reconstruction fellowship at the Barrow Neurological Institute in Phoenix, AZ, in 2001. He is a graduate of Cornell University Medical College in New York City and earned a BS in electrical engineering management at the U. S. Military Academy in West Point, NY. Dr. Thramann currently serves as the Executive Chairman of Aclarion, Inc. (NASDAQ: ACON), a healthcare technology company that is leveraging MR Spectroscopy, biomarkers, and augmented intelligence algorithms to improve the diagnosis and treatment of chronic low back pain.

Michael Lawless, Chief Executive Officer and Director: Mr. Lawless is a technology startup veteran having held key leadership positions in research and development, engineering, product development and operations. Prior to joining the Company in 2012, from 2009 to 2011 he was one of the founding executives and Chief Operating Officer of Trada, Inc., a company engaged in the business of crowdsourced digital ad campaign creation and management. In addition to establishing the business operations and processes for Trada, he was responsible for building and managing the product team and operating their internet advertising marketplace SaaS product. He earned a BS in Human Factors Engineering from the U.S. Air Force Academy and his master's degree in Experimental Psychology with an emphasis on Human-Computer Interaction from The University of Dayton.

Peter Shoebridge, Chief Technology Officer: Mr. Shoebridge joined the Company in 2013 and has over 35 years of professional experience in the software development industry. He has been involved with internet related technologies since 1996. From 2008 to 2012, he was the CEO and co-founder of Blue Yonder Gaming, Corp., a casino gaming systems and gaming company. Prior to Blue Yonder he was Vice President of engineering at Sona Mobile, Inc and led the team that built the first wireless gaming system to receive federal regulatory approval. He also led the team that built the Sona

Gaming System, a server-based gaming platform. Mr. Shoebridge has worked in many different technology sectors including the real-time financial industry, casino gaming including bingo systems, accounting and automotive. He was educated in London, England.

Timothy J. Ackerman, Chief Financial Officer: Mr. Ackerman joined the Company in 2023. He brings over twenty years of finance and operational experience in the software and services industry with both publicly traded and privately held companies. From 2020 to 2022, he served as Chief Financial Officer and a board member at Premier Crop Systems, LLC ("PCS"), a venture capital backed and leading precision agronomy data processing and analytics software and services company. PCS was sold to another privately held company in 2022. From 2016 to 2020, Mr. Ackerman attended business school and also took a career sabbatical. From 1997 to 2016, Mr. Ackerman served as Vice President of Finance with CSG Systems International, Inc. (Nasdaq: CSGS), a leading multinational SaaS software and services company. Mr. Ackerman is a certified public accountant and a chartered global management accountant. He earned both his MBA and BS in Business Administration from the University of Nebraska.

Non-employee directors

Stephen M. Deitsch, Director: Mr. Deitsch has extensive strategic, operational, and financial leadership experience at both publicly traded and privately held companies. Since September 2020, Mr. Deitsch has served as Chief Financial Officer of Paragon 28, Inc. (NYSE: FNA), a leading global orthopedics company. From April 2017 to August 2019, Mr. Deitsch served as Senior Vice President and Chief Financial Officer of BioScrip, Inc. (formerly Nasdaq: BIOS) which is now part of Option Care Health, Inc. (Nasdaq: OPCH). From August 2015 to April 2017, Mr. Deitsch served as Executive Vice President, Chief Financial Officer and Corporate Secretary of Coalfire, Inc., a leading cyber-security firm. Mr. Deitsch served as the Chief Financial Officer of Biomet Spine, Bone Healing, and Microfixation from July 2014 to July 2015 and as Vice President Finance, Corporate Controller of Biomet, Inc. from February 2014 to July 2014. Mr. Deitsch was the Chief Financial Officer of Lanx, Inc. from September 2009 until it was acquired by Biomet in October 2013. From 2002 to 2009, Mr. Deitsch served in various senior financial leadership roles at Zimmer Holdings, Inc. (formerly NYSE: ZMH) and now part of Zimmer Biomet, Inc (NYSE: ZBH). Mr. Deitsch has been a director of Green Sun Medical, a privately held medical device company, since October 2017. Since 2022, Mr. Deitsch has served as a director of Aclarion, Inc. (NASDAQ: ACON), a healthcare technology company that is leveraging MR Spectroscopy, biomarkers, and augmented intelligence algorithms to improve the diagnosis and treatment of chronic low back pain. Mr. Deitsch holds a B.S. in Accounting from Ball State University and has an inactive CPA license.

Timothy J. Hanlon Director: Mr. Hanlon is the founder and Chief Executive Officer of the Chicago-based Vertere Group, LLC – a boutique strategic consulting and advisory firm focused on helping forward-leaning media companies, brands, entrepreneurs, and investors benefit from rapidly changing technological advances in marketing, media and consumer communications. Prior to forming Vertere in 2012, Mr. Hanlon created and led corporate ventures practices at marketing agency holding companies Publicis Groupe and Interpublic Group, overseeing 70+ early-stage investments and partnerships – including over two dozen successful M&A and IPO exits – with notable firms such as: PlutoTV (acquired by ViacomCBS); Data+Math (LiveRamp); Clypd (AT&T/Xandr); Sling Media (Echostar/Dish Network); Navic Networks (Microsoft); Brightcove (IPO); and Visible World (Comcast), among others. Previously, Mr. Hanlon was Senior Vice President/Director, Emerging Contacts for Publicis' iconic media agency Starcom MediaVest Group, where he was chiefly responsible for pioneering all US client activity and agency initiatives in the field of emerging media technologies – including the establishment of the firm's ground-breaking "TV 2.0 Practice," centered around evolutionary television platforms. Mr. Hanlon has over 25 years of extensive executive experience in traditional, digital and "emerging" media & marketing – and his insights into the future of media, advertising and marketing are regularly seen in major electronic, print and trade press outlets. Mr. Hanlon holds an MBA from the University of Chicago, Booth Graduate School of Business, and a BA from Georgetown University.

Thomas Birch, Director: Mr. Birch brings over 50 years of on-air, online, media, media research and media brokerage experience. Since 2005, Mr. Birch has been the owner and CEO of Lakes Media LLC, a six-station radio group operating in southern Virginia and northern North Carolina. In addition, since 2018 Mr. Birch has also been a Director of Media Services Group, one of the nation's largest brokers of radio stations, television stations, broadcast towers and other broadcast-related entities. Mr. Birch was the founder and CEO of Birch Research Corporation, a syndicated radio ratings and market research company. In 1987, Birch Research was acquired by Dutch publishing conglomerate VNU (now known as Nielsen). Following the sale, the company merged with VNU subsidiary Scarborough Research and was renamed Birch/Scarborough Research. Mr. Birch served as Chairman and CEO of the merged Birch/Scarborough entity until his departure in 1990. At its peak, Birch/Scarborough employed more than 1,200 people nationwide and maintained sales offices in New York, Chicago, Los Angeles, Atlanta, and Dallas and through its Canadian subsidiary Birch Radio/Canada, had offices in Toronto and Montreal. Mr. Birch was a Partner and Chief Financial Officer of Simmons Market Research Bureau from 2001 to 2003, where he significantly reduced operating expenses, increased operating profits and refinanced company debt which enabled the company to avoid bankruptcy and be positioned for acquisition in 2004 by Experian. From 1990 through 1999, Mr. Birch was owner and CEO of Opus Media Group, a radio group owner with stations operating in Florida, Georgia, Louisiana and Mississippi. Mr. Birch is a member of the National Association of Broadcasters Committee on Local Radio Audience Measurement (COLRAM) and continues to have a voice in the improvement of audience measurement metrics from Nielsen Audio and other research providers. Mr. Birch is a native of Binghamton, NY and holds a BS from the School of Industrial and Labor Relations at Cornell University.

Section 16(a) Beneficial Ownership Reporting Compliance

Following our IPO, Section 16(a) of the Exchange Act requires our directors, executive officers, and persons holding more than 10% of our common stock to report their initial ownership of the common stock and other equity securities and any changes in that ownership in reports that must be filed with the SEC. The SEC has designated specific deadlines for these reports, and we must identify in our Annual Report on Form 10-K those persons who did not file these reports when due.

Based solely on a review of reports furnished to us, or written representations from reporting persons, we believe all directors, executive officers, and 10% owners timely filed all reports regarding transactions in our securities required to be filed to date in 2022.

Election of Officers

Our executive officers are appointed by, and serve at the discretion of, our board of directors. There are no family relationships among any of our directors or executive officers.

Composition of the Board of Directors

Our board of directors currently consists of five members. Three of our directors are independent within the meaning of the independent director guidelines of the Nasdaq Stock Market.

Each director's term continues until the election and qualification of his successor, or his earlier death, resignation or removal. Our restated certificate of incorporation and restated bylaws authorize only our board of directors to fill vacancies on our board of directors.

Board Leadership Structure and Role in Risk Oversight

Our corporate governance guidelines provide that unless the board chair is an independent director, the board shall appoint a Lead Independent Director. The Lead Independent Director chairs the executive sessions of the independent directors, coordinates the activities of the other independent directors and performs such other duties as deemed necessary by the board from time to time. Because our Executive Chairman Dr. Thramann is not independent, the board has appointed Stephen Deitsch to serve as our Lead Independent Director.

Risk is inherent with every business, and how well a business manages risk can ultimately determine its success. We face a number of risks, including credit risk, interest rate risk, liquidity risk, operational risk, strategic risk and reputation risk. Management is responsible for the day-to-day management of risks we face, while the board, as a whole and through its committees, has responsibility for the oversight of risk management. In its risk oversight role, the board has the responsibility to satisfy itself that the risk management processes designed and implemented by management are adequate and functioning as designed. To do this, the board meets regularly with management to discuss strategy and the risks we face. In addition, the Audit Committee regularly monitors our enterprise risk, including financial risks, through reports from management. Senior management attends the board meetings and is available to address any questions or concerns raised by the board on risk management and any other matters. The Lead Independent Director and the independent board members work together to provide strong, independent oversight of our management and affairs through the board's standing committees and, when necessary, executive sessions of the independent directors.

Director Independence

Under the rules of Nasdaq, independent directors must comprise a majority of a listed company's board of directors within a specified period following the completion of its IPO. In addition, the rules of Nasdaq require that, subject to specified exceptions, each member of a listed company's audit, compensation and nominating and governance committees be independent. Under the rules of Nasdaq, a director will only qualify as an "independent director" if, in the opinion of that company's board of directors, that person does not have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

Audit committee members must also satisfy the independence criteria set forth in Rule 10A-3 under the Exchange Act. In order to be considered independent for purposes of Rule 10A-3, a member of an audit committee of a listed company may not, other than in his capacity as a member of the audit committee, the board of directors or any other board committee: (i) accept, directly or indirectly, any consulting, advisory or other compensatory fee from the listed company or any of its subsidiaries; or (ii) be an affiliated person of the listed company or any of its subsidiaries. We currently satisfy the audit committee independence requirements of Rule 10A-3. Additionally, compensation committee members must not have a relationship with us that is material to the director's ability to be independent from management in connection with the duties of a compensation committee member.

Our board of directors has undertaken a review of the independence of each director and considered whether each director has a material relationship with us that could compromise his ability to exercise independent judgment in carrying out his responsibilities. As a result of this review, our board of directors determined that all of our directors, except for Jeffrey Thramann and Michael Lawless, are "independent directors" as defined under the applicable rules and regulations of the Securities and Exchange Commission, or SEC, and the listing requirements and rules of Nasdaq. In making these determinations, our board of directors reviewed and discussed information provided by the directors and us with regard to each director's business and personal activities and relationships as they may relate to us and our management.

Committees of the Board of Directors

Our board of directors has an audit committee, a compensation committee and a nominating and governance committee, each of which have the composition and responsibilities described below. Each of the below committees has a written charter approved by our board of directors. Copies of each charter are posted on the investor relations section of our website. Members will serve on these committees until their resignation or until otherwise determined by our board of directors.

Audit Committee

Our audit committee is comprised of Stephen Deitsch, Thomas Birch, and Timothy J. Hanlon, with Stephen Deitsch as the chairman of our audit committee. The composition of our audit committee meets the requirements for independence under the current Nasdaq and SEC rules and regulations. Each member of our audit committee is financially literate. In addition, our board of directors has determined that Stephen Deitsch is an "audit committee financial expert" as defined in Item 407(d)(5)(ii) of Regulation S-K promulgated under the Securities Act. This designation does not impose on Mr. Deitsch any duties, obligations or liabilities that are greater than are generally imposed on members of our audit committee and our board of directors. Our audit committee is directly responsible for, among other things:

- selecting and hiring our independent registered public accounting firm;
- the qualifications, independence and performance of our registered public accounting firm;
- the preparation of the audit committee report to be included in our annual proxy statement;
- our compliance with legal and regulatory requirements;
- our accounting and financial reporting processes, including our financial statement audits and the integrity of our financial statements; and
- reviewing and approving related-person transactions.

Compensation Committee

Our compensation committee is comprised of Timothy J. Hanlon, Thomas Birch, and Stephen Deitsch, with Timothy J. Hanlon as the chairman of our compensation committee. Each member of our compensation committee is a non-employee director, as defined by Rule 16b-3 promulgated under the Exchange Act and meets the requirements for independence under the current Nasdaq listing standards and SEC rules and regulations. Our compensation committee is responsible for, among other things:

- evaluating, recommending, approving and reviewing executive officer compensation arrangements, plans, policies and programs;
- evaluating and recommending non-employee director compensation arrangements for determination by our board of directors;
- administering our cash-based and equity-based compensation plans; and
- overseeing our compliance with regulatory requirements associated with the compensation of directors, officers and employees.

Nominating and Governance Committee

Our nominating and governance committee is comprised of Thomas Birch, Stephen Deitsch, and Timothy J. Hanlon, with Thomas Birch as the chairman of our nominating and governance committee. Each member of our nominating and governance committee meets the requirements for independence under the current Nasdaq listing standards. Our nominating and governance committee is responsible for, among other things:

- identifying, considering and recommending candidates for membership on our board of directors;
- overseeing the process of evaluating the performance of our board of directors; and
- advising our board of directors on other corporate governance matters.

Consideration of Director Nominees

Director Qualifications

There are no specific minimum qualifications that the Board requires to be met by a director nominee recommended for a position on our board, nor are there any specific qualities or skills that are necessary for one or more members of our board to possess, other than as are necessary to meet the requirements of the rules and regulations applicable to us. The Nominating and Governance Committee considers a potential director candidate's experience, areas of expertise and other factors relative to the overall composition of our board and its committees, including the following characteristics: experience, judgment, commitment (including having sufficient time to devote to the Company), skills, diversity and expertise appropriate for the Company. In assessing potential directors, the Nominating and Governance Committee may consider the current needs of the board and the Company to maintain a balance of knowledge, experience and capability in various areas.

Stockholder Nominations

In accordance with our bylaws, a stockholder wishing to nominate a director for election at an annual meeting of stockholders must timely submit a written proposal of nomination to us at our executive offices. To be timely, a written proposal of nomination for an annual meeting of stockholders must be received at least 90 calendar days but no more than 120 calendar days before the first anniversary of the date on which we held our annual meeting of stockholders in the immediately preceding year; *provided, however*, that in the event that the date of the annual meeting is advanced or delayed more than 30 calendar days from the anniversary of the annual meeting of stockholders in the immediately preceding year, the written proposal must be received: (i) at least 90 calendar days but no more than 120 calendar days prior to the date of the annual meeting; or (ii) no more than 10 days after the date we first publicly announce the date of the annual meeting.

Each written proposal for a nominee must contain: (1) the name, age, business address and residence address of such nominee, (2) the principal occupation or employment of such nominee, (3) the class and number of shares of each class of capital stock of the Company which are owned of record and beneficially by such nominee, (4) the date or dates on which such shares were acquired and the investment intent of such acquisition, (5) a statement whether such nominee, if elected, intends to tender, promptly following such person's failure to receive the required vote for election or reelection at the next meeting at which such person would face election or re-election, an irrevocable resignation effective upon acceptance of such resignation by the board, and (6) such other information concerning such nominee as would be required to be disclosed in a proxy statement soliciting proxies for the election of such nominee as a director in an election contest (even if an election contest is not involved), or that is otherwise required to be disclosed pursuant to Section 14 of the 1934 Act and the rules and regulations promulgated thereunder (including such person's written consent to being named as a nominee and to serving as a director if elected).

A stockholder interested in submitting a nominee for election to the board should refer to our bylaws for additional requirements. Upon receipt of a written proposal of nomination meeting these requirements, the Nominating and Governance Committee of the Board will evaluate the nominee in accordance with its charter and the characteristics listed above.

Evaluating Nominees for Director

Our Nominating and Corporate Governance Committee considers director candidates that are suggested by members of the committee, other members of our Board, members of management, advisors and our stockholders who submit recommendations in accordance with the requirements set forth in our Bylaws, as described above. Our Board has in the past engaged a third-party search firm to identify potential candidates for consideration by the Nominating and Governance Committee and election to our Board. The Nominating and Corporate Governance Committee may, in the future, retain third-party search firms to identify Board candidates on terms and conditions acceptable to the Nominating and Corporate Governance Committee to assist in the process of identifying or evaluating director candidates. The Nominating and Corporate Governance Committee evaluates all nominees for director using the same approach whether they are recommended by stockholders or other sources. The Nominating and Corporate Governance Committee reviews candidates for director nominees in the context of the current composition of our Board and committees, the operating requirements of the Company and the long-term interests of our stockholders. In conducting this assessment, the Nominating and Corporate Governance Committee considers the director nominee's qualifications, diversity, skills and such other factors as it deems appropriate given the current needs of the Board, the committees and the Company, to maintain a balance of knowledge, experience, diversity and capability. In the case of incumbent directors whose terms of office are set to expire, the Nominating and Corporate Governance Committee reviews such directors' overall service to the Board, the committees and the Company during their term, including the number of meetings attended, level of participation, quality of performance and any other relationships and transactions that might impair such directors' independence. In the case of new director candidates, the Nominating and Corporate Governance Committee will also determine whether the nominee must be independent for Nasdaq purposes, which determination will be based upon applicable Nasdaq listing standards and applicable SEC rules and regulations. Although we do not have a formal diversity policy, when considering diversity in evaluating director nominees, the Nominating and Corporate Governance Committee focuses on whether the nominees can contribute varied perspectives, skills, experiences and expertise to the Board.

The Nominating and Corporate Governance Committee will evaluate the proposed director's candidacy, including proposed candidates recommended by stockholders, and recommend whether the Board should nominate the proposed director candidate for election by our stockholders.

Stockholder Communications with the Board

Any stockholder or interested party who desires to contact our board, or specific members of our board, may do so electronically by sending an email to our CFO at the following address: tackerman@audia.com. Alternatively, a stockholder may contact our board, or specific members of our board, by writing to: Audia Inc., 2100 Central Avenue, Suite 200, Boulder, Colorado 80301, Attn: CFO. All such communications will be initially received and processed by the office of our CFO. Communications concerning accounting, audit, internal accounting controls and other financial matters will be

referred to the Chair of the Audit Committee. Other matters will be referred to the board, the non-employee directors or individual directors, as appropriate.

The board has instructed the CFO to review all communications so received and to exercise his discretion not to forward to the board correspondence that is inappropriate such as business solicitations, frivolous communications and advertising, routine business matters and personal grievances. However, any director may at any time request the CFO to forward any and all communications received by the CFO but not forwarded to the directors.

Compensation Committee Interlocks and Insider Participation

None of the current members of our compensation committee has at any time been one of our officers or employees. None of our executive officers has served as a member of the board of directors, or as a member of the compensation or similar committee, of any entity that has one or more executive officers who served on our board of directors or compensation committee during the year ended December 31, 2022.

Code of Business Conduct and Ethics

Our board of directors has adopted a code of business conduct and ethics that applies to all of our employees, officers and directors, including our Chief Executive Officer and other executive and senior officers. The full text of our code of business conduct and ethics is posted on the investor relations section of our website. The reference to our website address in this Annual Report on Form 10-K does not include or incorporate by reference the information on our website into this Annual Report on Form 10-K. We intend to disclose future amendments to certain provisions of our code of business conduct and ethics, or waivers of these provisions, on our website or in public filings to the extent required by the applicable rules.

Number of Meetings

The board held a total of eight meetings in 2022. In 2022, our Audit Committee held five meetings, our Compensation Committee held five meetings, and our Nominating and Governance Committee held four meetings. Each director attended at least 75% of the aggregate of the total number of meetings of the board and the board committees on which he served.

Board Member Attendance at Annual Stockholder Meetings

Although we do not have a formal policy regarding director attendance at annual stockholder meetings, directors are encouraged to attend these annual meetings absent extenuating circumstances.

Non-Employee Director Compensation

Our non-employee directors began serving on our board following our February 2021 IPO. Our Executive Chairman, Dr. Thramann, and our President and Chief Executive Officer, Mr. Lawless, do not receive compensation for their services as a director.

Our board of directors approved the following compensation for our non-employee directors in 2022. Our non-employee directors will receive annual cash compensation of (i) \$25,000 for service on the board (ii) \$20,000 for service as the Audit Committee chair, (iii) \$10,000 for Compensation Committee chair, and (iv) \$10,000 for Nominating and Governance Committee chair. All cash payments will be made quarterly in arrears, and pro-rated for any partial quarters of service.

The following Director Compensation Table summarizes the compensation of each of our non-employee directors for services rendered to us during the year ended December 31, 2022:

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)(1)	Option Awards (\$)(2)	All Other Compensation (\$)	Total (\$)
Stephen Deitsch	45,000	—	—	—	45,000
Timothy J. Hanlon	35,000	—	—	—	35,000
Thomas Birch	35,000	—	—	—	35,000

Item 11. Executive Compensation

Executive Compensation Overview

As an “emerging growth company,” we have opted to comply with the executive compensation disclosure rules applicable to “smaller reporting companies,” as such term is defined in the rules promulgated under the Securities Act.

This section provides an overview of the compensation awarded to, earned by, or paid to each individual who served as our principal executive officer during our fiscal year 2022, and our next two most highly compensated executive officers in respect of their service to our company for fiscal year 2022. Our named executive officers, or the Named Executive Officers, for the year ended December 31, 2022, are:

- Jeffrey Thramann, our Executive Chairman;
- Michael Lawless, our Chief Executive Officer; and
- Peter Shoebridge, our Chief Technical Officer

Summary Compensation Table Year Ended December 31, 2022

The following table contains information about the compensation paid to or earned by each of our Named Executive Officers during the two most recently completed fiscal years.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)(2)	Stock Awards (\$)(3)	Option Awards (\$)(3)	All Other Compensation (\$)	Total (\$)
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Jeffrey Thramann	2022	300,000(1)	-0-	425,513	-0-	-0-	725,513
Executive Chairman	2021	255,200(1)	-0-	418,500	-0-	-0-	718,500
Michael Lawless	2022	260,000	-0-	-0-	271,746	-0-	531,746
Chief Executive Officer	2021	260,000	-0-	-0-	801,452	-0-	1,061,452
Peter Shoebridge	2022	225,000	-0-	-0-	101,828	-0-	326,828
Chief Technology Officer	2021	225,000	-0-	-0-	474,602	-0-	699,602

- (1) Beginning after the Company's IPO, Dr. Thramann earns an annual salary of \$300,000.
- (2) The "Bonus" column represents discretionary bonuses earned pursuant to our annual incentive bonus program. Each of Dr. Thramann, Mr. Lawless and Mr. Shoebridge is each eligible to receive a bonus based on the achievement of certain business goals set by our Board on an annual basis. The maximum bonus opportunity for each of Messrs. Thramann, Lawless and Shoebridge, expressed as a percentage of their base salary, is 50%. As of the filing date of this Annual Report, the Company has not approved or paid any annual cash bonuses for the 2022 year.
- (3) Represents the grant date fair value of RSU and stock option awards computed in accordance with FASB ASC Topic 718, excluding the effect of estimated forfeitures. For information regarding assumptions underlying the valuation of equity awards, see Note 8 to our consolidated financial statements included in this Annual Report on Form 10-K.

Outstanding Equity Awards at December 31, 2022

The following table sets forth information regarding outstanding equity awards held by our Named Executive Officers as of December 31, 2022.

Name	Grant Date	Option Awards(1)				Stock Awards(1)(2)	
		Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units That Have Not Vested (\$)(4)(3)
Dr. Jeffrey Thramann	8/11/2021(4)	—	—	—	—	75,000	72,000
	2/16/2022(5)	—	—	—	—	150,000	144,000
	12/9/2022(6)	—	—	—	—	132,983	127,664
Michael Lawless	8/15/2019(7)	74,635	5,871	4.26	8/15/2029	—	—
	8/11/2021(8)	75,000	75,000	2.79	8/11/2031	—	—
	9/8/2022(9)	141,491	141,492	1.21	9/8/2032	—	—
Peter Shoebridge	8/15/2019(7)	25,408	1,999	4.26	8/15/2029	—	—
	8/11/2021(8)	75,000	75,000	2.79	8/11/2031	—	—
	9/8/2022(9)	53,201	53,202	1.21	9/8/2032	—	—

- (1) Each equity award is subject to the terms of our 2021 or 2013 Equity Incentive Plan.
- (2) All RSUs are settled, and shares delivered on the vesting date. Accordingly, there are no vested RSUs that remain outstanding.
- (3) Based on the closing price of a share of the Company's common stock on the Nasdaq Capital Market of \$0.96 on December 30, 2022.
- (4) Represents RSU awards that vest 50% on February 16, 2022, 25% on February 16, 2023, and 25% on February 16, 2024.
- (5) Represents RSU awards that vest 33% on February 16, 2023, 33% on February 16, 2024, and 34% on February 16, 2025.
- (6) Represents RSU awards that vest 100% on February 16, 2023.
- (7) 2019 grant represents option awards that vest 50% on August 15, 2019, grant date. The remaining portion of the option vests equally over 48 months.
- (8) 2021 grant represents option awards that vest 50% on August 12, 2022, 25% on February 16, 2023, and 25% on February 16, 2024.
- (9) 2022 grant represents option awards that vest 50% on the September 8, 2022, grant date. The remaining portion of the option vests in two equal installments on February 16, 2023, and February 16, 2024.

Employment Arrangement with Dr. Thramann

Commencing after our February 2021 IPO, Dr. Thramann earns an annual salary of \$300,000 for his service as our Executive Chairman.

Employment Agreement with Mr. Lawless

On October 13, 2021, we entered into an employment agreement with Mr. Lawless, which supersedes and replaces a prior employment agreement dated February 6, 2012. The employment agreement provides for an initial annual base salary of \$260,000 as well as an entitlement to an annual

incentive bonus, upon certain conditions, in an amount determined by our board of directors. The target annual bonus for Mr. Lawless, expressed as a percentage of base salary, is 50%.

If the Company terminates Mr. Lawless's employment without cause or Mr. Lawless terminates for good reason, he is entitled to receive nine months of base salary, (ii) up to nine months of paid health insurance under COBRA, and (iii) any earned but unpaid bonus for a prior completed fiscal year. In addition, in the event of a change of control and a subsequent termination of Mr. Lawless' employment without cause, the Company will accelerate the vesting of all of unvested stock options as of the later of the effective date of the change in control and the last day of service.

Employment Agreement with Mr. Shoebridge

On October 13, 2021, we entered into an employment agreement with Mr. Shoebridge, which supersedes and replaces a prior employment agreement dated April 1, 2014. The employment agreement provides for an initial annual base salary of \$225,000 as well as an entitlement to an annual incentive bonus, upon certain conditions, in an amount determined by our board of directors. The target annual bonus for Mr. Shoebridge, expressed as a percentage of base salary, is 50%.

If the Company terminates Mr. Shoebridge's employment without cause or Mr. Shoebridge terminates for good reason, he is entitled to receive nine months of base salary, (ii) up to nine months of paid health insurance under COBRA, and (iii) any earned but unpaid bonus for a prior completed fiscal year. In addition, in the event of a change of control and a subsequent termination of Mr. Shoebridge's employment without cause, the Company will accelerate the vesting of all of unvested stock options as of the later of the effective date of the change in control and the last day of service.

Employment Agreement with Mr. Ackerman

Effective February 6, 2023, we entered into an employment agreement with Mr. Ackerman. The employment agreement provides for an initial annual base salary of \$225,000 as well as an entitlement to an annual incentive bonus, upon certain conditions, in an amount determined by our board of directors. The target annual bonus for Mr. Ackerman, expressed as a percentage of base salary, is 50%.

In connection with Mr. Ackerman's employment, he was granted (i) an inducement stock option to purchase an aggregate of 150,200 shares of Auddia common stock, and (ii) 37,500 restricted stock units for Auddia common stock. These stock options and RSUs were agreed to and granted as an inducement material to Mr. Ackerman entering into employment with Auddia in accordance with Nasdaq Listing Rule 5635(c)(4).

If the Company terminates Mr. Ackerman's employment without cause or Mr. Ackerman terminates for good reason, he is entitled to receive six months of base salary, (ii) up to six months of paid health insurance under COBRA, and (iii) any earned but unpaid bonus for a prior completed fiscal year. In addition, in the event of a change of control and a subsequent termination of Mr. Ackerman's employment without cause, the Company will accelerate the vesting of all of unvested stock options and RSUs as of the later of the effective date of the change in control and the last day of service.

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

The following table sets forth information regarding the beneficial ownership of our common stock as of March 10, 2023, by (i) each person who beneficially owned more than 5% of our outstanding shares of common stock, (ii) each director, (iii) each Named Executive Officer and (iv) all of our directors and executive officers as a group. Unless otherwise indicated, the address of each executive officer and director is c/o Auddia, 2100 Central Avenue, Suite 200, Boulder, CO 80301.

The number of shares of common stock "beneficially owned" by each stockholder is determined under rules issued by the SEC regarding the beneficial ownership of securities. This information is not necessarily indicative of beneficial ownership for any other purpose. Under these rules, beneficial ownership of shares of our common stock includes (1) any shares as to which the person or entity has sole or shared voting power or investment power, and (2) any shares as to which the person or entity has the right to acquire beneficial ownership within 60 days after March 10, 2023.

The calculations set forth below are based upon 12,850,709 shares of common stock outstanding at March 10, 2023.

Unless otherwise indicated below, and subject to community property laws where applicable, to our knowledge, all persons named in the table have sole voting and investment power with respect to their shares of common stock.

Name of Beneficial Owner	Number of Shares Beneficially Owned	Percentage of Shares Beneficially Owned
5% Stockholders:		
Jeffrey Thramann (1)	2,022,719	15.58%
Richard Minicozzi (2)	2,112,945	15.99%
Executive Officers and Directors:		
Michael Lawless (3)	435,130	3.28%
Peter Shoebridge (4)	235,042	1.80%
Stephen Deitsch (5)	32,024	0.25%
Timothy J. Hanlon (5)	32,024	0.25%
Thomas Birch (5)	32,024	0.25%
All directors and executive officers as a group (7 persons)	2,798,338	20.52%

(1) Dr. Thramann is also a director of the Company. Includes (i) 1,888,583 shares of common stock, and (ii) 134,136 shares underlying outstanding common stock warrants. Does not include (i) 969,000 shares of common stock underlying Series A warrants (which warrants are not currently exercisable by Dr. Thramann due to the operation of a 4.99% beneficial ownership exercise restriction contained in such warrants), and (ii) 138,000 shares underlying currently unvested RSUs granted under our 2021 equity incentive plan.

(2) Includes (i) 1,750,450 shares of common stock, and (ii) 362,495 shares underlying outstanding common stock warrants. Does not include any shares relating to the conversion feature contained in the senior secured bridge note held by Mr. Minicozzi because such conversion feature will not be exercisable within 60 days of March 10, 2023.

(3) Includes (i) 18,501 shares of common stock, and (ii) 416,629 shares of common stock underlying stock options exercisable within 60 days of March 10, 2023. Does not include 144,008 of unvested options granted under our equity incentive plans.

(4) Includes 235,042 shares of common stock underlying stock options exercisable within 60 days of March 10, 2023. Does not include 102,458 of unvested options granted under our equity incentive plans.

(5) Includes 32,024 shares of common stock. Does not include 45,750 shares underlying currently unvested RSUs granted under our 2021 equity incentive plan.

Securities Authorized for Issuance under Equity Compensation Plans

The following table provides certain information as of December 31, 2022, with respect to all of our equity compensation plans in effect on that date:

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
Equity Compensation Plans Approved by Stockholders (1)	1,903,281	1.74	511,056
Equity Compensation Plans Not Approved by Stockholders	—	—	—
Total	1,903,281	1.74	

(1) Consists of stock options granted under the Clip Interactive, LLC 2013 Equity Incentive Plan, as amended and the Auddia Inc. 2021 Equity Incentive Plan, as amended. We ceased granting awards under the 2013 Plan upon the implementation of the 2021 Plan described below.

The Company's 2021 Equity Incentive Plan became effective upon the completion of the IPO in February 2021 and serves as the successor equity incentive plan to the 2013 Plan.

The 2021 Equity Incentive Plan contains an "evergreen" provision, pursuant to which the number of shares of common stock reserved for issuance pursuant to awards under such plan shall be increased on the first day of each year beginning in 2022 and ending in 2030 equal to the lesser of (a) five percent (5%) of the shares of stock outstanding (on an as converted basis) on the last day of the immediately preceding fiscal year and (b) such smaller number of shares of stock as determined by our board of directors. On January 1, 2022 and 2023, the Company had an additional 620,820 and 632,747 shares added to the 2021 Equity Incentive Plan, respectively, pursuant to the evergreen provision.

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

The following is a description of transactions or series of transactions since January 1, 2021, to which we were or will be a party, in which:

- the amount involved in the transaction exceeds, or will exceed, \$120,000; and
- in which any of our executive officers, directors or holder of five percent or more of any class of our capital stock, including their immediate family members or affiliated entities, had or will have a direct or indirect material interest.

Compensation arrangements for our named executive officers, executive officers and our directors are described elsewhere in this Annual Report under "Director Compensation" and "Executive Compensation."

The Company previously had a line of credit with a bank. Prior to the Company's IPO, the available principal balance under the line of credit was \$6,000,000. The line of credit was collateralized by all assets of the Company as well as certain cash assets of two shareholders in control accounts at the lender, Richard Minicozzi, who is a significant stockholder of the Company, and Jeffrey Thramann, our Executive Chairman. Mr. Minicozzi's control account had a balance of \$2,000,000 and Dr. Thramann's control account had a balance of \$4,000,000. Dr. Thramann also personally guaranteed the full amount of the loan. The outstanding balance on the line of credit at December 31, 2020 was \$6,000,000. Following the closing of our IPO, the Company used \$4,000,000 of the proceeds to repay \$4,000,000 to the bank. The maximum outstanding amount of the line of credit was then reduced to \$2,000,000. The bank released the control accounts of Mr. Minicozzi and Dr. Thramann. Dr. Thramann no longer personally guarantees the line of credit. In July 2021, we paid the remaining outstanding \$2.0 million out of our restricted cash and terminated our line of credit.

The fees paid by the Company to Mr. Minicozzi on the \$2,000,000 collateral arrangement were 33% percent of the collateral amount annually, plus there is an annual renewal fee of \$50,000 and a \$15,000 delayed payment fee for the first year in addition to warrants to purchase 300,000 shares of LLC common units due annually with \$867,398 and \$843,817 being recorded as interest expense for the years ended December 31, 2019 and 2018, respectively. During 2018 a partial payment was made on the accruing collateral fees due of \$364,944. Subsequently in 2018, the shareholder subscribed to purchase 4,530,861 LLC common units for \$0.023 per share for a total of \$104,210 which was offset against the interest due on the collateral arrangement. The balance outstanding on the collateral at December 31, 2019 and 2018 was \$1,017,938 and \$875,540, respectively. In connection with our IPO, all unpaid amounts owed to Mr. Minicozzi were converted at a discount to the per share IPO price into shares of common stock. Following the closing of our IPO, the collateral arrangement with Mr. Minicozzi was terminated.

During 2017 and 2018, the Company entered into notes payable (the "Notes") with Dr. Thramann for \$330,000 and \$100,000, respectively, \$60,000 of the \$100,000 was repaid in 2018. The Notes did not accrue interest and did not have a stated maturity date. The Notes were expected to be repaid as cash flow permitted. During 2018, the Notes, with an outstanding balance of \$370,000, were converted into 3,217,065 Series C LLC preferred units at \$0.115 per unit.

In October 2019, Dr. Thramann obtained \$400,000 of short term financing from an unrelated lender. Dr. Thramann then agreed to make the proceeds of that short term financing available to the Company. In exchange, the Company assumed responsibility for all payments and charges (including principal, interest and fees) required under such short term financing. Under the agreement, the Company was advanced \$200,000 net of \$12,000 in closing fees and the remaining \$200,000 was put into an escrow account. A \$100,000 loan financing fee is also due at maturity. On December 2019, the Company made a principal payment of \$57,000. The remaining \$243,000 of principal and loan financing fees was paid on January 30, 2020.

In February 2020, Dr. Thramann obtained a new \$500,000 short term financing from the same unrelated lender. Dr. Thramann then agreed to make the proceeds of that short term financing available to the Company. In exchange, the Company assumed responsibility for all payments and charges (including principal, interest and fees) required under such short term financing. Under the agreement, the Company was advanced \$485,000 net of \$15,000 in closing fees and immediately put \$140,741 into an escrow account. Repayment of the principal and loan financing fee occurs through weekly payments of \$17,593 until the loan and financing fee is paid in full. The loan financing fee increases with the length of the payback period and is maximized at \$165,000 after month five. The loan was repaid in full following the IPO.

Dr. Thramann purchased 969,000 IPO units in our IPO at the per unit public offering price of \$4.125.

Due to liquidity constraints, most of Dr. Thramann's salary payments for 2020 and prior years were deferred. He was only paid cash compensation of \$19,760 in 2020 while 145,240 was deferred. The total deferred amount owed to Dr. Thramann from 2020 and prior years was approximately \$661,000 at the time of our February 2021 IPO and was included in our financial statements as a portion of "Accrued fees to a related party". The Company paid this deferred compensation in early 2021.

Dr. Thramann has participated as an investor in multiple private placements of the Company's securities. The terms of Dr. Thramann's participation in these private placements were the same as were made available to other investors participating in these transactions. During 2020, Dr. Thramann purchased an aggregate of \$36,149 of our convertible notes. As described in Note 5 to our financial statements, these convertible notes converted into shares of common stock in connection with our February 2021 IPO.

On November 14, 2022, we entered into a secured bridge note financing with Richard Minicozzi, who is a significant existing stockholder of the Company. The Company received \$2,000,000 of gross proceeds in connection with this financing. The principal amount of the secured note is \$2,200,000. The secured note has a 10% interest rate and matures on May 31, 2023. The secured note is secured by a lien on substantially all of the Company's assets. At maturity, Mr. Minicozzi has the option to convert any original issue discount and accrued but unpaid interest into shares of the Company's common stock. The fixed conversion price is \$1.23 per share. In connection with the secured note financing, the Company issued Mr. Minicozzi 300,000 common stock warrants with a five-year term and a fixed \$2.10 per share exercise price.

The Company has the option to extend the maturity date of the secured notes by six months to November 30, 2023. In the event of an extension, the interest rate on the secured note will increase to 20% and the Company will issue an additional 300,000 warrants.

Mr. Minicozzi will not be able to receive shares upon conversion or exercise, unless prior stockholder approval is obtained, if the number of shares to be issued to the investor, when aggregated with all other shares of common stock then owned by the investor beneficially or deemed beneficially owned by the investor, would (i) result in the investor owning more than the Beneficial Ownership Limitation (as defined below), as determined in accordance with Section 13 of the Securities Exchange Act of 1934 or (ii) otherwise constitute a Change of Control within the meaning of Nasdaq Rule 5635(b). The "Beneficial Ownership Limitation" shall be 19.99% of the number of shares of the common stock outstanding immediately prior to the proposed issuance of shares of common stock.

Item 14. Principal Accountant Fees and Services

The firm of Daszkal Bolton LLP, independent registered public accounting firm, has been selected by the audit committee as auditors for Auddia for the fiscal years ending December 31, 2022, and December 31, 2021. Daszkal Bolton LLP has served as the independent registered public accounting firm for Auddia since 2020.

The audit committee is solely responsible for selecting Auddia's independent registered public accounting firm and has appointed Daszkal Bolton LLP as auditors for Auddia for the fiscal year ending December 31, 2022. Stockholder approval is not required to appoint Daszkal Bolton LLP as Auddia's independent registered public accounting firm.

Independent Registered Public Accounting Firm Fees

The following is a summary and description of fees incurred by Daszkal Bolton LLP for the fiscal year ended December 31, 2022, and 2021:

	2022	2021
Audit fees (1)	\$ 102,500	\$ 127,000
Tax fees	—	—
All other fees (2)	—	28,160
Total fees	\$ 102,500	\$ 155,160

(1) Audit fees consist of fees for the audit of our annual financial statements and the review of our interim financial statements.

(2) Consists of services provided in connection with the registration statement for the IPO of our common stock, which was completed in February 2021.

Audit Committee Pre-approval Policy and Procedures

Our audit committee has adopted policies and procedures relating to the approval of all audit and non-audit services that are to be performed by our independent registered public accounting firm. This policy provides that we will not engage our independent registered public accounting firm to render audit or non-audit services unless the service is specifically approved in advance by our audit committee or the engagement is entered into pursuant to the pre-approval procedure described below.

From time to time, our audit committee may pre-approve specified types of services that are expected to be provided to us by our independent registered public accounting firm during the next 12 months. Any such pre-approval details the particular service or type of services to be provided and is also generally subject to a maximum dollar amount.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) 1. Financial Statements

For a list of the financial statements included herein, see Index to the Financial Statements on page 37 of this Annual Report, incorporated into this Item by reference.

2. Financial Statement Schedules

Financial statement schedules have been omitted because they are either not required or not applicable or the information is included in the financial statements or the notes thereto.

3. Exhibits

The exhibits required by Item 601 of Regulation S-K and Item 15(b) of this Annual Report are listed in the Exhibit Index below. The exhibits listed in the Exhibit Index are incorporated by reference herein.

Exhibit Number	Description of Document	Incorporated by reference from Form	Filing Date	Exhibit Number	Filed Herewith
2.2	Form of Plan of Conversion	8-K	02-22-2021	2.1	
3.1	Certificate of Incorporation of the Company	8-K	02-22-2021	3.1	
3.2	Bylaws of the Company	8-K	02-22-2021	3.2	
3.3	Form of Warrant after Conversion from an LLC to a Corporation	S-1/A	01-28-2020	3.5	
3.4	Form of Series A Warrant	S-1/A	02-05-2021	3.6	
4.1	Form of Common Stock Certificate	S-1/A	10-08-2020	4.1	
4.2	Form of Representative's Common Stock Purchase Warrant	8-K	02-22-2021	4.1	
4.3	Description of Securities	10-K	03-31-2021	4.3	
10.1	# Employment Agreement of Michael T. Lawless	S-1	01-10-2020	10.1	
10.2	# Employment Agreement of Peter Shoebridge	S-1	01-10-2020	10.2	
10.3	# Form of Auddia Inc. 2020 Equity Incentive Plan	S-1/A	10-22-2020	10.3	
10.4	Collateral and Security Agreement with Related Party (Minicozzi)	S-1/A	01-28-2020	10.4	
10.5	Form of Amendment to Collateral and Security Agreement with Related Party	S-1/A	10-08-2020	10.5	
10.6	Form of Convertible Promissory Note	S-1/A	01-28-2020	10.6	
10.7	Business Loan Agreement and Guaranty of Related Party with Bank of the West	S-1/A	01-28-2020	10.7	
10.8	** Agreement with Major United States Broadcast Company	S-1/A	01-28-2020	10.8	
10.9	Form of Bridge Note	S-1/A	10-22-2020	10.9	
10.10	Form of Warrant Agent Agreement	S-1/A	02-05-2021	10.10	
10.11	Amendment to Bridge Note	S-1/A	10-22-2020	10.14	
10.12	Amended Business Loan Agreement with Bank of the West	10-K	03-31-2021	10.15	
10.13	# First Amendment to 2020 Equity Incentive Plan	S-8	08-10-2021	99.2	
10.14	# Form of Stock Option Grant Notice and Stock Option Agreement under 2020 Equity Incentive Plan	S-8	08-10-2021	99.3	

Exhibit Number	Description of Document	Incorporated by reference from Form	Filing Date	Exhibit Number	Filed Herewith
10.15	# Form of Restricted Stock Unit Grant Notice and Restricted Stock Unit Award Agreement under 2020 Equity Incentive Plan	S-8	08-10-2021	99.4	
10.16	# Form of Inducement Stock Option Grant Notice and Inducement Stock Option Agreement	S-8	08-10-2021	99.5	
10.17	# Clip Interactive, LLC 2013 Equity Incentive Plan	S-8	08-10-2021	99.6	
10.18	# Form of Stock Option Grant Notice and Stock Option Agreement under 2013 Equity Incentive Plan	S-8	08-10-2021	99.7	
10.19	# Executive Officer Employment Agreement for Michael Lawless dated October 13, 2021	8-K	10-15-2021	10.1	
10.20	# Executive Officer Employment Agreement for Peter Shoebridge dated October 13, 2021	8-K	10-15-2021	10.2	
10.21	# Executive Officer Employment Agreement for Brian Hoff dated October 13, 2021	8-K	10-15-2021	10.3	
10.22	# Executive Officer Employment Agreement for Timothy Ackerman effective as of February 6, 2023	8-K	02-16-2023	10.1	
10.23	Secured Promissory Bridge Note dated November 14, 2022	8-K	11-14-2022	10.1	
10.24	Common Stock Warrant dated November 14, 2022	8-K	11-14-2022	10.2	
10.25	Security Agreement dated November 14, 2022	8-K	11-14-2022	10.3	
10.26	Common Stock Purchase Agreement, dated November 14, 2022, by and between Auddia Inc. and White Lion Capital LLC	8-K	11-14-2022	10.4	
23.1	Consent of Daszkal Bolton LLP, Independent Registered Public Accounting Firm				X
24.1	Power of Attorney (Included on Signature Page)				
31.1	Section 302 Certification by the Corporation's Chief Executive Officer				X
31.2	Section 302 Certification by the Corporation's Chief Financial Officer				X
32.1	Section 906 Certification by the Corporation's Chief Executive Officer				X
32.2	Section 906 Certification by the Corporation's Chief Financial Officer				X
101.INS	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)				
101.SCH	Inline XBRL Taxonomy Extension Schema Document				
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document				
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document				
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document				
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document				
104	Cover Page Interactive Data File (formatted in IXBRL, and included in exhibit 101).				

Indicates management contract or compensatory plan.

** Certain information contained in this Exhibit has been redacted and appears as "XXXXX" as the disclosure of same would be a disadvantage to the Registrant in the marketplace

Item 16. Form 10-K Summary

The Company has elected not to include summary information.

SIGNATURES

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

AUDDIA INC.

By: /s/ Michael Lawless

Michael Lawless
President, Chief Executive Officer and Director

By: /s/ Tim Ackerman

Tim Ackerman
Chief Financial Officer

Date: March 23, 2023

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose individual signature appears below hereby authorizes and appoints each of Michael Lawless and Tim Ackerman, with full power of substitution and re-substitution and full power to act without the other, as his or her true and lawful attorney-in-fact and agent to act in his or her name, place and stead and to execute in the name and on behalf of each person, individually and in each capacity stated below, and to file any and all amendments to this annual 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, ratifying and confirming all that said attorneys-in-fact and agents or any of them or their or his substitute or substitutes may lawfully do or cause to be done by virtue thereof.

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 and in the capacities indicated on the 23rd day of March, 2023.

/s/ Jeffery Thamann, M.D.
Jeffrey Thramann, M.D.

Executive Chairman and Director

/s/ Michael Lawless
Michael Lawless

President, Chief Executive Officer and Director
(Principal Executive Officer)

/s/ Tim Ackerman
Tim Ackerman

Chief Financial Officer
(Principal Financial and Accounting Officer)

/s/ Stephen Deitsch
Stephen Deitsch

Director

/s/ Timothy Hanlon
Timothy Hanlon

Director

/s/ Thomas Birch
Thomas Birch

Director

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Auddia Inc.
Boulder, Colorado

Auddia Inc.
Boulder, Colorado

We hereby consent to the incorporation by reference in the Registration Statements on Form S-1/A (File no. 333-235891), Form S-8 (File no. 333-258673) and (Form S-3 (File no. 333-264227), of Auddia Inc., of our report dated March 20, 2023 relating to the financial statements at and for the years ended December 31, 2022 and 2021, which appear in this Annual Report on Form 10-K.

Our report contains an explanatory paragraph regarding the Company's ability to continue as a going concern.

/s/ Daszkal Bolton, LLP

Jupiter, Florida
March 20, 2023

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO RULES 13a-14(a) OR 15D-14(a)
UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, Michael Lawless, certify that:

1. I have reviewed this Annual Report on Form 10-K of Auddia Inc. for the year ended December 31, 2022.
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 subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) (Paragraph omitted pursuant to SEC Release Nos. 33-8238/34-47986 and 33-8392/34-49313);
 - 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.
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.

March 23, 2023

/s/ Michael Lawless
Michael Lawless
Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO RULES 13a-14(a) OR 15D-14(a)
UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, Timothy Ackerman, certify that:

1. I have reviewed this Annual Report on Form 10-K of Auddia Inc. for the year ended December 31, 2022.
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 subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) (Paragraph omitted pursuant to SEC Release Nos. 33-8238/34-47986 and 33-8392/34-49313);
 - 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.
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.

March 23, 2023

/s/ Timothy Ackerman
Timothy Ackerman
Chief Financial Officer
(Principal Financial Officer)

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

In connection with the Annual Report of Auddia Inc. (the "Company") on Form 10-K, for the year ended December 31, 2022 as filed with the Securities and Exchange Commission, I, Michael Lawless, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (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.

March 23, 2023

/s/ Michael Lawless
Michael Lawless
Chief Executive Officer
(Principal Executive Officer)

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

In connection with the Annual Report of Auddia Inc. (the "Company") on Form 10-K, for the year ended December 31, 2022 as filed with the Securities and Exchange Commission, I, Timothy Ackerman, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (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.

March 23, 2023

/s/ Timothy Ackerman
Timothy Ackerman
Chief Financial Officer
(Principal Financial and Accounting Officer)